AustralianSuper

Financial statements

For the year ended 30 June 2012

Table of contents

	Page
Statement of financial position	3
Operating statement	4
Statement of cash flows	5
Notes to the financial statements	6
Trustee statement	33
Auditor's report	34

AustralianSuper
Statement of financial position
As at 30 June 2012

	Notes	2012 $'000	2011 $'000
Assets			
Investments			
Listed equities - Australian		13,966,915	14,762,007
Listed equities - International		8,552,434	8,954,557
Private equity		1,749,079	1,679,757
Global bonds		6,742,798	4,346,956
Property		4,546,296	4,173,677
Infrastructure		5,036,513	4,973,593
Capital guaranteed		1,249,298	747,198
Absolute return strategies		44,960	51,374
Cash		4,714,854	3,121,807
Derivative assets		249,450	293,391
Derivative liabilities		(78,892)	(18,896)
	9	**46,773,705**	**43,085,421**
Other assets			
Cash at bank	8(b)	72,189	74,366
Receivables		14,350	11,531
Deferred tax assets	7(c)	329,466	125,446
Total assets		**47,189,710**	**43,296,764**
Liabilities			
Benefits payable		21,092	24,858
Accounts payable		69,252	61,522
Current tax liabilities		212,562	191,969
Total liabilities		**302,906**	**278,349**
Net assets available to pay benefits		**46,886,804**	**43,018,415**
Represented by:			
Liability for accrued benefits	3		
Members' funds		46,712,904	42,878,801
Reserves		173,900	139,614
Liability for accrued benefits		**46,886,804**	**43,018,415**

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

	Notes	2012 $'000	2011 $'000
Net revenue - investments			
Dividends and distributions		1,311,909	1,375,769
Interest		420,594	251,400
Other investment income		14,829	14,220
Changes in net market value of investments	6	(1,236,403)	1,856,562
Master custodian and investment manager fees		(106,195)	(82,245)
Direct investment expenses		(18,573)	(14,758)
Total net revenue - investments		**386,161**	**3,400,948**
Revenue - contributions			
Employer		4,480,744	3,460,813
Member		479,252	469,924
Transfers from superannuation funds - accumulation	14	2,185,624	5,845,963
Transfers from superannuation funds - pension	14	859,338	871,777
Total revenue - contributions		**8,004,958**	**10,648,477**
Revenue - other			
Insurance claims receipts		151,919	121,483
Sundry income		13,892	14,667
Interest on cash at bank		410	340
Total revenue - other		**166,221**	**136,490**
Total revenue from ordinary activities		**8,557,340**	**14,185,915**
Insurance expense		(302,053)	(240,783)
General administration expenses			
Trustee services fee	11(a)	(172,155)	(139,299)
Superannuation contributions surcharge		(27)	(52)
Total expenses from ordinary activities		**(474,235)**	**(380,134)**
Benefits accrued as a result of operations before income tax		**8,083,105**	**13,805,781**
Less income tax expense	7	(423,716)	(579,759)
Benefits accrued as a result of operations after income tax		**7,659,389**	**13,226,022**

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

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Contributions and transfers received		8,004,958	6,341,279
Interest on cash at bank received		410	340
Insurance claims received from insurer		151,919	121,483
Other income		13,892	14,638
Insurance premiums paid to insurer		(34,797)	(26,171)
Trustee fee and administration expenses paid		-	(362)
Surcharge expense paid		(17)	(21)
Benefits paid		(3,794,766)	(2,862,728)
Income tax paid		(607,143)	(464,563)
Net cash provided by operating activities	8(a)	**3,734,456**	**3,123,895**
Cash flows from investing activities			
Investment		(3,861,401)	(3,209,891)
Redemption		124,768	97,003
Net cash used in investing activities		**(3,736,633)**	**(3,112,888)**
Net increase / (decrease) in cash at bank held		**(2,177)**	**11,007**
Cash at bank - beginning of year		**74,366**	**63,359**
Cash at bank - end of year	8(b)	**72,189**	**74,366**

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

1 General information

AustralianSuper (the "Fund") is a superannuation fund domiciled in Australia. The Fund is constituted by a Trust Deed dated 13 December 1985, as amended, which established the Fund with effect from 1 August 1985 and provides retirement benefits to its members. The Fund is a public offer fund and comprises an accumulation division, corporate division (including defined benefit sub-plans) and a pension division.

The trustee of the Fund is AustralianSuper Pty Ltd (the "Trustee") and the registered office is 33/50 Lonsdale Street, Melbourne, Victoria

The financial statements were approved by the Board of Directors of the Trustee on 30 October 2012.

The Fund accepts contributions from employers. In relation to defined benefit members, the contribution rate is the rate agreed by the actuary and the employer. Members may also make voluntary pre and post tax contributions. The Fund also receives transfers in.

2 Summary of significant accounting policies

(a) Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standard AAS 25, other applicable Accounting Standards, and the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations. The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated these policies are consistent with those applied in the previous year.

The financial statements are presented in Australian Dollars which is the functional currency of the Fund.

All values are rounded to the nearest $'000 except where otherwise indicated.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board. Certain requirements of AAS 25 however differ from the equivalent requirements that would be applied under IFRS.

The financial statements have been prepared on a net market value basis, being the amount which could be expected to be received from the disposal of an asset in an orderly market less disposal costs. Net market value is considered a reasonable approximation of fair value.

(b) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the making of some estimates and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. Actual results may differ from those estimates.

Estimates are continually evaluated. Estimates are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 2(i) and Note 3 accrued benefits
- Note 2(d)*(iii)* non-market quoted investments.

(c) Cash and cash at bank

Cash and cash at bank include deposits held at call with financial institutions and other short term liquid investments.

2 Summary of significant accounting policies (continued)

(c) Cash and cash at bank (continued)

For the purposes of the statement of cash flows, cash includes cash at bank and excludes cash held within the investment portfolios.

(d) Investments

Investments of the Fund are initially recognised at cost, being the fair value of the consideration given.

After initial recognition, investments of the Fund are recorded at net market value and changes in the net market value are recognised in the operating statement in the year they occur. Net market values have been determined as follows:

(i) Market quoted investments

Net market value of an investment for which there is a readily available market quotation is determined as the last quoted sale price as at the close of business on reporting date.

(ii) Units in PST and unlisted trusts

Units in pooled superannuation trusts and unlisted trusts are valued at the redemption price at reporting date quoted by the investment managers which are based on the net market value of the underlying investments.

(iii) Non-market quoted investments

Investments for which market quotations are not readily available are valued by the Trustee based on independent valuations received for the reporting date.

The independent valuations of non-market quoted investments primarily project future cash flows and then discount those cash flows back to their present value using a post-tax, risk adjusted discount rate. Discount rates used are developed on an individual unlisted security basis as determined by the independent valuer. The discount rate takes into account the risk of comparable companies and incorporates firm specific risk. The independent valuations also consider recent arm's length transactions and current market value of other instruments substantially the same.

Further information on the valuation method used for investments is included in Note 9(f).

Estimated costs of realisation have been deducted in determining net market value.

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

(e) Derivatives

(i) Purpose of derivative financial products

Derivatives are financial products, the value of which is derived from the value of, or change in the value of, an underlying asset. The Fund's investment management agreements permit (within the limitations prescribed) investment managers to utilise derivatives such as futures contracts and options to gain access to, and allow flexibility in, the financial markets in order to manage and structure the Fund's investment portfolio in line with the Fund's investment strategy.

The investment management agreements prohibit derivatives to be used in a speculative manner.

2 Summary of significant accounting policies (continued)

(e) Derivatives (continued)

(ii) Accounting policy for derivative products

All derivatives are measured at net market value at the reporting date using quoted prices where possible or a valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Any unrealised gains or losses are recognised in that reporting period. The realised gains or losses on the termination of any of these positions are brought to account in the period in which they occur. All unrealised gains and losses are treated as changes in net market value and are recognised in the operating statement.

Derivatives are disclosed on a net basis as the Fund intends to settle derivates on a net basis. The presentation of the assets and liabilities on a net basis reflect more appropriately the amount and timing of the expected future cash flows, as well as the counterparty risks to which those cash flows are exposed.

(f) Controlled entities

Controlled entities are those entities over which the Fund has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of the Fund's voting rights that are currently exercisable are considered when assessing whether the Fund controls another entity.

Note 11(e) includes a list of controlled entity companies and the amount of the Fund's investment in those entities. Because of the relatively small nature of these investments and the immaterial impact that consolidation would make, consolidated financial statements have not been prepared.

In addition, the Fund invests at times in wholesale investment trusts and sometimes these investments may give rise to a majority ownership in the trust. The Fund has examined each of these cases to determine if the majority ownership interest provides the Fund with the right to exercise control, for example, by providing the power to change the trustee and/ or manager of the trust. In some cases it has been concluded that, due to the voting rights of the units, the majority ownership interest does not in fact provide control. The conclusion to this analysis is that the preparation of consolidated financial statements is not required because it would present a financial position and financial performance that is not materially different from those shown in the Fund's unconsolidated financial statements.

(g) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the operating statement.

(h) Benefits payable

Benefits payable are valued at net market value and includes unclaimed benefits and benefits payable to members who have exited from the Fund and have not yet been paid at year end.

(i) Liability for accrued benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries as well as our reserves.

2 Summary of significant accounting policies (continued)

(j) Receivables, prepayments and accounts payable

Receivables and prepayments are carried at nominal amounts due which approximate net market value.

Accounts payable are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund. Payables are normally settled on 30 day terms.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Changes in net market value

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

(ii) Contributions and transfers

Contributions and transfers in are recognised when control of the asset has transferred to the Fund and are recognised gross of any taxes.

(iii) Interest

Interest income is recognised in the operating statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(iv) Dividends and distribution

Dividend and distribution income is recognised on the date the investments are quoted ex-dividend/distribution and if not received at reporting date, is reflected in the statement of financial position as a receivable.

(l) Income tax

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied. The deferred tax balances are measured at the tax rates enacted or substantively enacted at reporting date. Where a member does not provide their tax file number ("TFN") to the Fund, the Fund pays no-TFN contributions tax at a rate of 31.5% which is in addition to the concessional tax rate of 15%.

Income tax expense in the operating statement for the year comprises current and deferred tax.

Current tax is the expected income tax payable on the taxable income for the year and any adjustment to tax payable in respect of prior years.

Deferred income tax is provided for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for tax purposes. The amount of deferred income tax provided is based on the expected manner of realisation of assets or settlement of liabilities.

2 Summary of significant accounting policies (continued)

(l) Income tax (continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the related tax benefit will be realised. The Fund applies a cap whereby the total deferred tax assets are capped at 2% of the Fund's net assets.

(m) Goods and Services Tax (GST)

Revenue, expenses and assets, with the exception of receivables and payables are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as a part of the expense item as applicable. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from the taxation authority is included as part of receivables in the statement of financial position.

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

(n) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. The assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

i. *AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.
The Trustee does not expect this will have a significant impact on the Fund's financial statements.

ii. *AASB 10 Consolidated Financial Statements* establishes a new control model that replaces AASB 127. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations. The standard is applicable from 1 July 2013. Management is reviewing the standard to determine the impact.

iii. *AASB 12 Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The new disclosures, which will be applicable from 1 July 2013, cover the judgments made by management to determine whether control exists, and require summarised information about structured entities and subsidiaries with non-controlling interests. Management is reviewing the standard to determine the impact.

iv. *AASB 2012-2* and *AASB 2012-3* have resulted in amendments to the accounting standards relating to the calculation and disclosures of off-setting arrangements for financial assets and financial liabilities. The first amendment is effective 1 July 2013 and we do not expect this will have a significant impact on the Fund's financial statements.

3 Liability for accrued benefits

	2012 $'000	2011 $'000
Opening balance	**43,018,415**	**32,676,012**
Benefits accrued as a result of operations	7,659,389	13,226,022
Benefits paid and payable - accumulation	(3,429,692)	(2,658,297)
Benefits paid and payable - pension	(361,308)	(225,322)
Closing balance	**46,886,804**	**43,018,415**
Liability for accrued benefits - Members' funds		
Opening balance	**42,878,801**	**32,498,144**
Contributions	8,004,958	10,648,477
Transfer to Reserves	-	(12,399)
Interest allocated to members' accounts	543,135	3,355,735
Insurance proceeds	151,919	121,483
Insurance premiums	(302,053)	(240,783)
Superannuation contributions surcharge	(27)	(52)
Account keeping fees deducted from members' accounts	(132,374)	(116,705)
Income tax expense	(640,455)	(491,480)
Benefits paid and payable - accumulation	(3,429,692)	(2,658,297)
Benefits paid and payable - pension	(361,308)	(225,322)
Closing balance	**46,712,904**	**42,878,801**
Represented by:		
Liability for accrued benefits - accumulation	44,193,716	40,926,235
Liability for accrued benefits - pension	2,519,188	1,952,566
	46,712,904	**42,878,801**
Liability for accrued benefits - Reserves		
Opening balance	**139,614**	**177,868**
Net investment earnings	386,571	3,401,288
Sundry income	13,892	14,667
Account keeping fees deducted from members' accounts	132,374	116,705
Transfer to Reserves	-	12,399
Interest allocated to members' accounts	(543,135)	(3,355,735)
General expenses	(172,155)	(139,299)
Income tax benefit / (expense)	216,739	(88,279)
Closing balance	**173,900**	**139,614**

The reserves are made up of the following balances:

	2012 $'000	2011 $'000
Operational Risk Reserve	123,532	107,170
Administration Reserve	50,368	32,444
Investment Reserve	-	-
	173,900	**139,614**

3 Liability for accrued benefits (continued)

The reserves are used for the following purposes:

- Operational Risk Reserve: This reserve is operated in accordance with an Operational Risk Reserve Policy that is reviewed annually. The purpose of the reserve is to provide funding for incidents where material losses may arise from operational risks (as opposed to investment risks). The level of the reserve is determined by the Board annually based on an assessment of the risks faced by the Fund.
- Administration Reserve: This reserve is utilised to fund the operations of the Trustee office, fund increases that may be required to the Operational Risk Reserve, enhance member services, extend the product range of the Fund and fund changes to achieve operational efficiencies. The use of the Administration Reserve is governed by the Budget Review Committee and the Board.
- Investment Reserve: The Fund maintains an investment reserve used for the purpose of accumulating net investment income prior to it being allocated to members' accounts. Due to the timing of inputs to the calculation of amounts to be credited to members' accounts, there may be from time to time an under or over allocation of amounts.

Accumulation members refer to members who are in receipt of contributions and are accumulating their superannuation benefits. This includes the members of defined benefit sub-plans.

The Fund includes 17 (2011: 18) defined benefit sub-plans. The calculation of the actuarial value of accrued benefits for the sub-plan members was performed by the respective actuary as part of a comprehensive actuarial review. Actuarial reviews are generally conducted every three years.

	Effective date of last actuarial review ('Valuation Date')	Net assets for defined benefit members at Valuation Date $'000	Actuarial Value of Accrued benefits for defined benefit members at Valuation Date $'000	Vested benefits for defined benefit members at Valuation Date $'000	Actuary's opinion as to the Financial Condition of the sub-plan at Valuation Date
Australian Industry Group Superannuation Plan	30-Jun-09	8,157	8,120	7,767	Satisfactory
Anglican Plan (Pensioners)	31-Mar-12	622	502	611	Satisfactory
Bekaert Super Plan	30-Jun-11	4,231	4,107	3,683	Satisfactory
Boeing Super Plan	31-Dec-11	27,669	25,309	24,860	Satisfactory
Carestream Health Superannuation Plan	01-Jan-12	1,690	1,690	1,460	Satisfactory
City of Perth Superannuation Plan	01-Jul-09	40,150	41,750	39,889	Satisfactory
CSL Superannuation Plan	31-Dec-08	25,921	25,569	28,899	Unsatisfactory
Fletcher Building Australia Superannuation Plan	30-Jun-09	74,861	70,163	74,196	Satisfactory
Greif Australia Superannuation Plan	01-Jul-10	2,421	2,283	2,212	Satisfactory
Kodak Australia Superannuation Plan	01-Jan-12	9,780	8,310	7,410	Satisfactory
MasterSuper Plan	30-Jun-10	1,884	1,765	1,616	Satisfactory
NSW Teachers Federation Plan	30-Jun-11	5,134	4,789	4,691	Satisfactory
Qantas Holidays Superannuation Plan	25-Jul-11	20,076	19,457	19,453	Satisfactory
Shinagawa Staff Defined Benefit Plan	30-Jun-10	4,825	4,447	4,447	Satisfactory
Toshiba (Australia) Pty Limited Superannuation Plan	01-Jul-11	14,840	13,397	12,822	Satisfactory
Walker Australia Monroe Springs Superannuation Plan	31-Dec-11	1,156	1,148	1,148	Satisfactory
Western Power Section	31-Dec-11	2,038	2,213	2,213	Unsatisfactory

A summary of the financial condition of the sub plans prepared by the actuary is available upon request.

3 Liability for accrued benefits (continued)

The actuarial value of accrued benefits (as opposed to the liability of accrued benefits) of defined benefit members reflect an actuarial assessment of benefits accrued up to the date of calculation and payable to members on retirement, resignation, death or disablement. The level of these benefits is part of the regular actuarial assessment of the financing position of each defined benefit sub-plan. That assessment may result in an employer being required to make additional contributions to its sub plan. Each sub plan is quarantined from the others and the other assets of the Fund. In the event that the assets of a particular sub plan are not adequate to provide for members' benefits and if employer contributions are not sufficient, the accrued liability is limited to the assets of the particular sub-plan.

Except as described below, the actuary's opinion as to whether the sub-plan is in a satisfactory or unsatisfactory position is determined with reference to the vested benefit and net asset values.

For the Anglican Pension Plan, the vested benefits are calculated by the plan actuary based on a "high probability" (or conservative) set of assumptions as required by superannuation legislation. The vested benefit calculation therefore produces a higher liability than the actuarial value of accrued benefits shown above which is based on a best estimate set of assumptions.

While it is quite common for an actuary to set a minimum value for the actuarial value of accrued benefits for a particular plan equal to the vested benefits for that plan, it is not an actuarial requirement. Where such a minimum is not applied it is possible in some cases that the plan actuary's calculation of the actuarial value of accrued benefits will be less than the calculated vested benefits for the particular plan. This is the case for the CSL Plan and the Fletcher Plan. It is more common that the actuarial value of accrued benefits will equal or exceed the value of vested benefits for the particular plan.

The Trustee has a number of steps in place to manage the risks associated with the defined benefit sub-plans. The Trustee has appointed an external consulting actuary to advise on these risks, including establishing suitable funding objectives. The Trustee's policy on funding objectives is communicated to all actuaries of defined benefit sub-plans within AustralianSuper.

Each sub-plan actuary conducts regular (at least every three years, or more frequently as required) actuarial investigations of the sub-plans at the Trustee's request. The investigations are required to be completed within 12 months of the effective date. Taking into account the Trustee's policy on funding objectives and the sub-plan's circumstances, the sub-plan actuary recommends the employers' required contribution levels. The main assumptions used to determine the actuarial value of the accrued benefits for each defined benefit sub-plan were:

- future rate of investment returns (net of investment tax and net of investment management fees) earned on the Fund's assets forecasted at 5.0% - 7.5% per annum (2011:5.0% - 7.5%)
- future rate of salary inflation forecasted at 3.0% - 6.0% (2011: 3.0% - 6.0%).

The Fund's consulting actuary reports to the Trustee's Audit, Compliance & Risk Management Committee each quarter on the status of the defined benefit sub-plans. These reports highlight the risk that each sub-plan may enter into an unsatisfactory financial position. Where a sub-plan is in, or is likely to enter into, an unsatisfactory financial position, the report sets out any remedial actions and agreed rectification programs with the respective employer.

4 Vested benefits

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

	2012 $'000	2011 $'000
Vested benefits - accumulation	44,189,861	40,914,911
Vested benefits - pension	2,519,188	1,952,566
	46,709,049	**42,867,477**

5 Guaranteed benefits

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

6 Changes in net market value of investment assets

	2012 $'000	2011 $'000
Investments held at balance date		
Listed equities - Australian	(1,229,325)	454,598
Listed equities - International	(225,790)	186,315
Private equity	72,524	83,832
Global bonds	212,204	1,257
Property	75,333	132,919
Infrastructure	237,691	429,182
Absolute return strategies	(1,114)	9,110
Cash	28,538	8
	(829,939)	**1,297,221**
Investments realised during the year		
Listed equities - Australian	(391,987)	(37,995)
Listed equities - International	(307,988)	349,254
Private equity	59,359	69,478
Global bonds	157,299	109,151
Property	16,580	34,403
Infrastructure	39,265	48,563
Absolute return strategies	7,341	9,440
Cash	13,667	(22,953)
	(406,464)	**559,341**
Total changes in net market value	**(1,236,403)**	**1,856,562**

7 Income tax

(a) Income tax expense

	2012 $'000	2011 $'000
Current tax expense		
Current year tax	660,636	477,740
Adjustment for prior periods	(32,900)	10,200
	627,736	487,940
Deferred tax (benefit) / expense		
Movement in temporary differences	(204,020)	91,819
Total income tax expense	**423,716**	**579,759**

(b) Numerical reconciliation between tax expense and benefits accrued as a result of operations before income tax

	2012 $'000	2011 $'000
Benefits accrued as a result of operations	**8,083,105**	**13,805,781**
Income tax at the complying superannuation fund tax rate of 15%	1,212,466	2,070,867
Adjusted for tax effect of the following items:		
Increase / (decrease) in income tax expense due to		
Imputation and withholding tax credits	35,739	51,602
Superannuation contributions surcharge	4	8
No-TFN contributions tax	7,180	2,526
Under/ (over) provision in prior year	(32,900)	10,200
Non assessable insurance receipts	(22,788)	(18,222)
Non taxable contributions	(62,856)	(62,258)
Non assessable investment income	(20,451)	(129,653)
Transfers from other funds not subject to tax	(452,685)	(1,004,896)
Non assessable anti-detriment	(6,511)	(4,887)
Imputation and withholding tax credits	(231,939)	(336,003)
Other	(1,543)	475
Income tax expense on benefits accrued as a result of operations	**423,716**	**579,759**
Total income tax expense is apportioned between Members' funds and Reserves as follows:		
Members' funds	640,455	491,480
Reserves	(216,739)	88,279
Total income tax expense	**423,716**	**579,759**

(c) Deferred tax assets

	2012 $'000	2011 $'000
Deferred tax assets		
Unrealised losses in investments subject to tax	322,609	122,093
Accounts payable	6,857	3,353
Deferred tax assets	**329,466**	**125,446**

8 Reconciliation to the statement of cash flows

(a) Reconciliation of benefits accrued after income tax as a result of operations to net cash provided by operating activities

	2012 $'000	2011 $'000
Benefits accrued after tax as a result of operations	**7,659,389**	**13,226,022**
Benefits paid	(3,794,766)	(2,862,728)
Net revenue - investments	(386,161)	(3,400,948)
Non cash transfers	-	(4,307,198)
Non cash transactions	438,276	361,481
(Increase)/decrease in assets		
Receivables	(2,819)	(3,382)
Fixed assets	-	4,375
Deferred tax assets	(204,020)	41,063
Increase/(decrease) in liabilities		
Income tax payable	20,593	55,721
Accounts payable	7,730	(9,886)
Benefits payable	(3,766)	19,375
Net cash flow from operating activities	**3,734,456**	**3,123,895**

(b) Reconciliation of cash

Cash as at the end of the financial year as shown in the statement of cash flows consists of:

	2012 $'000	2011 $'000
Cash at bank	**72,189**	**74,366**

9 Financial instruments

(a) Overview

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Fund's assets include a range of financial instruments which includes listed equities, bonds, property, infrastructure, private equity, absolute return strategies, capital guaranteed strategy and cash. The financial instruments within each asset class are held either directly or through collective investment vehicles. The Trustee has determined that these asset classes are appropriate for the Fund and are in accordance with the Fund's published investment strategy.

The Board of Directors of the Trustee is responsible for approving and monitoring the investment plans, objectives and performance of the Fund. The investment strategy and objectives of each of the investment options within the Fund are set by the Board of Directors.

The Board has delegated certain powers to the Investment Committee. The Investment Committee oversees the Fund's investment program including appointment of managers, tactical asset allocation, performance reporting and reviews and developing recommendations for the Board.

The Investment Committee is responsible for overseeing the establishment and implementation of the investment risk management framework, including policies, procedures, systems and methodologies. In carrying out these responsibilities the Investment Committee receives an appropriate level of reporting from internal management and external advisers.

The allocation of funds within and between the various asset classes is determined by the Fund's Investment Committee for each investment option consistent with the overall investment objectives, strategic asset allocations and investment ranges approved by the Board.

The Investment Department tracks the Fund's investment values on a daily basis through appropriate monitoring of the market conditions and benchmark analysis. In addition, the Investment Department reviews the performance of the portfolios against the agreed benchmark and reports to the Investment Committee on a monthly basis. Reports to the Investment Committee include the following:

- details of the controls it has in place to monitor compliance with the Fund's investment strategy
- current asset allocations against target positions
- investment performance against benchmarks
- compliance reporting.

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

(b) Market risk

Market risk is the risk that 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: currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

9 Financial instruments (continued)

The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than the functional currency (Australian dollars) of the Fund. The Fund currently maintains international investments in listed equities, property, infrastructure, private equity, global bonds and absolute return strategies which are primarily denominated in USD, Euro, GB Pound, HKD and KRW currencies.

The Fund's investment strategy for each investment option specifies the target level of currency exposure. Hedges and currency overlays are utilised to manage the level of currency exposure which is reviewed on a regular basis and reported to the Investment Committee monthly.

Sensitivity analysis

Following an analysis of the deviation in the unhedged and hedged MSCI World Indices over the past 10 years and expected currency rate movement during 2012 a movement of 12.0% in the Australian dollar against the primarily denominated currency may be considered reasonably possible. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2011 and is not guaranteed.

A 12.0% strengthening or weakening of the Australian dollar against the following currencies at reporting date would have impacted benefits accrued as a result of operations and net assets available to pay benefits by the amounts shown below.

2012	Carrying amount	Benefits accrued as a result of operations		Net assets available to pay benefits	
		-12.0%	12.0%	-12.0%	12.0%
	AUD$'000	AUD$'000	AUD$'000	AUD$'000	AUD$'000
USD	3,442,149	(413,058)	413,058	(413,058)	413,058
Euro	611,555	(73,387)	73,387	(73,387)	73,387
HKD	603,890	(72,467)	72,467	(72,467)	72,467
GBP	481,865	(57,824)	57,824	(57,824)	57,824
KRW	407,691	(48,923)	48,923	(48,923)	48,923
Other currencies	2,788,068	(334,568)	334,568	(334,568)	334,568
	8,335,218	**(1,000,227)**	**1,000,227**	**(1,000,227)**	**1,000,227**

2011	Carrying amount	Benefits accrued as a result of operations		Net assets available to pay benefits	
		-11.2%	11.2%	-11.2%	11.2%
	AUD$'000	AUD$'000	AUD$'000	AUD$'000	AUD$'000
USD	3,174,804	(355,578)	355,578	(355,578)	355,578
Euro	713,757	(79,941)	79,941	(79,941)	79,941
GBP	557,361	(62,424)	62,424	(62,424)	62,424
HKD	522,157	(58,482)	58,482	(58,482)	58,482
KRW	370,624	(41,510)	41,510	(41,510)	41,510
Other currencies	2,825,869	(316,497)	316,497	(316,497)	316,497
	8,164,572	**(914,432)**	**914,432**	**(914,432)**	**914,432**

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 Fund's investments in bonds, fixed interest securities, debt securities and cash are subject to interest rate risk.

Interest rate risk is mitigated by holding a diversified portfolio of instruments, including holding a mixture of fixed and floating rate securities. Where appropriate the Fund may choose to use interest rate derivatives to change the exposure to fixed or floating interest rates.

9 Financial instruments (continued)

The Fund's interest rate risk is monitored and managed on a daily basis by the investment managers awarded mandates in these asset classes in accordance with the investment guidelines set for them.

Sensitivity analysis

Following analysis of the deviation in relevant indices over the past 10 years and expected interest rate movement during 2012 the following movements in interest rate risk are considered reasonably possible. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2011 and is not guaranteed.

	2012	2011
Global bonds	2.5%	3.9%
Capital guaranteed	0.3%	0.3%
Cash	0.3%	0.3%

An increase or decrease in interest rates would impact the benefits accrued as a result of operations and the net assets available to pay benefits by the amounts shown below.

2012	Carrying amount	Benefits accrued as a result of operations		Net assets available to pay benefits	
	$'000	$'000	$'000	$'000	$'000
Global bonds	6,742,798	(168,570)	168,570	(168,570)	168,570
Capital guaranteed	1,249,298	(3,748)	3,748	(3,748)	3,748
Cash	4,714,854	(14,145)	14,145	(14,145)	14,145
	12,706,950	**(186,463)**	**186,463**	**(186,463)**	**186,463**

2011	Carrying amount	Benefits accrued as a result of operations		Net assets available to pay benefits	
	$'000	$'000	$'000	$'000	$'000
Global bonds	4,346,956	(169,531)	169,531	(169,531)	169,531
Capital guaranteed	747,198	(2,242)	2,242	(2,242)	2,242
Cash	3,121,807	(9,365)	9,365	(9,365)	9,365
	8,215,961	**(181,138)**	**181,138**	**(181,138)**	**181,138**

Price risk

Price risk is the risk that the fair value of 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 those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

With the exception of cash, all investments of the Fund are exposed to price risk. The Fund's exposure to price risk is therefore limited to the market price movement of these investments. The Trustee has determined that these investments are appropriate for the Fund and are in accordance with the Fund's published investment strategy.

The strategic asset allocation of the Fund, being the Fund's target mix of asset classes for 12 months time, is set annually. The actual asset allocation of the Fund is continually monitored and reported to the Investment Committee on a monthly basis, and is adjusted if necessary based on a range of factors. Before deciding to invest in an asset class or to change an allocation to an existing asset class, thorough research is completed to identify the potential future growth and price risk of a certain class having regard to the economic outlook for each asset class and a number of other factors (such as current market prices).

9 Financial instruments (continued)

The Fund's investment activity is either completed via investment managers or directly by internal management.

The Fund mitigates price risk by a thorough due diligence process and careful selection of investments. On an ongoing basis, investments are monitored throughout the year. For certain directly held investments, monitoring is completed via board representation, management reporting, and/or detailed discussion with the underlying investment company. The results of the monitoring completed by management are reported to the Investment Committee on a regular basis.

To mitigate price risk of portfolios allocated to investment managers, the Fund undertakes extensive due diligence to ensure investment managers have appropriate skills and expertise to manage the Fund's allocated investment prior to their appointment. Further, the Investment Department monitors and reports on the investment managers' performance.

Price risk is also mitigated by constructing a diversified portfolio of instruments which are traded in various markets.

Sensitivity analysis

Following analysis of the deviation in relevant indices over the past 10 years and expected investment rate movements in 2012 the following movements in price risk are considered reasonably possible. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2011 and is not guaranteed.

	2012	**2011**
Australian listed equities	13.6%	13.4%
International listed equities	11.9%	12.3%
Private equity	14.1%	14.0%
Property	4.4%	4.4%
Infrastructure	2.8%	2.8%
Absolute return strategies	0.3%	0.3%

An increase or decrease in the market price of investments of the Fund at reporting date would have impacted benefits accrued as a result of operations and net assets available to pay benefits by the amounts shown below.

2012	**Carrying amount**	**Benefits accrued as a result of operations**		**Net assets available to pay benefits**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Australian listed equities	13,966,915	(1,899,500)	1,899,500	(1,899,500)	1,899,500
International listed equities	8,552,434	(1,017,740)	1,017,740	(1,017,740)	1,017,740
Private equity	1,749,079	(246,620)	246,620	(246,620)	246,620
Property	4,546,296	(200,037)	200,037	(200,037)	200,037
Infrastructure	5,036,513	(141,022)	141,022	(141,022)	141,022
Absolute return strategies	44,960	(135)	135	(135)	135
	33,896,197	**(3,505,054)**	**3,505,054**	**(3,505,054)**	**3,505,054**

9 Financial instruments (continued)

2011	Carrying amount	Benefits accrued as a result of operations		Net assets available to pay benefits	
	$'000	$'000	$'000	$'000	$'000
Australian listed equities	14,762,007	(1,978,109)	1,978,109	(1,978,109)	1,978,109
International listed equities	8,954,557	(1,101,411)	1,101,411	(1,101,411)	1,101,411
Private equity	1,679,757	(235,166)	235,166	(235,166)	235,166
Property	4,173,677	(183,642)	183,642	(183,642)	183,642
Infrastructure	4,973,593	(139,261)	139,261	(139,261)	139,261
Absolute return strategies	51,374	(154)	154	(154)	154
	34,594,965	**(3,637,742)**	**3,637,742**	**(3,637,742)**	**3,637,742**

(c) Credit risk

Credit risk is the risk of underperformance as a consequence of a default by a borrower or transactional counterparty. Credit risk also reflects uncertain asset values due to adverse movements in the credit quality of an asset. The main concentration of credit risk to which the Fund is exposed arises from the Fund’s investment in debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and other receivables.

Credit risk arising from investments is mitigated by extensive due diligence undertaken by the Fund prior to the appointment of investment managers to endeavour to ensure investment managers have appropriate skills and expertise to manage the Fund’s counterparty risk exposures in the investments where this risk could arise.

For cash and derivative investments, the Fund mitigates credit risk by dealing with highly rated counterparties and where appropriate, ensuring collateral is maintained. In some cases, futures contracts are used in preference to over-the-counter instruments to limit counterparty risk.

The carrying amount, as shown on the statement of financial position, of the Fund’s financial assets best represents the maximum credit risk exposure at the reporting date.

Credit risk associated with receivables is considered low as this is mainly comprised of input tax credits claimed from the Australian Taxation Office.

Scrip lending

The Fund has entered into scrip lending arrangements under which legal title to certain assets of the Fund have been transferred to another entity, notwithstanding the fact that the risks and benefits of ownership of the assets remain with the Fund.

The assets transferred to other entities under scrip lending arrangements include Australian and International equities and global bonds that are held discreetly by the Fund’s Custodian. The risks and rewards of ownership to which the Fund remains exposed are currency risk, interest rate risk, credit risk and price risk.

The carrying amount of assets subject to scrip lending at reporting date amounted to $22,436,084,000 (2011 $23,477,099,000). The carrying amount of assets on loan at reporting date was $1,448,332,000 (2011 $829,913,000).

The terms and conditions associated with the use of collateral held as security in relation to the assets lent are governed by a Securities Lending Agreement that requires the borrower to provide the lender with collateral to the value equal to or greater than the loaned securities.

9 Financial instruments (continued)

The collateral held at reporting date as security consisted of cash and fixed interest securities with a fair value of $1,566,278,000 (2011 $868,740,000). No collateral has been sold or repledged during the year.

(d) Liquidity risk

Liquidity risk is the risk the Fund may not be able to generate sufficient cash resources to settle their obligations in full as and when they fall due. A key consideration is the saleability of assets. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's Trust Deed and Product Disclosure Statement provide for the daily withdrawal of benefits and switching of members funds on a weekly basis and the Fund is therefore exposed to the liquidity risk of meeting members' withdrawals at any time and switching of member's balances to a different investment choice option.

The Fund's financial instruments include unlisted investments that are not traded in organised public markets and may be illiquid. As a result the Fund may not be able to liquidate quickly some of its investments at an amount close to fair value in order to meet its liquidity requirements. As the value of these investments is monitored to comply with the asset allocation stipulated in the Fund's Investment Strategy this risk is considered minimal.

The Fund's listed securities are considered to be readily realisable as they are all listed on recognised stock exchanges around the world.

The Fund's liquidity risk is managed on a daily basis by the Investment Department in accordance with policies and procedures in place and the Fund's Liquidity Management Policy and Investment Strategy. The Fund's overall liquidity risks are monitored on a monthly basis by the Fund's Investment Committee. Stress testing and scenario analysis are completed on a regular basis.

The contractual maturity of financial liabilities is set out below.

2012	**Carrying amount $'000**	**Contractual cash flows $'000**	**Less than 1 month $'000**	**1 to 3 months $'000**	**Greater than 3 months $'000**
Benefits payable	21,092	21,092	21,092		
Accrued benefits	46,712,904	46,712,904	46,712,904		
Accounts payable	69,252	69,252	69,252		
Derivative liabilities	78,892	78,892			78,892
	46,882,140	**46,882,140**	**46,803,248**	**-**	**78,892**

2011	**Carrying amount $'000**	**Contractual cash flows $'000**	**Less than 1 month $'000**	**1 to 3 months $'000**	**Greater than 3 months $'000**
Benefits payable	24,858	24,858	24,858		
Accrued benefits	42,878,801	42,878,801	42,878,801		
Accounts payable	61,522	61,522	61,522		
Derivative liabilities	18,896	18,896			18,896
	42,984,077	**42,984,077**	**42,965,181**	**-**	**18,896**

Accrued benefits have been included in the "Less than 1 month" column above as this is the amount that members could call upon as at year end.

9 Financial instruments (continued)

(e) Estimation of fair values

The Fund's financial assets and liabilities included in the statement of financial position are carried at net market value which Directors believe approximates fair value. The major methods and assumptions used in determining net market value of financial instruments have been disclosed at Note 2(d).

(f) Classification of financial instruments under the Fair Value Hierarchy

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

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

2012	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Australian listed equities	13,966,915	-	-	13,966,915
International listed equities	8,552,434	-	-	8,552,434
Private equity	3,439	-	1,745,640	1,749,079
Global bonds	4,990,884	1,037,832	714,082	6,742,798
Property	72,480	-	4,473,816	4,546,296
Infrastructure	25,243	-	5,011,270	5,036,513
Capital guaranteed	-	1,249,298	-	1,249,298
Absolute return strategies	-	44,960	-	44,960
Cash	4,714,854	-	-	4,714,854
Derivative assets	12,140	237,310	-	249,450
Derivative liabilities	(4,220)	(74,672)	-	(78,892)
	32,334,169	**2,494,728**	**11,944,808**	**46,773,705**

2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Australian listed equities	14,762,007	-	-	14,762,007
International listed equities	8,954,557	-	-	8,954,557
Private equity	8,698	-	1,671,059	1,679,757
Global bonds	2,609,980	1,145,191	591,785	4,346,956
Property	76,750	-	4,096,927	4,173,677
Infrastructure	105,288	-	4,868,305	4,973,593
Capital guaranteed	-	747,198	-	747,198
Absolute return strategies	-	51,317	57	51,374
Cash	3,121,807	-	-	3,121,807
Derivative assets	7,140	286,251	-	293,391
Derivative liabilities	(847)	(18,049)	-	(18,896)
	29,645,380	**2,211,908**	**11,228,133**	**43,085,421**

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the net market value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

9 Financial instruments (continued)

(g) Level 3 financial instruments transactions

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

2012	**Private Equity $'000**	**Global Bonds $'000**	**Property $'000**	**Infrast're $'000**	**Absolute Return Strategies $'000**	**Total $'000**
Opening balance	1,671,059	591,785	4,096,927	4,868,305	57	**11,228,133**
Realised / unrealised	137,534	74,350	325,133	319,880	(1)	**856,896**
Applications	150,711	132,685	335,470	116,174	-	**735,040**
Redemptions	(213,664)	(84,738)	(283,714)	(293,089)	(56)	**(875,261)**
Issues	-	-	-	-	-	**-**
Settlements	-	-	-	-	-	**-**
Transfers in	-	-	-	-	-	**-**
Transfers out	-	-	-	-	-	**-**
Total	**1,745,640**	**714,082**	**4,473,816**	**5,011,270**	**-**	**11,944,808**

2011	**Private Equity $'000**	**Global Bonds $'000**	**Property $'000**	**Infrast're $'000**	**Absolute Return Strategies $'000**	**Total $'000**
Opening balance	1,198,640	580,194	3,139,286	3,677,805	58	**8,595,983**
Realised / unrealised	153,424	26,479	202,467	493,021	(1)	**875,390**
Applications	503,174	183,499	974,040	975,623	-	**2,636,336**
Redemptions	(184,179)	(198,387)	(218,866)	(278,144)	-	**(879,576)**
Issues	-	-	-	-	-	**-**
Settlements	-	-	-	-	-	**-**
Transfers in	-	-	-	-	-	**-**
Transfers out	-	-	-	-	-	**-**
Total	**1,671,059**	**591,785**	**4,096,927**	**4,868,305**	**57**	**11,228,133**

Gains or losses recognised in the operating statement for Level 3 transactions are presented in the movement in net market value of investments as follows:

2012	**Private Equity $'000**	**Global Bonds $'000**	**Property $'000**	**Infrast're $'000**	**Absolute Return Strategies $'000**	**Total $'000**
Total gains / (losses) recognised in the operating statement for the year	137,534	74,641	325,133	319,880	(1)	**857,187**
Total gains / (losses) recognised in the operating statement for the year for assets held at the end of the year	137,534	74,641	325,133	320,737	-	**858,045**

9 Financial instruments (continued)

2011	Private Equity $'000	Global Bonds $'000	Property $'000	Infrast're $'000	Absolute Return Strategies $'000	Total $'000
Total gains / (losses) recognised in the operating statement for the year	153,424	26,479	202,467	493,021	(1)	**875,390**
Total gains / (losses) recognised in the operating statement for the year for assets held at the end of the year	153,424	23,492	202,467	480,400	(1)	**859,782**

There have been no significant transfers into or out of Level 3 in the fair value hierarchy during the year.

(h) Transfers between hierarchy levels

During the year there were no transfers between the hierarchy levels (2011 $887,411,000).

10 Directors and other key management personnel

(a) Directors

Key management personnel include persons who were Directors of the Trustee at any time during the financial year, and up to the date of this report, as follows:

Member nominated

B. Daley
P. Howes
J. Lawrence
S. McGurk
D. Oliver
E. Rubin

Employer nominated

L. Di Bartolomeo
J. Ingram
T. Poole (appointed 1 July 2011)
H. Ridout
A. Terry
G. Willis

The following persons were Alternate Directors of the Trustee during the year and up to the date of this report:

Member nominated

N. Apple
M. Boyd
L. Carter
L. O'Brien
M. O'Neil
D. Whiteley

Employer nominated

P. Burn
P. Grant (resigned 10 February 2012)
G. Stamas (appointed 11 February 2012)
R. Symons (resigned 22 November 2011)

10 Directors and other key management personnel (continued)

(b) Other key management personnel

Members of the Committees of the Board who are not Directors or Alternate Directors of the Trustee are considered key management personnel of the Fund. These Committee members are G. Ashton, L. Jerkovic (resigned 20 September 2011), M. Nicolaides and B. Watchorn (resigned 20 September 2011).

The other key management personnel of the Fund are I. Silk, Chief Executive Officer, M. Delaney, Deputy Chief Executive Officer and Chief Investment Officer, and P. Curtis, Head of Investment Operations. For the year ended 30 June 2011, there were four other key management personnel of the Fund being I. Silk, M. Delaney, N. Lacey (General Manager Product) and P. Curtis.

(c) Remuneration of key management personnel

Key management personnel are paid by the Trustee.

Compensation for Directors, Alternate Directors and Non-Director Committee Members includes cash fees, non-monetary benefits, and superannuation. Compensation for other key management personnel includes cash salary, non-monetary benefits, superannuation, leave benefits (including long service leave expense for management) and the investment performance payment plan for eligible key management personnel.

	2012	**2011**
	$'000	**$'000**
Short term benefits	2,277	2,921
Post employment benefits (superannuation)	198	229
Other long term benefits (long service leave)	41	44
Total	**2,516**	**3,194**

In 2012 there were 3 other key management personnel (2011: 4).

(d) Transactions with key management personnel

The following key management personnel were members of AustralianSuper during the reporting period and up to the date of the financial statements: N. Apple, G. Ashton, M. Boyd, P. Burn, L. Carter, P. Curtis, B. Daley, M. Delaney, P. Howes, L. Jerkovic, J. Lawrence, S. McGurk, M. Nicolaides, L. O'Brien, D. Oliver, M. O'Neil, H. Ridout, E. Rubin, I. Silk, G. Stamas, A. Terry, B. Watchorn, D. Whiteley, and G. Willis. Their membership terms and conditions were the same as those applied to other members of the Fund.

11 Related parties

(a) Transactions with Trustee

The Trustee is owned by the Australian Industry Group and ACTU Super Shareholding Pty Ltd. ACTU Super Shareholding Pty Ltd holds the shares on behalf of the Australian Council of Trade Unions.

Under the terms of the Trust Deed, the Trustee is entitled to receive trustee services fees, calculated by reference to the costs incurred by the Trustee in running the Fund.

	2012	2011
Trustee services fee paid and payable by the Fund to the Trustee *	$187,245,000*	$144,035,000*
Amount payable by the Fund to the Trustee at the end of the reporting period	$4,521,000	$3,907,000
Prepayment with the Trustee	$6,358,000	$1,016,000

* The portion of the trustee services fee that relates to investment activities is recognised in the direct investment expenses on the operating statement.

The Trustee paid the Australian Industry Group $99,352 (2011: $244,771) and the Australian Council of Trade Unions $156,000 (2011: $111,378) for advertising related opportunities and general marketing for AustralianSuper.

All transactions were made on normal commercial terms, under normal conditions and at market rates.

(b) Related party investments and transactions

At 30 June 2012 the Fund had:

- A 32.7% (2011: 32.7%) shareholding in Industry Super Holdings Pty Ltd (ISH), valued at $104,846,000 (2011: $278,091,000). ISH has a number of subsidiary companies, one of which manages investments on behalf of the Fund. Industry Funds Management Pty Ltd (IFM) manages a selection of infrastructure, Australian listed equities, private equity, fixed interest and cash portfolios on behalf of the Fund.

  I Silk is a director of Industry Super Network Pty Ltd which is a subsidiary of ISH. D Whiteley is an employee of Industry Super Network Pty Ltd.

- A 32.8% (2011: Nil) shareholding in Members Equity Bank Pty Ltd (ME) valued at $185,774,000 (2011: Nil). In 2011, ME was a subsidiary of ISH. ME holds cash and short term deposits on behalf of the Fund and provides low-cost home loans and banking products to industry fund members. ME offers the Fund and other institutional investors the opportunity to invest in its fixed interest vehicle, Super Loans Trust.

- A notional 11.1% (2011: 11.1%) shareholding in ISPT Pty Ltd, valued at $0 (2011: $0). ISPT is one of Australia's leading property managers and manages a range of unlisted property funds on behalf of the Fund and other institutional clients.

  B Daley and M Delaney were directors of ISPT Pty Ltd during the year ended 30 June 2012. N Apple and I Silk are alternate directors of ISPT Pty Ltd.

  B Daley and M Delaney were directors of IGIPT Pty Ltd, a subsidiary of ISPT Pty Ltd, during the year ended 30 June 2012. N Apple and I Silk are alternate directors of IGIPT Pty Ltd.

11 Related parties (continued)

(b) Related party investments and transactions (continued)

- A 28.7% (2011: 28.7%) shareholding in Superpartners Pty Ltd, valued at $81,579,000 (2011: $52,602,000). Superpartners provide member administration and custodial services to the Fund and other institutional clients.

  G. Ashton was a director of Superpartners Pty Ltd during the year ended 30 June 2012.
- A 31.0% (2011: 31.0%) shareholding of ordinary shares valued at $1,203,000 (2011: $1,215,000) and 105,000 (2011: 105,000) redeemable preference shares in Frontier Advisors Pty Ltd (formerly Frontier Investment Consulting Pty Ltd) valued at $104,000 (2011: $105,000). Frontier provides investment consulting services to the Fund and other institutional clients.

  G Ashton was the Chair of Frontier Advisors Pty Ltd (formerly Frontier Investment Consulting Pty Ltd) during the year ended 30 June 2012.
- B Daley was a director of Utilities of Australia Pty Ltd, the trustee of Utilities Trust of Australia, in the year ended 30 June 2012.

(c) Fees paid and income earned on related party investments

IFM managed portfolios totalling $17,282,159,000 (2011 $14,388,826,000) on behalf of the Fund and received $45,277,000 (2011: $40,334,000) in fees for the management of these portfolios. These fees included fees paid to underlying investment managers for various portfolios and management fees paid directly to IFM of $19,208,000 (2011: $19,453,000). The income earned on the portfolios managed by IFM was $243,249,000 (2011: $1,190,295,000).

Members Equity Bank Pty Ltd managed a portfolio on behalf of the Fund and received $1,596,000 (2011: $1,568,000) in fees for the management of the portfolio. These fees included fees paid to an underlying investment manager and management fees paid directly to Members Equity Bank Pty Ltd of $789,000 (2011: $1,472,000). The portfolio was valued at $325,353,000 (2011: $321,002,000) and the income earned was $52,008,000 (2011: $10,547,000). The Fund also had $160,705,000 (2011: $481,170,000) invested in cash and short term deposits with Members Equity at year end.

ISPT Pty Ltd in its capacity as trustee managed portfolios totalling $2,586,225,000 (2011: $2,264,912,000) on behalf of the Fund and received $9,739,597 (2011: $9,534,000) in fees for the management of these portfolios. These fees included fees paid to underlying investment managers for various portfolios and management fees paid directly to ISPT Pty Ltd of $7,566,201 (2011: $7,586,000). The income earned on this portfolio was $205,276,000 (2011: $166,096,000).

Frontier Advisors Pty Ltd (formerly Frontier Investment Consulting Pty Ltd) receives fees from AustralianSuper for investment consulting services. These fees were $1,552,000 (2011: $1,188,000).

Superpartners Pty Ltd received $103,293,000 (2011: $75,144,000) in fees for the provision of member administration services and custodial services.

The Fund has an investment valued at $501,865,000 (2011: $521,889,000) in Utilities Trust of Australia, a unit trust that invests in infrastructure assets globally. The Fund earned income of $53,291,545 (2011: $53,474,815) from Utilities Trust of Australia. The Fund's proportion of the underlying expenses of Utilities Trust of Australia were $8,054,178 (2011: $6,127,787).

11 Related parties (continued)

(c) Fees paid and income earned on related party investments (continued)

All transactions were made on normal commercial terms, under normal conditions and at market rates. Transactions relating to dividends, investment income and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.

(d) Other related party transactions

ISH has other various subsidiaries with which the Fund transacts. These non-investment transactions are summarised in the following table.

Company	Nature of transaction	Expenses	
		2012	**2011**
Industry Fund Services Limited *	Financial planning, seminars and other member services	$7,388,000	$5,309,000
IFS Insurance Broking Pty Ltd	Insurance services	$708,000	$701,000
Industry Administration Services Pty Ltd *	Office rent and services	Nil	$224,000
Industry Fund Credit Control Pty Ltd *	Debt collection services	$242,000	$1,203,000

* During the year ended 30 June 2012 both Industry Administration Services Pty Ltd and Industry Fund Credit Control Pty Ltd ceased to operate. Payments for office rent and services and debt collection services are now made to Industry Fund Services Limited.

In November 2009 AustralianSuper awarded its Group Life Insurance contract to TAL Life Ltd (‘TAL’) (previously known as Tower Australia Limited). In the year ended 30 June 2012 AustralianSuper paid insurance premiums totalling $271,374,000 to TAL (2011: $244,482,000). E. Rubin is a director of TAL. E. Rubin does not participate in decisions of the AustralianSuper Board or at any Board Committee meeting that relate to TAL. E. Rubin does not participate in decisions of the TAL Board that relate to the Fund.

The above transactions were made on normal commercial terms, under normal conditions and at market rates.

11 Related parties (continued)

(e) Controlled entities

It is not considered appropriate to consolidate the controlled entities listed below because the affect of doing so is immaterial.

Name of entity	Country	Class of shares	Equity holding 2012 %	Equity holding 2011 %	Value 2012 $'000	Value 2011 $'000
AustralianSuper Property Pty Ltd	Australia	Ordinary	100%	100%	$57,745	$57,160
AustralianSuper Icon Parking No. 1 Trust	Australia	Ordinary	100%	100%	$10,874	$12,772
AustralianSuper Icon Parking No. 2 Trust	Australia	Ordinary	100%	100%	$10,838	$12,778
AustralianSuper Investment Fund	Australia	Ordinary	100%	100%	$50,218	$46,130
AustralianSuper Investment Fund No 2	Australia	Ordinary	100%	100%	$102,875	$93,364
AustralianSuper Investment Fund No 3	Australia	Ordinary	100%	100%	$401,349	$319,456
AustralianSuper Investment Fund No 4	Australia	Ordinary	100%	100%	$157,532	$154,836
AustralianSuper Investment Fund No 5	Australia	Ordinary	100%	100%	$114,113	$146,901
AustralianSuper Private Equity Trust	Australia	Ordinary	100%	100%	$473,775	$448,552
Mindarie Investment Trust	Australia	Ordinary	100%	100%	$12,089	$9,470
- BioVision 2020 Holdings Pty Ltd	Australia	Ordinary	70%	70%	$12,089	$9,470
o BioVision Holdings Pty Ltd	Australia	Ordinary	70%	70%	$12,089	$9,470
Battye Street Unit Trust	Australia	Ordinary	100%	100%	$27,317	$42,604
- No 1 Charles Street Unit Trust No 1	Australia	Ordinary	100%	100%	$13,659	$21,302
- No 1 Charles Street Unit Trust No 2	Australia	Ordinary	100%	100%	$13,658	$21,302
Rowville Transmission Facility Pty Ltd	Australia	Ordinary	51%	100%	$13,999	$28,286
Westscheme Superannuation Fund (STAR II) Utilities Trust	Australia	Ordinary	100%	100%	-	$13,807
Pisco WS Unit Trust 1	Australia	Ordinary	100%	100%	-	$12,313
Pisco WS Unit Trust 2	Australia	Ordinary	100%	100%	-	$1,399
WPPEX US Unit Trust	Australia	Ordinary	100%	100%	-	$10,884

(e) Controlled entities (continued)

Name of entity	Country	Class of shares	Equity holding 2012 %	Equity holding 2011 %	Value 2012 $'000	Value 2011 $'000
Project Cricket WS Unit Trust	Australia	Ordinary	100%	100%	-	$8,875
Western Australian US Parking Trust	Australia	Ordinary	100%	100%	-	$5,154
Athens Investment Trust	Australia	Ordinary	100%	100%	-	$5,154
Westscheme Superannuation Fund AIR-serv Utilities Trust	Australia	Ordinary	100%	100%	-	$5,046
Marissa Investment Trust	Australia	Ordinary	50%	50%	$333	$334

The total amount of debt associated with the entities above is:

Name of entity	2012 $'000	2011 $'000
No 1 Charles Street Unit Trust No 1	$150,358	$152,877
Rowville Transmission Facility Pty Ltd	$1,766	$27,822

In addition to the above, the Fund also controlled 16 (2011: 16) entities as at the reporting date which acted as the trustee for the above trusts and funds. Each entity had a carrying value of $2 or less.

12 Auditor's remuneration

	2012 $'000	2011 $'000
Amounts payable to Ernst & Young for:		
Audit of the financial statements	458	266
Other assurance services	277	104
Other services	28	79
Total	**763**	**449**

13 Commitments

The commitments of the Fund as at reporting date are detailed below.

	2012 $'000	2011 $'000
Committed to		
Private Equity	984,455	908,047
Property	225,860	185,053
Infrastructure	198,178	115,649
Total	**1,408,493**	**1,208,749**
Within one year	1,408,493	1,208,749
Total	**1,408,493**	**1,208,749**

The above commitments are at call with 3 months notice normally required.

14 Merger with Westscheme

The "transfer from superannuation funds – accumulation" line included in the operating statement includes the transfer in of Westscheme. The trustee boards of Westscheme and AustralianSuper agreed to merge the two funds via a successor fund transfer deed effective 30 June 2011. The trustee boards agreed AustralianSuper would be the continuing legal entity. Following due diligence performed by each fund and agreement by the parties' shareholders, the trustee boards agreed the merger served the best interests of members.

Effective 30 June 2011, the following balances rolled into AustralianSuper as a result of the Westscheme merger:

	2012 $'000	2011 $'000
Investments	-	3,475,215
Other assets	-	24,764
Total assets	**-**	**3,499,979**
Member balances	-	3,487,580
Reserves	-	12,399
Total members funds transferred in	**-**	**3,499,979**

15 Subsequent events

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2012 or on the results and cash flows of the Fund for the year ended on that date.

In the opinion of the Trustee of AustralianSuper

(a) the accompanying financial statements of the Fund are properly drawn up so as to present fairly the financial position of the Fund as at 30 June 2012 and the results of its operations and cash flows for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia; and

(b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations and Guidelines during the year.

Signed in accordance with a resolution of the Board of Directors of AustralianSuper Pty Ltd.

E. Rubin
Director

G. Willis
Director

Sydney
30 October 2012

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

REPORT BY THE INDEPENDENT APPROVED AUDITOR TO THE TRUSTEE AND MEMBERS

Financial statements

I have audited the financial statements of AustralianSuper for the year ended 30 June 2012 comprising the statement of financial position, operating statement, cash flow statement, summary of significant accounting policies, other explanatory notes and the Trustee statement.

Trustee's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of AustralianSuper.

My audit has been conducted in accordance with 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 judgment, 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

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

Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards, the financial position of AustralianSuper as at 30 June 2012 and the results of its operations and its cash flows for the year ended 30 June 2012.

Ernst & Young

ERNST & YOUNG

Martin Walsh
Partner
Melbourne

30 October 2012