AustralianSuper

Financial Statements

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Assets			
Cash and cash equivalents	8	4,375,370	3,290,003
Listed equity securities		40,906,219	29,381,169
Fixed interest securities		14,428,636	15,634,388
Derivatives		288,265	103,226
Unlisted unit trusts		19,004,065	17,133,155
Unlisted equity securities		515,854	455,643
Receivables		292,259	245,000
Receivables for securities sold		81,377	249,084
Deferred tax assets	7	24,183	14,672
Total assets		**79,916,228**	**66,506,340**
Liabilities			
Payables		231,500	148,386
Payables for securities purchased		166,272	152,071
Derivatives		231,452	881,403
Current tax liabilities		226,404	300,204
Deferred tax liabilities	7	784,740	154,942
Total liabilities (excluding liability for accrued benefits)		**1,640,368**	**1,637,006**
Net assets available to pay accrued benefits		**78,275,860**	**64,869,334**
Represented by:			
Liability for accrued benefits	3		
Members' funds		77,991,007	64,700,528
Reserves		284,853	168,806
Liability for accrued benefits		**78,275,860**	**64,869,334**

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

	Note	2014 $'000	2013 $'000
Investment income			
Dividends and distributions		2,242,037	1,522,358
Interest		671,186	581,568
Other investment income		22,748	16,112
Changes in net market value of investments	6	6,778,458	6,017,819
Master custodian and investment manager fees		(198,696)	(175,358)
Direct investment expenses		(40,977)	(25,834)
		9,474,756	**7,936,665**
Contributions revenue			
Employer		5,659,229	4,981,621
Member		1,121,544	693,733
Transfers from other superannuation funds - accumulation		3,734,980	8,352,137
Transfers from other superannuation funds - pension		911,775	2,737,964
		11,427,528	**16,765,455**
Revenue - other			
Insurance claims receipts		206,321	200,038
Sundry income		47,175	9,035
Interest on cash at bank		563	431
		254,059	**209,504**
Total revenue		**21,156,343**	**24,911,624**
Insurance expense		(600,766)	(345,949)
Expenses			
Trustee services fee	11	(231,262)	(206,635)
Other expenses		(883)	(7,524)
Superannuation contributions surcharge		(13)	(17)
Total expenses		**(832,924)**	**(560,125)**
Benefits accrued as a result of operations before income tax		**20,323,419**	**24,351,499**
Less income tax expense	7	(1,401,791)	(1,248,681)
Benefits accrued as a result of operations		**18,921,628**	**23,102,818**

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

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Contributions and transfers received		11,183,836	9,803,418
Investment earnings received		2,903,079	2,081,846
Insurance claims received		206,321	200,038
Other income received		47,175	9,035
Insurance premiums paid		(566,200)	(343,132)
Trustee service fee paid		(233,530)	(206,635)
Investment expenses paid		(208,934)	(151,156)
Sucharge paid		(798)	3
Other expenses paid		(883)	(7,524)
Benefits paid		(5,490,225)	(5,150,943)
Income tax paid		(856,200)	(642,214)
Net cash flow from operating activities	8(a)	**6,983,641**	**5,592,736**
Cash flows from investing activities			
Proceeds from the sale of investments		56,004,489	51,073,892
Payments for the purchase of investments		(61,902,763)	(54,458,049)
Cash flow from investing activities		**(5,898,274)**	**(3,384,157)**
Net increase/(decrease) in cash and cash equivalents held		1,085,367	2,208,579
Cash and cash equivalents at the beginning of the financial year		3,290,003	1,081,424
Cash and cash equivalents at the end of the financial year	8(b)	**4,375,370**	**3,290,003**

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, that established the Fund with effect from 1 August 1985 and provides retirement benefits, including pensions, to its members.

The trustee of the Fund is AustralianSuper Pty Ltd (the ”Trustee”). The registered office of the Trustee is level 33, 50 Lonsdale Street, Melbourne, Victoria.

The financial statements were approved by the Board of Directors of the Trustee on 28 October 2014.

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 in note 2 (p), 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. Therefore the financial statements will not comply with all IFRS requirements.

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 equivalents

Cash and cash equivalents includes cash at bank, deposits held at call with financial institutions and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 Summary of significant accounting policies (continued)

(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 unlisted trusts

Units in 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. 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.

(e) Derivatives

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. Changes in the net market value are recognised in the operating statement in the year they occur.

Financial assets and liabilities, including derivatives, are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle transactions on a net basis, or realise the asset and settle the liability simultaneously.

(f) Receivables

Receivables include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment.

(g) Receivables/payables for securities sold/purchased

Receivables for securities sold and payables for securities purchased represent trades that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled within three business days.

2 Summary of significant accounting policies (continued)

(h) 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.

(i) Benefits payable

Benefits payable comprises entitlements of members who have exited the Fund prior to year end, but have not been paid by that date and unclaimed benefits.

(j) 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 the Fund’s reserves. It is measured as the difference between the carrying amount of the assets and liabilities as at reporting date.

(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 in

Contributions and transfers in from other superannuation funds 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 distributions

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) Investment expenses

Master custodian and investment manager fees and direct investment expenses represents costs incurred directly by the Fund in managing the investment portfolio. They do not include fees incurred within underlying investment vehicles.

(m) 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.

2 Summary of significant accounting policies (continued)

(m) Income tax (continued)

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.

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.

(n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services, management fees and trustee fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence custodial fees, investment management fees and other expenses have been recognised in profit or loss net of GST recoverable from the Australian Taxation Office (ATO). Payables are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period and have not been early adopted by the Fund. The assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

AASB 9 Financial Instruments
AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is not applicable until 1 January 2017 but is available for early adoption. The Fund does not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at net market value through the operating statement.

AASB 1056 Superannuation Entities
AASB 1056 Superannuation Entities replaces *AAS 25 Financial Reporting by Superannuation Plans*. The objective of AASB 1056 is to provide greater transparency and consistency in reporting by superannuation entities to other entities applying Australian Accounting Standards. The adoption of AASB 1056 will have significant impacts to the composition of the primary financial statements, measurement and recognition of assets and member liabilities and will also require significantly more disclosures. The standard is effective from 1 July 2016, however is available for early adoption.

(p) Changes to financial statements

AASB 13 became effective on 1 July 2013 and established a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. The Fund has included additional disclosures to comply with the new standard. The Fund has applied the new fair value measurement guidance prospectively and has not provided any comparative information for the new disclosure. The adoption of AASB 13 does not have a significant impact on the measurement of the Fund's assets and liabilities.

Refer to note 11 (d) for changes relating to controlled entities as a result of changes to AASB 10.

2 Summary of significant accounting policies (continued)

(p) Changes to financial statements (continued)

The financial statements have been updated to change the classifications that are used within the statement of financial position for investments and cash and cash equivalents. The investments are now disclosed by type of security. In prior year, they were disclosed by asset class. The cash and cash equivalents used within the statement of cash flows represents cash held for investing purposes and cash held within administration bank accounts. In the prior year, the statement of cash flows included only the cash held within the administration bank accounts. The prior year comparatives have been updated to reflect the new cash disclosure.

3 Liability for accrued benefits

	2014 $'000	2013 $'000
Opening balance	**64,869,334**	**46,886,804**
Benefits accrued as a result of operations	18,921,628	23,102,818
Benefits paid and payable - accumulation	(4,424,357)	(4,472,551)
Benefits paid and payable - pension	(1,090,745)	(647,737)
Closing balance	**78,275,860**	**64,869,334**
Liability for accrued benefits - Members' funds		
Opening balance	**64,700,528**	**46,712,904**
Contributions	11,427,528	16,765,455
Transfer to reserves	(4,358)	(14,245)
Interest allocated to members' accounts	8,684,605	7,381,449
Insurance proceeds	206,321	200,038
Insurance premiums	(545,766)	(345,949)
Superannuation contributions surcharge	(13)	(17)
Account keeping fees deducted from members' accounts	(180,670)	(170,478)
Income tax expense	(782,066)	(708,341)
Benefits paid and payable - accumulation	(4,424,357)	(4,472,551)
Benefits paid and payable - pension	(1,090,745)	(647,737)
Closing balance	**77,991,007**	**64,700,528**
Represented by:		
Liability for accrued benefits - accumulation	71,001,809	59,696,312
Liability for accrued benefits - pension	6,989,198	5,004,216
	77,991,007	**64,700,528**
Liability for accrued benefits - Reserves		
Opening balance	**168,806**	**173,900**
Net investment earnings	9,475,319	7,937,096
Sundry income	47,175	9,035
Account keeping fees deducted from members' accounts	180,670	170,478
Transfer to reserves	4,358	14,245
Interest allocated to members' accounts	(8,684,605)	(7,381,449)
General expenses	(232,145)	(214,159)
Insurance expenses	(55,000)	-
Income tax expense	(619,725)	(540,340)
Closing balance	**284,853**	**168,806**

3 Liability for accrued benefits (continued)

(a) Reserves

Reserves are made up of the following balances:

	2014 $'000	2013 $'000
Operational Risk Financial Reserve	168,959	111,233
Administration Reserve	48,658	57,573
Investment Reserve	67,236	-
	284,853	**168,806**

The reserves are used for the following purposes:

- Operational Risk Financial Reserve: This reserve is operated in accordance with an Operational Risk Financial 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 and the requirements of APRA Prudential Standard SPS 114.
- Administration Reserve: This reserve is utilised to fund the operations of the Trustee office, partially funds increases that may be required to the Operational Risk Financial 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 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 allocation of amounts.

(b) Members' funds

The Fund has accumulation members (which includes members within defined benefit sub-plans) and pension members.

(c) Defined benefit

The Fund includes 12 (2013: 16) defined benefit sub-plans. The calculation of the actuarial value of accrued benefits for the sub-plan members was performed by the respective actuaries as part of a comprehensive actuarial review. Actuarial reviews are generally conducted every three years.

Plan	Effective date of last actuarial review ('Valuation Date')	Net assets for defined benefit member 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	30/06/2012	4,721	4,552	4,381	Satisfactory
Anglican Plan (Pensioners)	30/06/2013	633	487	587	Satisfactory
Boeing Super Plan	31/12/2011	27,669	25,309	24,860	Satisfactory
City of Perth Superannuation Plan	30/06/2012	57,634	54,247	54,247	Satisfactory
CSL Superannuation Plan	31/12/2011	32,403	27,880	33,312	Unsatisfactory
Fletchers Building Australia Superannuation Plan	1/07/2012	87,941	80,694	86,113	Satisfactory
IBM Australia Section	1/12/2012	110,804	105,283	84,658	Satisfactory
MasterSuper Plan	30/06/2013	1,498	1,274	1,175	Satisfactory
NSW Teachers Federation Plan	30/06/2011	5,134	4,789	4,691	Satisfactory
Qantas Holidays Superannuation Plan	25/07/2011	11,757	11,137	11,134	Satisfactory
Shinagawa Staff Defined Benefit Plan	30/06/2013	5,745	4,932	4,544	Satisfactory
Toshiba (Australia) Pty Limited Superannuation Plan	1/07/2011	14,840	13,397	12,822	Satisfactory

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

3 Liability for accrued benefits (continued)

(c) Defined benefit (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 benefits 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 3.0% - 7.5% per annum (2013: 5.0% - 7.5%)
- future rate of salary inflation forecasted at 3.0% - 5.5% (2013: 3.0% - 5.5%).

The Fund's consulting actuary reports to management 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. Information is reported to the Audit, Compliance and Risk Management Committee each 6 months or on an as needs basis.

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.

	2014 $'000	2013 $'000
Vested benefits - accumulation	71,001,809	59,696,312
Vested benefits - pension	6,989,198	5,004,216
	77,991,007	**64,700,528**

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

	2014 $'000	2013 $'000
Investments held at balance date		
Cash and cash equivalents	(13,181)	53,369
Listed equity securities	4,141,982	4,334,182
Fixed interest securities	117,481	545,282
Unlisted unit trusts	828,810	1,209,354
Unlisted equity securities	19,800	(5,575)
Derivatives	689,859	(976,577)
	5,784,751	**5,160,035**
Investments realised during the year		
Cash and cash equivalents	11,519	129,910
Listed equity securities	583,823	182,749
Fixed interest securities	25,145	19,708
Unlisted unit trusts	11,017	2,405
Unlisted equity securities	(2)	162
Derivatives	362,205	522,850
	993,707	**857,784**
Total changes in net market value	**6,778,458**	**6,017,819**

7 Income tax

(a) Income tax expense

	2014 $'000	2013 $'000
Current tax expense		
Current year tax	784,254	736,173
Adjustment for prior periods	(2,750)	(22,407)
	781,504	713,766
Deferred tax expense		
Movement in temporary differences	620,287	534,915
Total income tax expense	1,401,791	1,248,681

7 Income tax (continued)

(b) Reconciliation between tax expense and benefits accrued as a result of operations before tax

	2014 $'000	2013 $'000
Benefits accrued as a result of operations	**20,323,419**	**24,351,499**
Income tax at the complying superannuation fund tax rate of 15%	3,048,513	3,652,725
Adjusted for tax effect of the following items:		
Imputation and withholding tax credits	51,460	42,077
Superannuation contributions surcharge	2	3
No-TFN contributions tax	8,629	7,885
Non assessable insurance receipts	(30,948)	(30,006)
Non taxable contributions	(156,299)	(94,327)
Non assessable investment income	(473,779)	(368,796)
Transfers from other funds not subject to tax	(689,745)	(1,658,834)
Non assessable anti-detriment	(12,256)	(7,611)
Imputation and withholding tax credits	(341,455)	(270,088)
Under/ (over) provision in prior year	(1,138)	(22,407)
Other	(1,193)	(1,940)
Income tax expense on benefits accrued as a result of operations	**1,401,791**	**1,248,681**
Total income tax expense is apportioned between Members' funds and Reserves as follows:		
Members' funds	782,066	708,341
Reserves	619,725	540,340
Total income tax expense	**1,401,791**	**1,248,681**

(c) Deferred tax asset and liability

	2014 $'000	2013 $'000
Deferred tax asset		
Accounts payable	24,183	14,672
Deferred tax asset	**24,183**	**14,672**
Deferred tax liability		
Unrealised gains in investments subject to tax	784,740	154,942
Deferred tax liability	**784,740**	**154,942**

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

	2014 $'000	2013 $'000
Benefits accrued as a result of operations	**18,921,628**	**23,102,818**
Benefits paid	(5,490,225)	(5,120,288)
Movement in net market value of investments	(6,778,458)	(6,017,819)
Non cash transactions	(251,645)	(6,937,233)
Decrease/(increase) in other receivable	(13,804)	(10,949)
Decrease/(increase) in investment income receivable	(33,455)	(38,623)
Decrease/(increase) in deferred tax asset	(9,511)	314,794
Increase/(decrease) in creditors	83,113	57,452
Increase/(decrease) in current tax liabilities	(73,800)	87,642
Increase/(decrease) in deferred tax liability	629,798	154,942
Net cash flow from operating activities	**6,983,641**	**5,592,736**

(b) Reconciliation of cash

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

	2014 $'000	2013 $'000
Cash and cash equivalents	**4,375,370**	**3,290,003**

9 Financial risk management

(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 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 setting portfolio ranges for the management of the portfolio mix for each investment option, approving asset class strategies, reviewing the performance of each investment option and developing recommendations for the Board.

The Investment Committee is responsible for overseeing the establishment and implementation of the investment governance 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 nature and extent of the financial instruments employed by the Fund are discussed below. Financial instruments includes the investments of the Fund. 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.

9 Financial risk management (continued)

(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.

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.

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'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.

The Fund's exposure to foreign currencies at the reporting date is summarised in the table below.

	2014 $'000	2013 $'000
USD	11,708,437	6,671,195
GBP	2,045,306	901,521
Euro	1,798,659	1,309,823
Other currencies	6,588,400	5,256,049
	22,140,802	**14,138,588**

The last table on page 17 summarises the sensitivity of the Fund's financial instruments to foreign exchange risk.

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.

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.

The Fund's exposure to interest rate risk at the reporting date is summarised in the table below.

	2014 $'000	2013 $'000
Fixed interest securities	14,428,636	15,634,388
Cash and cash equivalents	4,375,370	3,290,003
	18,804,006	**18,924,391**

The last table on page 17 summarises the sensitivity of the Fund's assets to interest rate risk.

9 Financial risk management (continued)

(b) Market risk (continued)

Price risk

Price risk is the risk that the fair value 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. The Fund is exposed to equity price risk arising from market equity investments and other price risk arising from its investments in collective vehicles.

The Fund manages price risk through diversification and careful selection of securities within the strategic asset allocation.

The strategic asset allocation of the Fund, being the Fund's target mix of asset classes for the next 12 months, 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).

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.

The Fund seeks to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equities portfolio.

9 Financial risk management (continued)

(b) Market risk (continued)

	2014 Fund's equity portfolio (%)	2013 Fund's equity portfolio (%)
Information technology	9.5	7.3
Financial services	29.6	31.8
Energy	5.5	5.1
Health care	7.2	6.1
Consumer staples	10.7	12.2
Industrials	9.4	9.3
Consumer discretionary	10.5	9.7
Utilities	1.4	1.4
Materials	11.9	12.4
Telecommunications	4.3	4.7
	100	**100**

Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's benefits accrued as a result of operations and net assets available to pay benefits to currency risk, interest rate risk and price risk. The reasonably possible movements in the risk variables have been determined based on the trustee's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historical variations in risk variables should not be used to predict future variations in the risk variables.

	Currency risk		Interest rate risk		Price risk	
	Impact on benefits accrued as a result of operations/net assets available to pay benefits					
	-10%	+10%	-3%	+3%	-10%	+10%
	$'000	$'000	$'000	$'000	$'000	$'000
2014	2,214,080	(2,214,080)	564,120	(564,120)	(6,041,986)	6,041,986
2013	1,413,859	(1,413,859)	567,732	(567,732)	(4,696,997)	4,696,997

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due causing a financial loss to the Fund. 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 or the selection of investments via internal management.

9 Financial risk management (continued)

(c) Credit risk (continued)

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 other receivables is considered low as this is mainly comprised of input tax credits claimed from the Australian Taxation Office.

Derivatives

Derivatives are financial products, the value of which is derived from the value of, or change in value of, an underlying asset. The Fund permits (within the limitations prescribed in the respective investment mandate) that internal and external investment managers may utilise derivatives such as futures contracts 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.

Derivatives – master netting or similar arrangements

The Fund enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such arrangements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Fund does not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Financial instruments in the statement of financial position $'000	Related financial instruments that are not offset $'000	Collateral $'000	Net amount $'000
2014				
Financial assets - derivatives	288,265	(109,626)	(36,972)	141,667
Financial liabilities - derivatives	(231,452)	98,433	52,330	(80,689)
2013				
Financial assets - derivatives	103,227	(83,746)	-	19,481
Financial liabilities - derivatives	(881,403)	81,738	28,416	(771,249)

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.

9 Financial risk management (continued)

(c) Credit risk (continued)

The assets transferred to other entities under scrip lending arrangements include Australian and International equities and global bonds that are held discretely 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 $44,220,725,000 (2013: $34,035,721,000). The carrying amount of assets on loan at reporting date was $1,957,005,000 (2013: $2,036,797,000).

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.

The collateral held at reporting date as security consisted of cash and fixed interest securities with a fair value of $2,062,348,000 (2013: $2,165,795,000). 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 its obligations in full as and when they fall due or can only do so on terms that are materially disadvantageous. The Fund's Trust Deed and Product Disclosure Statement provide for the daily withdrawal of benefits and switching of members funds on a daily basis (business day) 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 Plan 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 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 contractual maturity of financial liabilities is set out below.

9 Financial risk management (continued)

(d) Liquidity risk (continued)

2014	Carrying amount $'000	Contractual cash flows $'000	Less than 1 month $'000	1 to 3 months $'000	Greater than 3 months $'000
Vested benefits	77,991,007	77,991,007	77,991,007	-	-
Accounts payable	231,500	231,500	231,500	-	-
Payables for securities purchased	166,272	166,272	166,272	-	-
Derivative liabilities	231,452	231,452	38,944	21,523	170,985
	78,620,231	**78,620,231**	**78,427,723**	**21,523**	**170,985**

2013	Carrying amount $'000	Contractual cash flows $'000	Less than 1 month $'000	1 to 3 months $'000	Greater than 3 months $'000
Vested benefits	64,700,528	64,700,528	64,700,528	-	-
Accounts payable	148,386	148,386	148,386	-	-
Payables for securities purchased	152,071	152,071	152,071	-	-
Derivative liabilities	881,403	881,403	241,842	297,405	342,156
	65,882,388	**65,882,388**	**65,242,827**	**297,405**	**342,156**

Vested 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.

(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 are described below.

(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.

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 risk management (continued)

(f) Classification of financial instruments under the fair value hierarchy (continued)

2014	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Listed equity securities	40,887,925	1,793	16,501	40,906,219
Fixed interest securities	2,366,824	11,951,209	110,603	14,428,636
Unlisted unit trusts	-	4,157,177	14,846,888	19,004,065
Unlisted equity securities	-	-	515,854	515,854
Derivative assets	28,585	259,680	-	288,265
Derivative liabilities	(9,727)	(221,725)	-	(231,452)
	43,273,607	**16,148,134**	**15,489,846**	**74,911,587**

2013	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Listed equity securities	29,346,610	18,705	15,853	29,381,168
Fixed interest securities	5,099,163	9,692,850	842,376	15,634,389
Unlisted unit trusts	-	3,526,523	13,606,631	17,133,154
Unlisted equity securities	-	-	455,643	455,643
Derivative assets	22,823	80,403	-	103,226
Derivative liabilities	(102,090)	(779,313)	-	(881,403)
	34,366,506	**12,539,168**	**14,920,503**	**61,826,177**

The Fund's policy is to recognise transfers into and transfers out of the fair value hierarchy as at the end of the reporting period.

The following table presents the transfers between levels.

2014	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Listed equity securities	3,758	-	(3,758)	-
Fixed interest securities	404,895	-	(404,895)	-
	408,653	**-**	**(408,653)**	**-**

2013	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Listed equity securities	-	1,991	(1,991)	-
Fixed interest securities	-	(24,133)	24,133	-
	-	**(22,142)**	**22,142**	**-**

9 Financial risk management (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.

2014	Listed equity securities $'000	Fixed interest securities $'000	Unlisted unit trusts $'000	Unlisted equity securities $'000	Total $'000
Opening balance	**15,853**	**842,376**	**13,606,631**	**455,643**	**14,920,503**
Gains or losses recognised in profit or loss	(2,926)	384	460,951	20,770	**479,179**
Applications	20,173	18,752	1,543,170	51,548	**1,633,643**
Redemptions	(12,841)	(346,014)	(763,865)	(12,107)	**(1,134,827)**
Transfers into level 3	381	-	-	-	**381**
Transfers out of level 3	(4,139)	(404,895)	-	-	**(409,034)**
	16,501	**110,603**	**14,846,887**	**515,854**	**15,489,845**
Unrealised gains recognised in profit or loss	-	924	455,668	14,492	471,084

2013	Listed equity securities $'000	Fixed interest securities $'000	Unlisted unit trusts $'000	Unlisted equity securities $'000	Total $'000
Opening balance	**10,099**	**244,502**	**11,256,857**	**433,350**	**11,944,808**
Gains or losses recognised in profit or loss	1,775	49,567	1,230,012	(5,039)	**1,276,315**
Applications	12,384	637,808	2,294,158	38,280	**2,982,630**
Redemptions	(8,354)	(113,635)	(1,174,396)	(10,948)	**(1,307,333)**
Transfers into level 3	1,940	27,123	-	-	**29,063**
Transfers out of level 3	(1,991)	(2,989)	-	-	**(4,980)**
Total	**15,853**	**842,376**	**13,606,631**	**455,643**	**14,920,503**
Unrealised gains recognised in profit or loss	2,188	44,146	467,795	162	514,291

Valuation technique and significant unobservable inputs

The following summarises the quantitative information about significant unobservable inputs used in level 3 fair value measurement for investments which are held directly.

The investments are valued using a number of individual pricing benchmarks such as the prices of recent transactions in the same or similar entities, discounted cash flow analysis, and comparison with the earnings multiples of comparative companies. Full valuations are generally performed at least annually, with the positions reviewed periodically for material events that might impact upon fair value. The valuation of unquoted equity instruments is subjective by nature. However, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time.

9 Financial risk management (continued)

(g) Level 3 financial instruments transactions (continued)

Unobservable inputs include earnings estimates, multiples of comparative companies, marketability discounts and discount rates. For the year ended 30 June 2014, the range of cost of equity to discount the net cash flows to equity is between 10% and 18%.

The relevant valuation models are each sensitive to a number of key assumptions, such as projected future earnings, comparator multiples, marketability discounts and discount rates.

Independent valuations are obtained for non-market quoted investments, on at least an annual basis. Independent valuations are reviewed internally and the results presented to the Investment Committee.

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	Employer nominated	Independent
P. Bastian	L. Di Bartolomeo	T. Poole
B. Daley	J. Ingram	
P. Howes (resigned 23 June 2014)	H. Ridout	
D. Oliver	A. Terry	
G. Pinnell	G. Willis	
S. McDine (appointed 26 August 2014)		

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

Member nominated	Employer nominated
N. Apple	G. Stamas
M. Boyd	I. Willox
L. Carter (appointed 27 August 2013, ceased 31 July 2014)	
B. Crofts (appointed 27 August 2013)	
L. O'Brien	
M. O'Neil (appointed 27 August 2013)	

The following persons were Directors or Alternate Directors during the prior financial year:

E. Rubin (resigned 5 April 2013)
J. Lawrence (resigned 4 April 2013)
S. McGurk (resigned 19 March 2013)
D. Whiteley (resigned 30 June 2013)
P. Burn (ceased 25 June 2013)

(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 (resigned 11 December 2012), P. Burn, R. Maddox (appointed 15 July 2014) and M. Nicolaides.

10 Directors and other key management personnel

(b) Other key management personnel (continued)

The other key management personnel of the Fund are I. Silk, Chief Executive Officer, M. Delaney, Deputy Chief Executive Officer and Chief Investment Officer, S. Blackmore, Group Executive Service and Advice, A. Cavanagh, Group Executive Corporate Services, J. Foley, Group Executive Strategy, People and Performance, P. Schroder, Group Executive Membership, G. Williams, Group Executive Marketing and Corporate Affairs. For the year ended 30 June 2013 there were 5 other key management personnel of the Fund being I. Silk, M. Delaney, P. Curtis, I. McKeand and J. Peasley.

(c) Remuneration of key management personnel

Key management personnel are paid by the Trustee.

	2014 $'000	2013 $'000
Short term benefits	4,046	3,758
Post employment benefits (superannuation)	266	207
Long term benefits (long service leave)	123	58
	4,435	**4,023**

(d) Transactions with key management personnel

The following key management personnel were members of AustralianSuper during the reporting period or up to the date of the financial statements: N. Apple, G. Ashton, P. Bastian, S. Blackmore, M. Boyd, P. Burn, L. Carter, A. Cavanagh, B. Crofts, P. Curtis, B. Daley, J. Foley, M. Delaney, P. Howes, J. Lawrence, I. McKeand, M. Nicolaides, L. O'Brien, D. Oliver, M. O'Neil, J. Peasley, G. Pinnell, H. Ridout, E. Rubin, P. Schroder, I. Silk, G. Stamas, A. Terry, D. Whiteley, G. Williams, G. Willis and I. Willox. 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.

	2014	**2013**
Trustee services fee paid and payable by the Fund to the Trustee *	$265,037,000	$223,005,000*
Amount payable by the Fund to the Trustee at the end of the reporting period	$16,205,000	$4,534,000
Prepayment with the Trustee	$23,814,000	$5,447,000

* 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 $202,000 (2013: $216,000) and the Australian Council of Trade Unions $196,000 (2013: $207,000) for advertising related opportunities and general marketing for AustralianSuper.

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

11 Related parties (continued)

(b) Related party investments and transactions

At 30 June 2014 the Fund had:

- A 32.9% (2013: 32.9%) shareholding in Industry Super Holdings Pty Ltd (ISH), valued at $124,201,000 (2013: $119,028,000). 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.

  IFM managed portfolios totalling $21,251,403,000 (2013: $22,300,651,000) on behalf of the Fund and received $51,553,000 (2013: $47,191,000) 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 $27,395,000 (2013: $24,561,000). The income earned on the portfolios managed by IFM was $1,965,792,000 (2013: $2,759,561,000).

  I. Silk is a director of Industry Super Australia Pty Ltd which is a subsidiary of ISH.

- A 34.1% (2013: 33.1%) shareholding in Members Equity Bank Pty Ltd (ME) valued at $309,061,000 (2013: $232,946,000). ME holds cash and short term deposits on behalf of the Fund and other institutional clients 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.

  Members Equity Bank Pty Ltd managed a portfolio on behalf of the Fund and received $958,000 (2013: $1,238,000) 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 $469,000 (2013: $562,000). The portfolio was valued at $194,619,000 (2013: $271,819,000) and the income earned was $14,748,000 (2013: $21,579,000). The Fund also had $183,661,000 (2013: $373,005,000) invested in cash and short term deposits with Members Equity at year end. The income earned on this portfolio was $2,721,000 (2013: $4,136,000).

- A notional 15.4% (2013: 15.4%) shareholding in ISPT Pty Ltd, valued at $0 (2013: $0). ISPT manages a range of unlisted property funds on behalf of the Fund and other institutional clients.
  ISPT Pty Ltd in its capacity as trustee managed portfolios totalling $3,128,236,000 (2013: $2,938,511,000) on behalf of the Fund and received $11,643,000 (2013: $11,266,000) 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 $10,138,000 (2013: $9,652,000). The income earned on this portfolio was $275,114,000 (2013: $201,630,000).

  B. Daley and M. Delaney were directors of ISPT Pty Ltd during the year ended 30 June 2014. N. Apple was an alternate director 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 2014. N. Apple was an alternate director of IGIPT Pty Ltd.

- A 28.7% (2013: 28.7%) shareholding in Superpartners Pty Ltd, valued at $36,199,000 (2013: $41,106,000). Superpartners provide member administration and custodial services to the Fund and other institutional clients.

11 Related parties (continued)

(b) Related party investments and transactions (continued)

Superpartners Pty Ltd received $156,258,000 (2013: $129,039,000) in fees for the provision of member administration services and custodial services.

G. Ashton was a director of Superpartners Pty Ltd during the year ended 30 June 2013.

- A 31.0% (2013: 31.0%) shareholding of ordinary shares valued at $960,000 (2013: $655,000) and nil (2013: 105,000) redeemable preference shares in Frontier Advisors Pty Ltd (formerly Frontier Investment Consulting Pty Ltd) valued at $0 (2013: $107,000). Frontier provides investment consulting services to the Fund and other institutional clients.
  Frontier Advisors Pty Ltd (formerly Frontier Investment Consulting Pty Ltd) received fees from AustralianSuper for investment consulting services. These fees were $1,557,000 (2013: $1,508,000).

  G. Ashton was the Chair of Frontier Advisors Pty Ltd during the year ended 30 June 2013.

- B. Daley was a director of Utilities of Australia Pty Ltd, the trustee of Utilities Trust of Australia in the year ended 30 June 2014.

  The Fund has an investment valued at $383,666,000 (2013: $533,521,000) in Utilities Trust of Australia, a unit trust that invests in infrastructure assets globally. The Fund earned income of $54,189,000 (2013: $50,388,000) from Utilities Trust of Australia. The Fund's proportion of the underlying expenses of Utilities Trust of Australia were $4,835,000 (2013: $7,985,000).

- The Trustee has a shareholding of ordinary shares valued at $0 (2013: $0) in The New Daily Pty Ltd (formerly The Free News Pty Ltd). The New Daily Pty Ltd provides an online news publication, The New Daily, which is made available to members.

  During the year the Trustee contributed $1,000,000 (2013: $1,000,000) to The New Daily for member engagement and education.

  A. Terry is a director of The New Daily Pty Ltd. During the year, the Trustee paid A. Terry $23,800 for being AustralianSuper's nominee on the Board of The New Daily Pty Ltd.

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.

(c) 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	
		2014	2013
Industry Fund Services Limited	Financial planning, seminars and other member services	$6,743,744	$7,601,000
IFS Insurance Broking Pty Ltd	Insurance services	$811,680	$1,108,000

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

11 Related parties (continued)

(d) Controlled entities

The Fund has a number of controlled entities that are listed below.

The Fund has applied the following standards and amendments for the first time in its annual reporting period commencing on 1 July 2013:

- AASB 10 Consolidated Financial Statements
- Amendments to AASB 127 Separate Financial Statements

The Fund has elected to early adopt amendments made to AASB 10 and AASB 127 (revised 2011) *Separate Financial Statements* by AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*.

The objective of AASB 10 is to establish principles for the preparation and presentation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The Fund has reviewed its investments in other entities to assess whether the conclusion as to whether the Fund controls an investee or not is different under AASB 10. No differences were identified.

The amendments made by AASB 2013-5 introduce an exception from consolidation requirements for investment entities. The amendments to AASB 10 require controlled investments to be accounted for at net market value, rather than being consolidated.

On adoption of the amendments, the Fund has determined that it meets the definition of an investment entity (see below). It has therefore changed its accounting policy with respect to its controlled investments. The investees will continue to be accounted for at net market value.

The Fund has multiple investments which are controlled by it. However, the Fund has determined that it is an investment entity under the definition in AASB 10 as it meets the following criteria:

a) the Fund has obtained funds from members for the purpose of providing them with investment management services
b) the Fund's business purpose, which it communicated directly to members, is investing solely for returns from capital appreciation and investment income; and
c) the performance of investments made by the Fund are measured and evaluated on a fair value basis.

The Fund also meets all of the typical characteristics of an investment entity.

As a consequence, the Fund does not consolidate these investments, but accounts for them at net market value.

11 Related parties (continued)

(d) Controlled entities (continued)

Name of entity	Equity holding		Value	
	2014 %	2013 %	2014 $'000	2013 $'000
AustralianSuper Property Pty Ltd	100%	100%	$40,527	$56,367
AustralianSuper Icon Parking No. 1 Trust	100%	100%	$8,699	$10,337
AustralianSuper Icon Parking No. 2 Trust	100%	100%	$8,699	$10,337
AustralianSuper Investments Fund	100%	100%	$59,304	$55,044
AustralianSuper Investments Fund No 2	100%	100%	$94,345	$130,351
AustralianSuper Investments Fund No 3	100%	100%	$789,535	$650,687
AustralianSuper Investments Fund No 4	100%	100%	$140,465	$207,379
AustralianSuper Investments Fund No 5	100%	100%	$128,304	$132,362
AustralianSuper Private Equity Trust	100%	100%	$403,619	$564,873
Mindarie Investment Trust	100%	100%	$211	$4,950
- BioVision 2020 Holdings Pty Ltd	70%	70%	$211	$4,950
- BioVision Holdings Pty Ltd	70%	70%	$211	$4,950
Battye Street Unit Trust	100%	100%	$162,608	$120,068
- No 1 Charles Street Unit Trust No 1	100%	100%	$81,304	$60,034
- No 1 Charles Street Unit Trust No 2	100%	100%	$81,304	$60,034
AS Infrastructure No 1 (Operating) Pty Ltd	100%	100%	$122,039	$103,623
AS Infrastructure No 1 (Holding) Trust	100%	100%	$589,119	$549,218
Perth Airport Holding Trust	100%	100%	127,624	$116,692
AustralianSuper Research Pty Ltd	100%	100%	$1,056	$1,030
AS Infrastructure No 2 (Holding) Trust	100%	-	$9,915	-
AS Infrastructure No 2 (Operating) Trust	100%	-	$12,921	-
AustralianSuper Property No 1 LLC	100%	-	$511,473	-

The above entities are domiciled in Australia, with the exception of AustralianSuper Property No 1 LLC which is domiciled in the USA.

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

Name of entity	2014 $'000	2013 $'000
No 1 Charles Street Unit Trust No 1	-	$84,695

In addition to the above, the Fund also controlled 11 (2013: 17) entities as at the reporting date which acted as the trustee for the above trusts and funds or trusts and funds previously controlled by AustralianSuper that have now been closed. Each entity had a carrying value of $2 or less.

12 Auditor's remuneration

	2014 $'000	2013 $'000
Amounts paid/payable to KPMG for:		
Audit of financial statements	494	486
Other assurance services	190	391
Tax compliance services	1,767	2,363
Other services	851	-
	3,302	**3,240**

13 Commitments

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

	2014 $'000	2013 $'000
Committed to		
Unlisted unit trusts	2,817,632	1,102,759
Total	**2,817,632**	**1,102,759**
Within one year	2,817,632	1,102,759
Total	**2,817,632**	**1,102,759**

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

14 Subsequent events

In September 2014, AustralianSuper Pty Ltd as Trustee for the Fund entered into a Heads of Agreement with Link Group for the provision of a superannuation administration platform and the ancillary sale of Superpartners Pty Ltd subject to due diligence. If the transaction proceeds Link Group will also provide ongoing fund administration services for the Fund.

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 2014 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 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 2014 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, the Trust Deed and Superannuation Industry (Supervision) Act 1993 and Regulations.

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

H. Ridout
Director

G. Willis
Director

Melbourne
28 October 2014

AustralianSuper (ABN: 65 714 394 898)

Report by the RSE Auditor to the trustee and members

Financial statements

I have audited the financial statements of AustralianSuper (the Fund) for the year ended 30 June 2014, comprising the statement of financial position, operating statement, statement of cash flows and accompanying notes 1 to 14 as set out on pages 5 to 29 attached.

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 *Superannuation Industry (Supervision) 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 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 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 2014 and the results of its operations and its cash flows for the year ended 30 June 2014.

KPMG

KPMG

Sean Hill
Partner

Melbourne

28 October 2014