

Australia Post Superannuation Scheme  
and its consolidated entities

Annual Financial Report  
30 June 2013

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# Australia Post Superannuation Scheme and its consolidated entities

## Statements of changes in net assets

For the year ended 30 June 2013

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Scheme</b>	
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Investment revenue</b>					
Interest		3,882	12,913	2,847	11,820
Distributions		260,520	204,172	336,621	324,166
Foreign exchange gains/(losses)		308,145	65,414	43	20
Movement in net market values	9	(83,212)	137,662	141,033	67,520
		489,335	420,161	480,544	403,526
Less direct investment expense		28,240	22,734	3,905	4,601
<b>Net investment revenue</b>		461,095	397,427	476,639	398,925
<b>Other revenue</b>					
Operating income		146,885	146,800	-	-
Rental income	20	5,229	11,866	-	-
		152,114	158,666	-	-
<b>Contributions revenue</b>	5				
Members		50,685	56,550	50,685	56,550
Employers		247,028	199,094	247,028	199,094
Transfers from other funds		38,075	41,890	38,075	41,890
		335,788	297,534	335,788	297,534
<b>Total Revenue</b>		948,997	853,627	812,427	696,459
<b>Less:</b>					
<b>Benefits paid</b>	10	344,640	472,248	344,640	472,248
<b>Expenses</b>					
General administration expenses	11	14,204	13,473	14,204	13,473
Operating expenses	12	78,764	82,893	-	-
Excess contributions tax		28	80	28	80
Employee benefits expense		52,182	53,345	-	-
Bank debt costs		8,497	15,099	-	-
<b>Total Expenses and benefits paid</b>		498,315	637,138	358,872	485,801
<b>Net change for the year before income tax</b>		450,682	216,489	453,555	210,658
<b>Less: Income tax expense/ (benefit)</b>	13	77,942	75,526	77,663	78,520
<b>Net change for the year after income tax</b>		372,740	140,963	375,892	132,138
<b>Less: Net change attributable to minority interests</b>		2,713	12,068	-	-
<b>Change for the year in net assets after income tax available to pay benefits</b>		370,027	128,895	375,892	132,138
<b>Net assets available to pay benefits at the beginning of the financial year</b>		6,206,605	6,077,710	6,231,093	6,098,955
<b>Net assets available to pay benefits at the end of the financial year</b>		6,576,632	6,206,605	6,606,985	6,231,093

The statements of changes in net assets are to be read in conjunction with the notes of the financial statements set out on pages 5 to 39.

# Australia Post Superannuation Scheme and its consolidated entities

## Statements of net assets

As at 30 June 2013

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Scheme</b>	
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>					
<b>Cash and cash equivalents</b>					
Cash assets		77,311	119,515	21,929	66,078
<b>Investments</b>					
Units in unit trusts		1,586,347	1,572,439	6,500,004	6,014,382
Shares		744,281	671,200	-	-
Interests in limited partnerships		2,121,071	2,143,541	-	-
Fixed interest		2,054,871	1,551,219	9,789	14,258
Investment properties	14	-	70,345	-	-
Derivative financial assets		151,443	74,632	151,443	74,632
		6,658,013	6,083,376	6,661,236	6,103,272
<b>Property, plant and equipment</b>	16	465,079	473,096	-	-
<b>Other assets</b>					
Sundry debtors	17	75,661	70,043	219,632	183,517
Deferred income		-	1,305	-	-
Deferred income tax asset	13	72,293	85,614	68,222	82,615
		147,954	156,962	287,854	266,132
<b>Total Assets</b>		<b>7,348,357</b>	<b>6,832,949</b>	<b>6,971,019</b>	<b>6,435,482</b>
<b>Less:</b>					
<b>Liabilities</b>					
Sundry creditors	18	43,023	41,912	1,809	22,637
Benefits payable		45,292	40,612	45,292	40,612
Derivative financial liabilities		267,203	104,624	266,609	102,597
Bank debt	19	210,700	229,069	-	-
Deferred income tax liability	13	32,468	32,096	-	-
Current tax liability		49,943	37,615	50,324	38,543
Net assets attributable to minority interests		123,096	140,416	-	-
<b>Total Liabilities</b>		<b>771,725</b>	<b>626,344</b>	<b>364,034</b>	<b>204,389</b>
<b>Net Assets available to pay benefits at the end of the financial year</b>	6	<b>6,576,632</b>	<b>6,206,605</b>	<b>6,606,985</b>	<b>6,231,093</b>

The statements of net assets are to be read in conjunction with the notes of the financial statements set out on pages 5 to 39.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 1. Reporting entity

The Australia Post Superannuation Scheme (the "Scheme") is a superannuation scheme domiciled in Australia. The consolidated financial report for the financial year ended 30 June 2013 comprises the Scheme and the entities it is required to consolidate (together referred to as the 'Consolidated Entity'). The address of the Scheme's registered office is Level 18, 111 Bourke Street, Melbourne, Victoria.

The Scheme is constituted by a Trust Deed dated 19 June 1990, as amended, to provide superannuation benefits for current and former employees of Australian Postal Corporation and associated entities and their spouses.

The Trustee of the Scheme is PostSuper Pty Ltd, ACN 064 225 841.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standard AAS 25, *Financial Reporting by Superannuation Plans*, other applicable Accounting Standards, the provisions of the Trust Deed (as amended) and requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Because AAS 25 is the principal standard that applies to the financial report, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS 25.

The financial report was authorised for issue by the directors of the Trustee, PostSuper Pty Ltd, on 17 September 2013.

#### (b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Scheme. Amounts have been rounded to the nearest thousand dollars except where otherwise noted.

#### (c) Use of estimates, assumptions and judgements

The preparation of a financial report requires estimates, assumptions and judgements that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates, assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the estimates, assumptions and judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, assumptions or judgements.

The estimates, assumptions and judgements are reviewed on an ongoing basis. Revisions to accounting estimates, assumptions or judgements are recognised in the period in which the estimate, assumption or judgement is revised if the revision affects only that period or in the period of the revision and in future periods if the revision affects both current and future periods.

Information about areas of estimation uncertainty that are inherent in the estimated values of certain assets and liabilities are described in the following notes:

Note 3(a)(i) Non-market quoted investments: Units in unit trusts and interests in limited partnerships

Note 6(a) Liability for accrued benefits

Note 14 Investment properties

Note 16 Property, plant and equipment

#### (d) Basis of consolidation

##### i. Consolidated entities

AASB 127 Consolidated and Separate Financial Statements specifies that "controlled" entities must be consolidated and that "control" exists when the Scheme has the power, directly or indirectly, to govern the financial and operating policies of a consolidated entity so as to obtain benefit from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial reports of the consolidated entities are included in the consolidated financial report from the date that control commences until the date that control ceases.

Investments in consolidated entities are carried at net market value in the Scheme's financial statements.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 2. Basis of preparation (continued)

#### (d) Basis of consolidation (continued)

##### ii. Transactions eliminated on consolidation

Balances and any unrealised gains and losses or income and expenses arising from transactions with consolidated entities, are eliminated in preparing the consolidated financial report.

### 3. Statement of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this financial report.

#### (a) Assets

##### Cash and cash equivalents

Cash comprises cash on hand and on-demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

##### Investments

Investments are included in the statement of net assets at net market value as at balance date. Movements in the net market value of investments are recognised in the statement of changes in net assets in the periods in which they occur.

Estimated costs of disposal are deducted in the determination of net market value. Because disposal costs are generally immaterial, unless otherwise stated, net market value approximates fair value.

Net market values have been determined as follows:

##### Market quoted investments

##### i. Units in unit trusts and shares

Units in listed unit trusts and shares quoted on a recognised stock exchange are stated at market quotations as at year end less the cost that would have been incurred if investments had been converted into cash as at balance date.

##### ii. Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields. Gains and losses arising from fixed interest securities on sale or maturity are recognised as interest income in the statement of changes in net assets. Any gains or losses on fixed interest securities held at the end of the period are recorded as a movement in net market value of investments in the statement of changes in net assets.

##### Non-market quoted investments

Investments for which market quotations are not available are stated at estimated fair value determined by the Trustee as follows:

##### i. Units in unit trusts and interests in limited partnerships

Estimated fair value is based on the net asset value ascertained from periodic valuations provided by the General Partner of the Limited Partnership or the Trustee of the Unit Trust. These valuations are generally provided quarterly in capital account statements, audited and unaudited financial statements or reports. Valuations determined by this method are necessarily dependent upon the reasonableness of the valuations of the underlying investments. In the absence of recently observed market prices, the fair value of units in unit trusts and interests in limited partnerships amounting to \$2,654,560,127 (2012: \$2,576,144,403) have been estimated by the General Partners of the Limited Partnerships or the Trustees of the Trusts. These estimates may include use of the General Partner's or the Trust's Trustee's own data. Due to the uncertainty inherent in the estimations, actual outcomes over time may vary materially from these estimates. Generally there is a lag in the valuations becoming available and the majority of these assets are included in these financial statements at 31 March 2013 valuations, adjusted for new investments and redemptions to 30 June 2013.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 3. Statement of significant accounting policies (continued)

#### (a) Assets (continued)

##### ii. Shares

Initial valuation is based on the cost of acquisition. When other information becomes available, such as indications of net market value through subsequent issues of capital or dealings between third parties, the valuation is adjusted to reflect the new evidence. Valuations are reduced where the company's performance is not adequate to support the carrying value.

##### iii. Investment properties

Investment properties acquired are initially brought to account at cost plus associated costs of acquisition, including stamp duty on settlement.

Investment properties are measured at fair value and are revalued at the discretion of Alternative Investment (Real Estate) Private Syndicate's Trustee (Eureka Funds Management Ltd). Valuations are performed by registered independent appraisers on the basis of market value, free from encumbrances.

The carrying value of investment properties in the financial statements does not materially differ from their net market value. In determining the net market value, the expected net cash flows are discounted to their present value using a market determined risk adjusted rate. Where carrying values differ to their net market value, the carrying values are revalued to net market value.

##### iv. Property, plant and equipment

Property, plant and equipment is measured based on independent valuations of net fair value that approximate net market value. The fair value of land and buildings was determined based on independent valuations of the properties by registered independent appraisers at 30 April 2013. A gain or loss arising from a change in fair value is recognised in the statement of changes in net assets.

#### (b) Financial instruments

##### i. Recognition

The Consolidated Entity recognises a financial asset or a financial liability on the date it becomes a party to the contractual provisions of the instrument.

From this date, any gains or losses arising from changes in fair value of the financial asset or the financial liability are recorded.

A financial asset is recognised using trade date accounting.

The Scheme recognises financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

##### ii. Measurement

When initially recognised financial instruments are measured at cost, being the fair value of the consideration given. Subsequent to initial recognition, all financial instruments are measured at net market value.

##### iii. Derecognition

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or the risks and rewards of ownership are transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 3. Statement of significant accounting policies (continued)

#### (b) Financial instruments (continued)

##### iv. Specific instruments

###### *Derivative financial instruments*

Derivatives are financial instruments, the value of which is derived from the value of, or change in the value of, an underlying asset. The governing documents of the Consolidated Entity permit the use of derivatives such as futures contracts and options to gain access to financial markets and to allow flexibility in managing and structuring its investment portfolio in line with the Consolidated Entity's investment strategies.

Derivative financial instruments are accounted for on a marked to market basis using the most recent verifiable sources of market prices or generally accepted valuation principles.

###### *Forward foreign currency contracts*

The fair value of forward foreign currency contracts (forwards) fluctuates with changes in interest and currency exchange rates. The 'forwards' are marked to market daily and the change in market value is recorded as an unrealised gain or loss on foreign currency transactions in the statement of changes in net assets. When the forward contracts are closed, the Consolidated Entity records a realised gain or loss equal to the difference in the values at the time the forward contracts were entered into and the value at the time they were closed.

###### *Interest rate swaps*

The net market value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap, net of transaction costs, taking into account current interest rates and the current creditworthiness of the swap counterparties.

#### (c) Other Assets

Other assets are included in the statement of net assets at net market value as at balance date and movements in the net market value of other assets are recognised in the statement of changes in net assets for the periods in which they occur.

#### (d) Liabilities

Liabilities are included in the statement of net assets at net market value as at balance date and movements in net market value of liabilities are recognised in the statement of changes in net assets for the periods in which they occur.

#### (e) Foreign currency transactions

Transactions in foreign currencies are translated to Australian dollars at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to Australian dollars at the foreign exchange rate ruling at that date.

Exchange rate differences relating to amounts payable and receivable in foreign currencies are recorded as exchange rate gains or losses at balance date.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 3. Statement of significant accounting policies (continued)

#### (f) Revenue recognition

##### i. Interest

Interest is recognised as it accrues, taking into account the effective yield of the financial investment.

##### ii. Dividends

Dividend revenue is recognised when the right to receive payment is established and if not received at reporting date, is reflected in the statement of net assets as a receivable at net market value.

##### iii. Distributions

Distribution revenue is recognised when the right to receive payment is established and if not received at reporting date, is reflected in the statement of net assets as a receivable at net market value.

##### iv. Foreign exchange gains/losses

Foreign exchange gains/losses are recognised as disclosed in Note 3(e).

##### v. Movement in net market values

Movement in net market values, including investment property, is recognised as income and is determined as the difference between the net market value at year end or consideration received (if sold during the year) and the net market value as at the prior year end or cost (if the investment was acquired during the period).

##### vi. Operating income

Operating income is recognised at fair value of the consideration received.

##### vii. Rental income

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

##### viii. Contributions and Transfers

Contributions from employers and members and transfers from other funds are recognised when control has transferred to the Scheme and are recognised gross of any taxes.

#### (g) Direct investment expenses

Direct investment expenses are brought to account on an accruals basis.

#### (h) Benefits paid

Benefits paid represent all valid claims arising during the year.

#### (i) Operating expenses

Operating expenditure, including rates, taxes and other outgoings, is brought to account on an accruals basis.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 3. Statement of significant accounting policies (continued)

#### (j) Employee benefits expense

##### i. Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of changes in net assets as incurred.

##### ii. Long-term service benefits

The Consolidated Entity's net obligation in respect of long-term service benefits is the amount of the future benefit that employees have earned in return for their service in the current and prior periods. That obligation has been measured at the present value of the expected future cash outflows to be made for these benefits.

##### iii. Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the balance date represent present obligations resulting from employees' services provided to balance date and are calculated at undiscounted amounts based on remuneration wage and salary rates that are expected to be paid as at balance date including related on-costs, such as workers compensation insurance and payroll tax.

#### (k) Bank debt costs

Bank debt costs are expensed as incurred.

#### (l) Income tax

The Scheme is a complying superannuation scheme. Accordingly, the concessional tax rate of 15% has been applied. Where applicable, income tax for the consolidated entities has been provided for in the current year at the rate of 30%.

Current tax is the expected tax payable on income for the year, less instalments paid, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income.

Deferred income tax is provided for on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences. This includes carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. Deferred income tax assets relating to deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss, are not recognised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 3. Statement of significant accounting policies (continued)

#### (m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables or payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of net assets.

#### (n) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current financial year amounts and other disclosures.

#### (o) Change in classification

The classification of investment incomes shown in the Statement of changes in net assets was changed during the year to better reflect the nature of amounts received from one of the Scheme's Consolidated entities. Comparative amounts for 2012 have been reclassified for consistency. This reclassification has not changed the profit nor has it changed the Statement of net assets of the Scheme.

#### (p) Valuation of accrued benefits

Accrued benefits have been actuarially determined.

#### (q) Issued standards not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Scheme.

### 4. Defined benefit scheme

The Scheme is a Defined Benefit Scheme with an accumulation section. The Scheme was established by a Trust Deed dated 19 June 1990 (as amended). During the year the Scheme has operated as a "Regulated Fund" and has complied with the relevant operating standards of the Superannuation Industry (Supervision) Act 1993 (SIS) and Regulations.

The Scheme has received certification from the Australian Prudential Regulation Authority (APRA) confirming the Scheme's complying status and this has not since been revoked.

On 19 May 2006 the Scheme became a registrable superannuation entity (RSE) operating under the licence of PostSuper Pty Ltd as RSE Licencee; licence number L0002714.

### 5. Funding arrangements

#### (a) Member contributions

Members are able to make voluntary contributions.

#### (b) Employer contributions

In addition to the Australian Postal Corporation, as at 30 June 2013 there were six Associated Employers, of which three were required to contribute to the Scheme.

Each employer contributes to the Scheme at rates determined by the Corporation on the advice of the Actuary following consultation with the Trustee.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 5. Funding arrangements (continued)

#### (c) Australian Postal Corporation

Australian Postal Corporation made a contribution to the Scheme of \$201m (2012: \$149m) during the year ended 30 June 2013. In addition, salary sacrifice contributions of \$35m (2012: \$41m) were contributed by Australian Postal Corporation during the year ended 30 June 2013.

On the advice of the Actuary, the Australian Postal Corporation has agreed to contribute 9.5% of superannuation salaries of Australia Post and StarTrack Retail Pty Ltd employees for the year ended 30 June 2014.

#### (d) Australian air Express

Australian air Express Pty Ltd made contributions to the Scheme of \$6.9m (2012: \$6.4m) during the year ended 30 June 2013. In addition, salary sacrifice contributions of \$0.4m (2012: \$0.5m) were contributed by Australia air Express Pty Ltd during the year ended 30 June 2013.

On the advice of the Actuary, Australian air Express Pty Ltd is required to contribute 8.8% of superannuation salaries for the year to 30 June 2014, plus additional top-up contributions of \$2.6 million per year in monthly instalments until full funding of its vested benefits is achieved. It is also required to make contributions in respect of exiting members when its vested benefits are not fully funded.

#### (e) StarTrack Retail Pty Ltd

StarTrack Retail Pty Ltd made contributions to the Scheme of \$4.6m (2012: \$nil) during the year ended 30 June 2013. In addition, salary sacrifice contributions of \$0.3m (2012: \$nil) were contributed by StarTrack Retail Pty Ltd during the year ended 30 June 2013.

From 1 July 2013 StarTrack Retail Pty Ltd will make the equivalent SG contributions to the Corporation in respect of StarTrack Retail Pty Ltd employees who are members of the Scheme. The Corporation in return meets StarTrack Retail Pty Ltd's employer obligations in respect of these members.

#### (f) PostSuper Pty Ltd

PostSuper Pty Ltd contributions were based on the following rates:

9% (2012: 9%) of superannuation salaries for Statutory Benefit Members.

#### (g) Decipha Pty Ltd

Decipha Pty Ltd makes the equivalent of SG contributions to the Corporation in respect of Decipha employees who are members of the Scheme. The Corporation in return meets Decipha Pty Ltd's employer obligations in respect of these members.

#### (h) PostCorp Developments Pty Ltd

Currently PostCorp Developments Pty Ltd has no employees and is not required to contribute to the Scheme.

#### (i) Post Logistics Australia Pty Ltd

Post Logistics Australia Pty Ltd makes the equivalent of SG contributions to the Corporation in respect of Post Logistic Australia employees who are members of the Scheme. The Corporation in return meets Post Logistics Australia Pty Ltd's employer obligations in respect of these members.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 6. Liability for accrued benefits and vested benefits

#### (a) Liability for accrued benefits

The liability for accrued benefits represents the present obligation of the Scheme to pay benefits to members and beneficiaries and has been determined for each member as the present value of expected future benefit payments arising from membership of the Scheme up to 30 June 2013 (including benefits transferred from the Commonwealth Superannuation Scheme)

This liability has been calculated using data as at 30 June 2013, and valued in accordance with AAS25 and in a manner consistent with Guidance Notes and Professional Standards produced by the Actuaries Institute. The Actuaries Institute allows the Scheme Actuary either to apply a minimum of each member's vested benefit when calculating the liability or not to do so. AAS25 does not specify whether or not a minimum of the vested benefit should be applied.

In prior years, a minimum of each member's vested benefit was applied. However, it has become common practice amongst superannuation funds not to apply the vested benefits minimum. Accordingly, to achieve consistency with other superannuation funds and to distinguish the Scheme's long-term funding position, measured with reference to accrued benefits, from its short-term funding position, measured with reference to vested benefits, a minimum of each member's vested benefit has not been applied. The impact of the change has been quantified in the table below.

The financial assumptions that are used in the calculations of the liability as at 30 June 2012 and 30 June 2013 is summarised below:

	30 June 2013	30 June 2012
Discount Rate	7.25% p.a.	7.25% p.a.
Assumed Rate of inflationary Salary Growth	2.0% p.a. to 30 June 2014 3.5% p.a. thereafter	2.0% p.a. to 30 June 2014 for Australia Post members 3.0% p.a. to 30 June 2014 for AaE members 2.5% p.a. to 30 June 2014 for AaE Retail members 3.5% p.a. thereafter

	Consolidated		Scheme	
<i>In thousands of AUD</i>	2013	2012	2013	2012
Liability for accrued benefits at beginning of period	5,709,438	6,021,868	5,709,438	6,021,868
Less: Impact of change of methodology in calculating liability for accrued benefits	-	(728,277)	-	(728,277)
<i>Equals:</i> Liability for accrued benefits at beginning of period (with adjustment for change of methodology for calculation of liability for accrued benefits as at 30 June 2011)	5,709,438	5,293,591	5,709,438	5,293,591
Plus benefits expense	714,980	888,095	714,980	888,095
Less benefits paid and payable	(344,640)	(472,248)	(344,640)	(472,248)
Liability for accrued benefits at end of period	6,079,778	5,709,438	6,079,778	5,709,438
As compared with nets assets available to pay benefits	6,576,632	6,206,605	6,606,985	6,231,093
Difference arising on consolidation because an amount equal to the value of future tax benefits from undistributed franking credits in a consolidated entity has been recognised in the net assets of the Scheme.	30,353	24,488	-	-
	6,606,985	6,231,093	6,606,985	6,231,093

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 6. Liability for accrued benefits and vested benefits (continued)

#### (b) Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any other factor other than resignation from an employer) and include benefits that members are entitled to receive had they all voluntarily terminated their Scheme membership as at 30 June 2013. The net assets of the Scheme exceed total vested benefits as at 30 June 2013.

<i>In thousands of AUD</i>	Consolidated		Scheme	
	2013	2012	2013	2012
Vested benefits as at the end of the year	6,585,670	6,253,273	6,585,670	6,253,273
As compared with net assets available to pay benefits	6,576,632	6,206,605	6,606,985	6,231,093
Difference arising on consolidation because an amount equal to the value of future tax benefits from undistributed franking credits in a consolidated entity has been recognised in the net assets of the Scheme.	30,353	24,488	-	-
	6,606,985	6,231,093	6,606,985	6,231,093

The APSS is not in an unsatisfactory financial position under the Superannuation Industry Supervision Act as at 30 June 2013 because the net assets available to pay benefits are greater than the vested benefits.

### 7. Guaranteed benefits

At 30 June 2013 members' accrued benefits include employer-financed defined benefits and member savings.

Members' employer-financed defined benefits are guaranteed while the member is employed by Australia Post or associated employers. This guarantee is supported by the employer-financed assets for which Australia Post and associated employers make contributions as necessary.

All Member Savings invested in the Cash Return Member Savings are protected by a Capital Guarantee, which means that the rate of return credited to the Cash Return Member Savings cannot be negative.

### 8. Financial condition

AAS 25 requires a summary of the most recent actuarial investigation of the Scheme. The most recent actuarial investigation of the Scheme was performed as at 30 June 2012 by Mr Matthew Burgess and Jennifer Wong, both Fellows of the Institute of Actuaries of Australia.

In relation to the specific requirements of AAS 25 the actuarial investigation concluded that the Scheme was in an unsatisfactory financial position under the Superannuation Industry Supervision Act as at 30 June 2012 because the vested benefits were greater than the net assets available to pay benefits at that date.

As at 30 June 2013 the Scheme was not in an unsatisfactory financial position. Refer to Note 6.

The Scheme's Trust Deed and Superannuation Industry (Supervision) Regulations 1994 (SIS) require that an actuarial investigation be made at a date not later than three years after that of the last investigation. The next actuarial review must be performed as at a date no later than 30 June 2015 and provided no later than 31 March 2016.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 9. Movement in net market values

In accordance with AAS 25, movement in the net market value of investments is included in investment revenue. In respect of investments realised during the year, the difference between their net market value at the beginning of the year and their net market value when realised is included in movement in net market values.

<i>In thousands of AUD</i>	Consolidated		Scheme	
	2013	2012	2013	2012
Movements in investments held at end of the financial year:	(21,459)	(8,434)	188,088	(68,607)
Movements in investments realised during the financial year:	(61,753)	146,096	(47,055)	136,127
	(83,212)	137,662	141,033	67,520

### 10. Benefits paid

<i>In thousands of AUD</i>	Consolidated		Scheme	
	2013	2012	2013	2012
Resignation benefits	158,283	381,297	158,283	381,297
Retirement benefits	276,591	321,542	276,591	321,542
Death benefits	8,241	8,285	8,241	8,285
Disablement benefits	6,359	7,537	6,359	7,537
	449,474	718,661	449,474	718,661
Less amounts retained as Rollovers within the Scheme	104,834	246,413	104,834	246,413
	344,640	472,248	344,640	472,248

### 11. General administration expenses

#### Scheme

The Australian Postal Corporation (the "Corporation") provides services for and incurs costs related to the Scheme in accordance with a Services Deed and then charges a fee to the Scheme to recover the costs incurred.

<i>In thousands of AUD</i>	Consolidated		Scheme	
	2013	2012	2013	2012
Administration expenses – met directly by the Corporation	13,914	13,224	13,914	13,224
Administration expenses – met directly by the Scheme	290	249	290	249
	14,204	13,473	14,204	13,473

### 12. Operating expenses

Operating expenses incurred relate to expenses of the Scheme's consolidated entities.

#### Consolidated entities

Operating expenses relating to the consolidated entities represent all expenses incurred by those entities during their operations for the year ended 30 June 2013, except for employee benefits expense, bank debt costs and administration expenses that are reported separately.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 12. Operating expenses (continued)

	Consolidated		Scheme	
<i>In thousands of AUD</i>	2013	2012	2013	2012
Hotel investment expenses	74,244	77,149	-	-
Investment property expenses	1,600	3,290	-	-
Other investment expenses	2,920	2,454	-	-
	<b>78,764</b>	<b>82,893</b>	<b>-</b>	<b>-</b>

### 13. Income tax

#### Recognised in the statement of changes in net assets

	Consolidated		Scheme	
<i>In thousands of AUD</i>	2013	2012	2013	2012
<b>Current income tax expense</b>				
Current year	79,043	83,722	77,134	80,848
Adjustments for prior years	(14,904)	(5,813)	(13,864)	(5,020)
<b>Deferred income tax expense</b>				
Origination and reversal of temporary differences	13,803	(2,383)	14,393	2,692
Total income tax expense in statement of changes in net assets	<b>77,942</b>	<b>75,526</b>	<b>77,663</b>	<b>78,520</b>

#### Numerical reconciliation between income tax expense and net change for the year before income tax

	Consolidated		Scheme	
<i>In thousands of AUD</i>	2013	2012	2013	2012
Net change for the year before income tax	450,682	216,489	453,555	210,658
Income tax at the complying superannuation fund income tax rate of 15% (2012: 15%) and the corporate income tax rate of 30% (2012: 30%), where applicable.	67,602	32,527	68,033	31,599
Increase in income tax expense due to:				
Benefits paid	51,696	70,837	51,696	70,837
Superannuation contributions (surcharge) tax	4	12	4	12
Taxed realised and unrealised gains to accounting difference	(3,264)	10,973	(3,974)	14,895
Decrease in income tax expense due to:				
Non-assessable member contributions and co-contributions	(8,374)	(9,077)	(8,374)	(9,077)
Non-taxable transfers from other funds	(4,783)	(5,263)	(4,783)	(5,263)
Dividend imputation credits	(2,910)	(10,717)	(2,910)	(10,717)

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 13. Income tax (continued)

Withholding tax and rebates	(4,799)	(5,035)	(4,799)	(5,035)
Death and disability deduction	(857)	(1,054)	(857)	(1,054)
Exempt pension income	(2,509)	(2,657)	(2,509)	(2,657)
Over provision in prior year	(13,864)	(5,020)	(13,864)	(5,020)
Income tax expense	77,942	75,526	77,663	78,520

### Recognised deferred income tax assets and liabilities

Consolidated	Assets		Liabilities		Net	
<i>In thousands of AUD</i>	2013	2012	2013	2012	2013	2012
Sundry	-	-	(1,244)	(686)	(1,244)	(686)
Unrealised gain from investments	69,468	83,260	(31,224)	(31,410)	38,244	51,850
Provisions	2,825	2,354	-	-	2,825	2,354
Net income tax (assets) / liabilities	72,293	85,614	(32,468)	(32,096)	39,825	53,518

Scheme	Assets		Liabilities		Net	
<i>In thousands of AUD</i>	2013	2012	2013	2012	2013	2012
Sundry	-	-	-	-	-	-
Unrealised gain from investments	68,222	82,615	-	-	68,222	82,615
Net income tax (assets) / liabilities	68,222	82,615	-	-	68,222	82,615

### Movement in temporary differences during the year

2013	Consolidated			Scheme		
<i>In thousands of AUD</i>	Balance 1/07/2012	Recognised in income	Balance 30/06/2013	Balance 1/07/2012	Recognised in income	Balance 30/06/2013
Sundry	(686)	(558)	(1,244)	-	-	-
Unrealised gain from investments	51,850	(13,606)	38,244	82,615	(14,393)	68,222
Provisions	2,354	471	2,825	-	-	-
	53,518	(13,693)	39,825	82,615	(14,393)	68,222

### Movement in temporary differences during the year (continued)

2012	Consolidated			Scheme		
<i>In thousands of AUD</i>	Balance 1/07/2011	Recognised in income	Balance 30/06/2012	Balance 1/07/2011	Recognised in income	Balance 30/06/2012
Sundry	(3,922)	3,236	(686)	-	-	-
Unrealised gain from investments	66,521	(14,671)	51,850	85,307	(2,692)	82,615
Provisions	1,869	485	2,354	-	-	-
	64,468	(10,950)	53,518	85,307	(2,692)	82,615

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 14. Investment properties

Investment properties comprise investment interests in land and buildings held by Alternative Investment (Real Estate) Private Syndicate for the purpose of letting to produce rental income.

Investment properties comprise a number of commercial office and industrial buildings that are leased to third parties. Subsequent renewals are negotiated with the lessee. Investment property interests held under operating leases are classified as investment properties. No contingent rents are charged.

Investment properties comprised the following:

<i>In thousands of AUD</i>	Consolidated		Scheme	
	2013	2012	2013	2012
Opening balance at 1 July	70,345	221,262	-	-
Net additions since latest valuation	688	783	-	-
Disposals of property	(71,033)	(92,153)	-	-
Changes in net market value	-	(59,547)	-	-
Closing balance at 30 June	-	70,345	-	-

The weighted average of capitalisation rates applied to the net annual rentals to determine fair value of property for which current prices in an active market are unavailable are as follows:

State	Capitalisation rates	
	2013	2012
New South Wales	-	8.00%
Queensland	-	8.75%

### 15. Capital and other commitments

The Consolidated Entity's capital commitments are called in instalments at the discretion of the advisers to the constituent funds. The exact timing of future capital calls is unknown.

As at 30 June 2013, the Consolidated Entity had the following uncalled commitments in respect of its investments:

<i>In thousands of AUD</i>	Consolidated		Scheme	
	2013	2012	2013	2012
Units in unit trusts	9,868	13,106	-	-
Shares	152,527	181,231	-	-
Interests in limited partnerships	544,758	612,759	-	-
	707,153	807,096	-	-

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 16. Property, plant and equipment

Property, plant and equipment comprise hotel land and buildings held by Alternative Investment (Hotel and New Zealand) Private Syndicate.

The weighted average of capitalisation rates applied to the net annual rentals to determine fair value of land and buildings for which current prices in an active market are unavailable are as follows:

State/ Country	Capitalisation rates	
	2013	2012
Victoria	7.63%	8.13%
New South Wales	8.25%	8.17%
ACT	8.50%	9.00%

2013	Consolidated			Scheme		
	Land and buildings	Plant and equipment	Total	Land and buildings	Plant and equipment	Total
Balance at 1 July 2012	412,554	60,542	473,096	-	-	-
Additions	1,408	5,856	7,264	-	-	-
Revaluations	(2,359)	-	(2,359)	-	-	-
Disposals	-	-	-	-	-	-
Effect of movements in foreign exchange	(6,142)	(6,780)	(12,922)	-	-	-
<b>Balance at 30 June 2013</b>	<b>405,461</b>	<b>59,618</b>	<b>465,079</b>	<b>-</b>	<b>-</b>	<b>-</b>

2012	Consolidated			Scheme		
	Land and buildings	Plant and equipment	Total	Land and buildings	Plant and equipment	Total
Balance at 1 July 2011	412,161	64,930	477,091	-	-	-
Additions	3,988	6,772	10,760	-	-	-
Revaluations	37,565	-	37,565	-	-	-
Disposals	(35,032)	(3,593)	(38,625)	-	-	-
Effect of movements in foreign exchange	(6,128)	(7,567)	(13,695)	-	-	-
<b>Balance at 30 June 2012</b>	<b>412,554</b>	<b>60,542</b>	<b>473,096</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 17. Sundry debtors

	Consolidated		Scheme	
<i>In thousands of AUD</i>	2013	2012	2013	2012
Investment related receivables	27,411	10,182	219,368	182,664
Other assets	48,250	59,861	264	853
	75,661	70,043	219,632	183,517

### 18. Sundry creditors

	Consolidated		Scheme	
<i>In thousands of AUD</i>	2013	2012	2013	2012
Investment related payables	20,898	21,912	884	21,913
Trade payables	14,760	12,628	885	690
Other payables	7,365	7,372	40	34
	43,023	41,912	1,809	22,637

### 19. Bank debt

#### Financing facilities

	Consolidated		Scheme	
<i>In thousands of AUD</i>	2013	2012	2013	2012
Facilities available for use at reporting date				
Secured bank loans	230,000	251,969	-	-
Facilities utilised at reporting date				
Secured bank loans	210,700	229,069	-	-
Facilities not utilised at reporting date				
Secured bank loans	19,300	22,900	-	-

#### Financial arrangements

##### Bank loans

The loans bear interest at the banks' prime rates of 2.86% to 6.51% for Australian loans

A loan facility of \$22,000,000 was repaid in full in April 2013, following the sale of a Consolidated Entity's investment properties.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 20. Operating leases

#### Leases as lessor

A Consolidated Entity leased out its investment properties under operating leases. These investment properties were sold during the year. The future minimum lease payments under non-cancellable leases are as follows:

<i>In thousands of AUD</i>	Consolidated		Scheme	
	2013	2012	2013	2012
Less than one year	-	6,186	-	-
Between one and five years	-	18,110	-	-
More than five years	-	3,863	-	-
	-	28,159	-	-

During the financial year ended 30 June 2013, \$5,229,451 was recognised as rental income in the Statement of changes in net assets (2012: \$11,866,343).

### 21. Financial instruments

#### Overview

The Australia Post Superannuation Scheme has an investment strategy designed to achieve the investment objectives for employer-financed defined benefit assets and Member Savings held in the Scheme.

For the defined benefit assets the Trustee's general investment objective is to formulate and implement an investment strategy that will, in conjunction with the sponsoring employer's funding strategies, enable the APSS to pay benefits as well as other costs as they become due.

For Member Savings the Scheme provides two choices with the following objectives:

#### i. Cash Return Member Savings

To avoid any reduction in the dollar value of member savings at all times, while also earning a rate of return that aims to at least keep up with inflation over the long term; and

#### ii. Market Return Member Savings

To credit returns over the long term that both exceed the rate of inflation and exceed the rate of return on Cash Return Member Savings after all taxes and costs are allowed for, while accepting that the annual return will be relatively volatile.

The Scheme's assets are allocated between:

- The Market Return Portfolio; and
- The Cash Portfolio

The crediting rates for Market Return Member Savings are determined by reference to the investment returns on the Market Return Portfolio. The crediting rates for Cash Return Members Savings are determined with reference to returns on the Cash Portfolio. The Market Return Portfolio also holds the defined benefit assets funded by Australia Post and Associated Employers. The Trustee determines the allocation of the Scheme's assets between the Market Return Portfolio and the Cash Portfolio from time to time with reference to factors including the value of the defined benefit assets, the investment environment and how much Members have in Market Return Member Savings and Cash Return Member Savings.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

Because the objectives for the defined benefit assets and Market Return Member Savings cannot be achieved by investing in risk-free assets, the Trustee of the Australia Post Superannuation Scheme deliberately engages in certain investment risks that are expected to yield a "risk premium" in the long-term rate of return. Conversely the objective for the Cash Return Member Savings requires market risk, credit risk and liquidity risk to be kept to the minimum practical level.

In formulating its strategy for meeting the investment objectives, the Trustee considers three classes of asset differentiated by credit risk and market risk:

- Debt – generally considered to have the lowest credit risk and market risk;
- Real estate and infrastructure – generally considered to have an intermediate credit risk and market risk; and
- Equity – generally considered to have the highest credit risk and market risk.

Because the Trustee believes that investment in riskier asset classes results in higher returns in the long term, it expects higher long-term returns from real estate over debt and equity over real estate and infrastructure. It also believes that the risk of total loss from credit or market risk can be avoided by diversifying widely.

The Trustee also considers two types of markets for each class of asset that are fundamentally differentiated by liquidity:

- Public exchanges that provide relatively high liquidity; and
- Private markets that provide relatively low liquidity.

The Trustee's investment strategy for the Market Return Portfolio involves making allocations between classes of the world's financial assets that have different degrees of financial risk and therefore, different levels of expected return and ensuring that each allocation includes a wide array of financial assets to reduce the overall impact if some investments fail.

Given the closure of the Scheme to new employees in 2012, the Trustee has elected to increase liquidity in the APSS by scaling down private market investments in the Market Return portfolio over time and increase the allocation to public market equity. From 25 June 2013, the investment strategy for Market Return Member Savings and the defined benefit assets consist of target allocations to the following asset classes: (i) High-grade debt, (ii) Equity (public and private), (iii) Private Market Opportunities and (iv) Real Estate and Infrastructure.

The Cash Portfolio may include cash deposits or bank bills and short-term interest-bearing securities with very high credit quality. No changes will be made to the strategy for Cash Return Member Savings.

#### (a) Market risk

Market risk is the risk that changes in market prices cause the fair value or future cash flows of a financial instrument to fluctuate. Market risk comprises three types of risk: currency risk, interest rate risk and other 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 managed by a combination of static and dynamic currency hedging.

Static hedging involves hedging all of the currency risk of overseas investments. This is how currency risk is managed for the Scheme's international public market debt and public market equity (excluding emerging market equity investments).

Dynamic hedging refers to a process whereby the level of hedging is increased or decreased as the foreign exchange value of the Australian dollar rises or falls. This is designed to offset most of the negative effect on the value of overseas investments of a rising Australian dollar but capture most of the positive effect on value of a falling Australian dollar. This is how currency risk is managed for the Scheme's emerging market equity and international private market investments.

Dynamic hedging incurs a running cost because the process involves buying the Australian dollar as it strengthens and selling it as it weakens. As a result, the cost of dynamic hedging is related to the volatility of exchange rates. Dynamic hedging is considered preferable to static hedging if the underlying investments are illiquid or costly to liquidate. In those cases it is preferable not to incur the potentially large currency hedging settlement costs that static hedging may require from time to time because this could place a strain on the liquidity of the Scheme.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (a) Market risk (continued)

##### *Currency risk (continued)*

The Consolidated Entity's total net exposure to fluctuations in foreign currency exchange rates at the balance sheet date was as follows:

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Scheme</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>				
<i>Derivative financial assets</i>				
USD	114,122	22,742	114,122	22,742
Euro	25,606	1,692	25,606	1,692
GBP	11,357	2,142	11,357	2,142
	<b>151,085</b>	<b>26,576</b>	<b>151,085</b>	<b>26,576</b>
<b>Liabilities</b>				
<i>Derivative financial liabilities</i>				
USD	194,407	36,339	194,407	36,339
Euro	49,125	1,756	49,125	1,756
GBP	21,629	4,483	21,629	4,483
	<b>265,161</b>	<b>42,578</b>	<b>265,161</b>	<b>42,578</b>

This represents 2.1% of the Consolidated Entity's investments under management as at year end (2012: 0.5%).

##### *Sensitivity analysis*

Based on analysis of historical data over the past 10 years, a 12% movement in the Australian Dollar has been applied for the 2013/14 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2013 and is not guaranteed.

A 12% percent strengthening/weakening of the AUD against the following currencies at 30 June would have increased/ (decreased) the change for the year in net assets available to pay benefits and net assets available to pay benefits by the amounts shown below:

2013 Consolidated	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
<i>In thousands of AUD</i>		-12%	12%	-12%	12%
USD	(80,285)	(21,304)	9,893	(21,304)	9,893
Euro	(23,520)	(13,293)	13,993	(13,293)	13,993
GBP	(10,271)	(6,991)	8,845	(6,991)	8,845
	(114,076)	(41,588)	32,731	(41,588)	32,731

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (a) Market risk (continued)

*Currency risk (continued)*

*Sensitivity analysis (continued)*

<b>2012 Consolidated</b>	<b>Carrying amount</b>	<b>Change for the year in net assets available to pay benefits</b>		<b>Net assets available to pay benefits</b>	
<i>In thousands of AUD</i>		<b>-14%</b>	<b>+14%</b>	<b>-14%</b>	<b>+14%</b>
USD	(13,597)	(195,358)	161,727	(195,358)	161,727
Euro	(64)	(35,760)	27,115	(35,760)	27,115
GBP	(2,341)	(21,613)	16,388	(21,613)	16,388
	(16,002)	(252,731)	205,230	(252,731)	205,230

<b>2013 Scheme</b>	<b>Carrying amount</b>	<b>Change for the year in net assets available to pay benefits</b>		<b>Net assets available to pay benefits</b>	
<i>In thousands of AUD</i>		<b>-12%</b>	<b>12%</b>	<b>-12%</b>	<b>12%</b>
USD	(80,285)	(21,304)	9,893	(21,304)	9,893
Euro	(23,520)	(13,293)	13,993	(13,293)	13,993
GBP	(10,271)	(6,991)	8,845	(6,991)	8,845
	(114,076)	(41,588)	32,731	(41,588)	32,731

<b>2012 Scheme</b>	<b>Carrying amount</b>	<b>Change for the year in net assets available to pay benefits</b>		<b>Net assets available to pay benefits</b>	
<i>In thousands of AUD</i>		<b>-14%</b>	<b>+14%</b>	<b>-14%</b>	<b>+14%</b>
USD	(13,597)	(195,358)	161,727	(195,358)	161,727
Euro	(64)	(35,760)	27,115	(35,760)	27,115
GBP	(2,341)	(21,613)	16,388	(21,613)	16,388
	(16,002)	(252,731)	205,230	(252,731)	205,230

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (a) Market risk (continued)

##### *Interest rate risk*

Interest rate risk is the risk that changes in market interest rates cause the fair value of future cash flows of a financial instrument to fluctuate.

The Scheme has direct exposure to interest rate risk in its public market debt investments. Interest rates may affect the valuation of investments in the other asset classes but their effect is impossible to isolate from other factors bearing on these asset classes and is treated as "other market price risk".

Interest rate risk in the Scheme is managed by determining the appropriate allocation to public market debt and by diversifying across sovereign debt markets.

The strategic allocation to public market debt is reviewed at least on a three-yearly cycle or more frequently if the solvency of the Scheme or other key variables changes significantly. The Trustee of the Scheme monitors asset allocation on a monthly basis.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Scheme</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Interest bearing instruments</b>				
Cash assets	77,311	119,515	21,929	66,078
Fixed interest	2,054,871	1,551,219	9,789	14,258
Bank debt	(210,700)	(229,069)	-	-
	<b>1,921,482</b>	<b>1,441,665</b>	<b>31,718</b>	<b>80,336</b>

##### *Sensitivity analysis*

Based on an analysis of interest rate historical data over the past 10 years, a 50 basis points movement in interest rates has been applied for the 2013/14 reporting period. This analysis assumes all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012 and is not guaranteed.

An increase / (decrease) of 50 basis points in interest rates at the reporting date would have increased / (decreased) the change for the year in net assets available to pay benefits and net assets available to pay benefits by the amounts shown below:

<b>2013 Consolidated</b>	<b>Carrying amount</b>	<b>Change for the year in net assets available to pay benefits</b>		<b>Net assets available to pay benefits</b>	
		<b>-50bps</b>	<b>+50bps</b>	<b>-50bps</b>	<b>+50bps</b>
<i>In thousands of AUD</i>					
Cash assets	77,311	(387)	387	(387)	387
Fixed interest	2,054,871	(10,029)	10,029	(10,029)	10,029
Bank debt	(210,700)	(1,054)	1,054	(1,054)	1,054
	<b>1,921,482</b>	<b>(11,470)</b>	<b>11,470</b>	<b>(11,470)</b>	<b>11,470</b>

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

*Interest rate risk (continued)*

*Sensitivity analysis (continued)*

<b>2012 Consolidated</b>	<b>Carrying amount</b>	<b>Change for the year in net assets available to pay benefits</b>		<b>Net assets available to pay benefits</b>	
		<b>-50 bps</b>	<b>+50 bps</b>	<b>-50 bps</b>	<b>+50 bps</b>
<i>In thousands of AUD</i>					
Cash assets	119,515	(598)	598	(598)	598
Fixed interest	1,551,219	(7,357)	7,357	(7,357)	7,357
Bank debt	(229,069)	(1,145)	1,145	(1,145)	1,145
	1,441,665	(9,100)	9,100	(9,100)	9,100

<b>2013 Scheme</b>	<b>Carrying amount</b>	<b>Change for the year in net assets available to pay benefits</b>		<b>Net assets available to pay benefits</b>	
		<b>-50bps</b>	<b>+50bps</b>	<b>-50bps</b>	<b>+50bps</b>
<i>In thousands of AUD</i>					
Cash assets	21,929	(110)	110	(110)	110
Fixed interest	9,789	197	(197)	197	(197)
	31,718	87	(87)	87	(87)

<b>2012 Scheme</b>	<b>Carrying amount</b>	<b>Change for the year in net assets available to pay benefits</b>		<b>Net assets available to pay benefits</b>	
		<b>-50 bps</b>	<b>+50 bps</b>	<b>-50 bps</b>	<b>+50 bps</b>
<i>In thousands of AUD</i>					
Cash assets	66,078	(330)	330	(330)	330
Fixed interest	14,258	327	(327)	327	(327)
	80,336	(3)	3	(3)	3

*Other market price risk*

Other market price risk is the risk that changes in market prices (other than those arising from interest rate risk or currency risk) will cause the fair value or future cash flows of a financial instrument to fluctuate, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to other market price risk in the public market equity investments and to a more moderate degree in the private market investments.

Other market price risk is managed by limiting the allocation to public market equity and maintaining higher allocations to private market investments.

The strategic allocations to public market equity and private markets are reviewed at least on a three-yearly cycle or more frequently if the solvency of the Scheme or other key variables changes significantly. The Trustee monitors the Scheme asset allocation on a monthly basis.

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (a) Market risk (continued)

##### *Other market price risk (continued)*

Based on an analysis of historical data in relation to specific indices used to benchmark specific investments over the past 10 years, the following movements in other price risk has been applied for the 2013/14 reporting period:

Investment	Consolidated	Scheme
Units in unit trusts		
• Public markets	7.6%	3.3%
• Private markets	8.3%	8.3%
Shares		
• Public markets	n/a	n/a
• Private markets	8.4%	n/a
Interest in limited partnerships		
• Public markets	n/a	n/a
• Private markets	8.3%	n/a

##### *Sensitivity analysis*

An increase / decrease in the market price against the investments of the Scheme at 30 June would have increased / (decreased) the change for the year in net assets available to pay benefits and net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant. The analysis is performed on the same basis for 2012 and is not guaranteed.

2013 Consolidated	%	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
<i>In thousands of AUD</i>			Decrease	Increase	Decrease	Increase
Units in unit trusts						
Public markets	7.6%	591,648	(44,936)	44,936	(44,936)	44,936
Private markets	8.3%	939,409	(77,795)	77,795	(77,795)	77,795
Shares						
Public markets	n/a	-	-	-	-	-
Private markets	8.4%	744,281	(62,520)	62,520	(62,520)	62,520
Interests in limited partnerships						
Public markets	n/a	-	-	-	-	-
Private markets	8.3%	2,121,071	(175,652)	175,652	(175,652)	175,652
		4,396,409	(360,903)	360,903	(360,903)	360,903

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (a) Market risk (continued)

*Other market price risk (continued)*

*Sensitivity analysis (continued)*

2012 Consolidated <i>In thousands of AUD</i>	%	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
			Decrease	Increase	Decrease	Increase
Units in unit trusts						
Public markets	7.7%	1,086,556	(83,729)	83,729	(83,729)	83,729
Private markets	8.8%	442,061	(39,100)	39,100	(39,100)	39,100
Shares						
Public markets	n/a	-	-	-	-	-
Private markets	9.1%	671,200	(61,079)	61,079	(61,079)	61,079
Interests in limited partnerships						
Public markets	n/a	-	-	-	-	-
Private markets	8.8%	2,143,541	(189,595)	189,595	(189,595)	189,595
		4,343,358	(373,503)	373,503	(373,503)	373,503

2013 Scheme <i>In thousands of AUD</i>	%	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
			Decrease	Increase	Decrease	Increase
Units in unit trusts						
Public markets	3.3%	3,033,709	(99,477)	99,477	(99,477)	99,477
Private markets	8.3%	3,466,295	(287,055)	287,055	(287,055)	287,055
Shares						
Public markets	n/a	-	-	-	-	-
Private markets	n/a	-	-	-	-	-
Interests in limited partnerships						
Public markets	n/a	-	-	-	-	-
Private markets	n/a	-	-	-	-	-
		6,500,004	(386,532)	386,532	(386,532)	386,532

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (a) Market risk (continued)

*Other market price risk (continued)*

*Sensitivity analysis (continued)*

2012 Scheme	%	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
<i>In thousands of AUD</i>						
			Decrease	Increase	Decrease	Increase
Units in unit trusts						
Public markets	3.5%	2,483,941	(87,921)	87,921	(87,921)	87,921
Private markets	8.8%	3,530,441	(312,265)	312,265	(312,265)	312,265
Shares						
Public markets	n/a	-	-	-	-	-
Private markets	n/a	-	-	-	-	-
Interests in limited partnerships						
Public markets	n/a	-	-	-	-	-
Private markets	n/a	-	-	-	-	-
		6,014,382	(400,186)	400,186	(400,186)	400,186

#### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The carrying amounts of the Scheme's financial assets best represent the maximum credit risk exposure at the reporting date. No collateral is held as security and no other credit enhancements exist for any financial assets held by the Scheme. No financial assets of the Scheme are considered past due as all payments are considered recoverable when contractually due. The Consolidated Entity's financial assets exposed to credit risk amounted to the following:

<i>In thousands of AUD</i>	Consolidated		Scheme	
	2013	2012	2013	2012
Cash assets	77,311	119,515	21,929	66,078
Units in unit trusts	1,586,347	1,572,439	6,500,004	6,014,382
Shares	744,281	671,200	-	-
Interests in limited partnerships	2,121,071	2,143,541	-	-
Fixed interest	2,054,871	1,551,219	9,789	14,258
Derivative financial assets	151,443	74,632	151,443	74,632
Sundry debtors	75,661	70,043	219,632	183,517
	6,810,985	6,202,589	6,902,797	6,352,867

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (b) Credit risk (continued)

The Scheme has exposure to credit risk in the public market equity and the private market investments. The public market debt investments are confined to developed market sovereign debt that is rated as investment grade by Standard & Poors and considered to have very low credit risk. Credit risk in the public market equity and the private market investments is managed primarily by diversifying across the widest available range of investments to minimise the impact of losses arising from the credit risk of single investments. The Scheme is managed under guidelines for the diversification of investments in each asset class and monitors the investments against the guidelines formally on a quarterly basis.

#### (c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as and when they fall due.

Strategically, the Scheme has an allocation to public market securities (debt and equity) that is readily liquidated in the event of major liquidity requirements and if it becomes necessary the Trustee has recourse to contingency measures, which – if required – may include:

- discounted secondary sales of private market investments;
- advance funding from Australia Post; or
- in the extreme, permitting an asset/liability mismatch in Cash Return Member Savings to utilise the liquidity of the entire Scheme.

Commitments to illiquid investments are made in accordance with a commitment roadmap that includes projections of drawdowns by and distributions from the investment vehicles. This enables the Trustee to monitor the trajectory of the asset allocation to illiquid assets and adjust commitments if the allocations are heading outside target ranges.

Operationally, the Trustee of the Scheme ensures that there is sufficient liquidity in relevant bank accounts to meet benefit obligations, expenses and capital drawdown requests. A cash flow forecast is maintained containing regular cash flows based on past transaction data and any additional pending cash flows that are notified to the Trustee of the Scheme. If the forecasts indicate that there will be insufficient cash to meet all expected payments beyond the next fortnight, the public market investment manager will be instructed to redeem investments and transfer the proceeds to the Scheme's cash management accounts.

The following are contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

<b>2013 Consolidated</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt; 1 month</b>	<b>1 – 3 months</b>	<b>&gt; 3 months</b>
<i>In thousands of AUD</i>					
<b>Financial liabilities including derivatives settled net</b>					
Sundry creditors	43,023	43,023	36,862	-	6,161
Benefits payable	45,292	45,292	45,292	-	-
Derivative financial liabilities	267,203	267,203	-	-	267,203
Bank debt	210,700	210,700	-	-	210,700
	<b>566,218</b>	<b>566,218</b>	<b>82,154</b>	<b>-</b>	<b>484,064</b>
<b>Derivative financial liabilities settled gross</b>					
Outflows	(4,697,893)	(4,697,893)	-	(2,407,513)	(2,290,380)
Inflows	4,592,991	4,592,991	-	2,356,756	2,236,235
	<b>(104,902)</b>	<b>(104,902)</b>	<b>-</b>	<b>(50,757)</b>	<b>(54,145)</b>

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (c) Liquidity risk (continued)

<b>2012 Consolidated</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt; 1 month</b>	<b>1 – 3 months</b>	<b>&gt; 3 months</b>
<i>In thousands of AUD</i>					
<b>Financial liabilities including derivatives settled net</b>					
Sundry creditors	41,912	41,912	36,017	-	5,895
Benefits payable	40,612	40,612	40,612	-	-
Derivative financial liabilities	104,624	104,624	-	-	104,624
Bank debt	229,069	229,069	-	-	229,069
	<b>416,217</b>	<b>416,217</b>	<b>76,629</b>	<b>-</b>	<b>339,588</b>
<b>Derivative financial liabilities settled gross</b>					
Outflows	(3,883,074)	(3,883,074)	-	(1,624,370)	(2,258,703)
Inflows	2,023,694	2,023,694	-	748,455	1,275,238
	<b>(1,859,380)</b>	<b>(1,859,380)</b>	<b>-</b>	<b>(875,915)</b>	<b>(983,465)</b>
<b>2013 Scheme</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt; 1 month</b>	<b>1 – 3 months</b>	<b>&gt; 3 months</b>
<i>In thousands of AUD</i>					
<b>Financial liabilities including derivatives settled net</b>					
Sundry creditors	1,809	1,809	1,809	-	-
Benefits payable	45,292	45,292	45,292	-	-
Derivative financial liabilities	266,609	266,609	-	-	266,609
	<b>313,710</b>	<b>313,710</b>	<b>47,101</b>	<b>-</b>	<b>266,609</b>
<b>Derivative financial liabilities settled gross</b>					
Outflows	(4,697,893)	(4,697,893)	-	(2,407,513)	(2,290,380)
Inflows	4,592,991	4,592,991	-	2,356,756	2,236,235
	<b>(104,902)</b>	<b>(104,902)</b>	<b>-</b>	<b>(50,757)</b>	<b>(54,145)</b>

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (c) Liquidity risk (continued)

<b>2012 Scheme</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt; 1 month</b>	<b>1 – 3 months</b>	<b>&gt; 3 months</b>
<i>In thousands of AUD</i>					
<b>Financial liabilities including derivatives settled net</b>					
Sundry creditors	22,637	22,637	1,637	-	21,000
Benefits payable	40,612	40,612	40,612	-	-
Derivative financial liabilities	102,597	102,597	-	-	102,597
	<b>165,846</b>	<b>165,846</b>	<b>42,249</b>	<b>-</b>	<b>123,597</b>
<b>Derivative financial liabilities settled gross</b>					
Outflows	(3,883,074)	(3,883,074)	-	(1,624,370)	(2,258,703)
Inflows	2,023,694	2,023,694	-	748,455	1,275,238
	<b>(1,859,380)</b>	<b>(1,859,380)</b>	<b>-</b>	<b>(875,915)</b>	<b>(983,465)</b>

The Scheme's significant financial liabilities are vested benefits to members of \$6,585,670,000 (2012: \$6,253,273,000). The Scheme considers it highly unlikely that all members will request to roll over their superannuation account at the same time.

#### (d) Estimation of fair values

The Scheme's financial assets and liabilities included in the statement of net assets are carried at net market value, which the Trustee believes approximates net fair value. The major methods and assumptions used in determining net market value of financial instruments are disclosed in note 3(a).

At 30 June 2013, the carrying amount of investments for which fair values were determined directly, in full or in part, by reference to published price quotations amounted to \$2,975,620,087 (2012: \$2,528,810,317). At 30 June 2013, the carrying amount of the investments for which fair values were estimated using a valuation technique amounted to \$3,469,028,640 (2012: \$3,545,681,553).

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (e) Fair Value Measurement

AAS25 requires investments to be measured using net market value. The table below analyses financial instruments carried at net market value, which the Trustee believe approximates fair value, by valuation method. The different levels have been defined as follows:

- Level 1 net market value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 net market value measurements are those instruments valued based on 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); and
- Level 3 net market value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### 2013

##### Consolidated

*In thousands of AUD*

	Level 1	Level 2	Level 3	Total
Units in unit trusts	-	1,257,455	273,602	1,531,057
Shares	-	-	744,281	744,281
Interests in limited partnerships	-	-	2,121,071	2,121,071
Fixed interest	2,030,729	24,142	-	2,054,871
Derivative financial assets	-	151,443	-	151,443
	<u>2,030,729</u>	<u>1,433,040</u>	<u>3,138,954</u>	<u>6,602,723</u>
Derivative financial liabilities	-	(267,203)	-	(267,203)
Bank debt	-	(210,700)	-	(210,700)
	<u>-</u>	<u>(477,903)</u>	<u>-</u>	<u>(477,903)</u>

#### 2013

##### Scheme

*In thousands of AUD*

	Level 1	Level 2	Level 3	Total
Units in unit trusts	-	3,157,622	3,342,382	6,500,004
Fixed interest	-	9,789	-	9,789
Derivative financial assets	-	151,443	-	151,443
	<u>-</u>	<u>3,318,854</u>	<u>3,342,382</u>	<u>6,661,236</u>
Derivative financial liabilities	-	(266,609)	-	(266,609)
	<u>-</u>	<u>(266,609)</u>	<u>-</u>	<u>(266,609)</u>

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (e) Fair Value Measurement (continued)

##### 2012 Consolidated In thousands of AUD

	Level 1	Level 2	Level 3	Total
Units in unit trusts	-	1,215,390	313,228	1,528,618
Shares	-	-	671,200	671,200
Interests in limited partnerships	-	-	2,143,541	2,143,541
Fixed interest	1,496,893	54,326	-	1,551,219
Derivative financial assets	-	74,632	-	74,632
	<u>1,496,893</u>	<u>1,344,348</u>	<u>3,127,969</u>	<u>5,969,210</u>
Derivative financial liabilities	-	(104,624)	-	(104,624)
Bank debt	-	(229,069)	-	(229,069)
	<u>-</u>	<u>(333,693)</u>	<u>-</u>	<u>(333,693)</u>

##### 2012 Scheme In thousands of AUD

	Level 1	Level 2	Level 3	Total
Units in unit trusts	-	2,617,065	3,397,317	6,014,382
Fixed interest	-	14,258	-	14,258
Derivative financial assets	-	74,632	-	74,632
	<u>-</u>	<u>2,705,955</u>	<u>3,397,317</u>	<u>6,103,272</u>
Derivative financial liabilities	-	(102,597)	-	(102,597)
	<u>-</u>	<u>(102,597)</u>	<u>-</u>	<u>(102,597)</u>

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (f) Additional financial instruments disclosure

**2013**

**Consolidated**

**Reconciliation of level 3 net market value measurements of financial assets**

In thousands of AUD

	Net market value
Opening balance	3,127,969
Total gains or losses in profit or loss included in the movement in net market value in the statement of changes in net assets	223,381
Purchases	157,387
Sales	(369,783)
Issues	
Settlements	
Transfers into level 3	
Closing balance	3,138,954
Total gains or losses included in the movement in net market value in the Statement of changes in net assets for assets held at the end of the reporting period	209,767

**2013**

**Scheme**

**Reconciliation of level 3 net market value measurements of financial assets**

In thousands of AUD

	Net market value
Opening balance	3,397,317
Total gains or losses in profit or loss included in the movement in net market value in the statement of changes in net assets	190,981
Purchases	166,478
Sales	(412,394)
Issues	
Settlements	
Transfers into level 3	
Closing balance	3,342,382
Total gains or losses included in the movement in net market value in the Statement of changes in net assets for assets held at the end of the reporting period	204,595

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 21. Financial instruments (continued)

#### (f) Additional financial instruments disclosure (continued)

**2012**

**Consolidated**

**Reconciliation of level 3 net market value measurements of financial assets**

In thousands of AUD

	Net market value
Opening balance	3,091,690
Total gains or losses in profit or loss included in the movement in net market value in the statement of changes in net assets	210,242
Purchases	282,929
Sales	(456,892)
Issues	-
Settlements	-
Transfers into level 3	-
Closing balance	3,127,969
Total gains or losses included in the movement in net market value in the Statement of changes in net assets for assets held at the end of the reporting period	183,895

**2012**

**Scheme**

**Reconciliation of level 3 net market value measurements of financial assets**

In thousands of AUD

	Net market value
Opening balance	3,404,090
Total gains or losses in profit or loss included in the movement in net market value in the statement of changes in net assets	142,007
Purchases	182,720
Sales	(331,500)
Issues	-
Settlements	-
Transfers into level 3	-
Closing balance	3,397,317
Total gains or losses included in the movement in net market value in the Statement of changes in net assets for assets held at the end of the reporting period	115,660

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 22. Auditors remuneration

	Consolidated		Scheme	
<i>In thousands of AUD</i>	2013	2012	2013	2012
<b>Audit services</b>				
Auditor of the Scheme				
<i>Ernst &amp; Young</i>				
Audit of annual financial report	148	176	148	176
Other auditors of consolidated entities				
<i>KPMG</i>				
Audit of annual financial reports of Alternative Investment (Hotel and New Zealand) Private Syndicate and Alternative Investment (Real Estate) Private Syndicate	172	245	-	-
<i>Other auditors</i>				
Audit of annual financial report of Vanguard Cash Reserve Fund	10	10	-	-
	330	431	148	176
<b>Other Services</b>				
Auditor of the Scheme				
<i>Ernst &amp; Young</i>				
Other assurance services	42	54	42	54
Other auditors of consolidated entities				
<i>KPMG</i>				
Advisory services	83	179	83	179
Core audit consultant procedures	349	389	349	389
Risk management and compliance services	174	152	174	152
Tax and BAS return preparation	190	133	105	69
Investment tax administration and advisory services	281	524	2	59
Other tax advisory services	220	314	215	277
<i>Other auditors</i>				
Other services to Vanguard Cash Reserve Fund	23	15	-	-
	1,362	1,760	970	1,179

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 23. Related parties

#### Identity of related parties

The Scheme has a related party relationship with its consolidated entities, the employer sponsor, the Trustee and with its key management personnel.

#### (a) Trustee

PostSuper Pty Ltd (ACN 064 225 841) was appointed as Trustee of the Scheme with effect from 1 July 1994.

The names of Directors who held office at any time during the year ended 30 June 2013 are:

#### Independent Director

Leonard John Early (retired 31 March 2013)

Mark Birrell (appointed 1 April 2013)

#### Directors appointed by Unions

James Craig Metcher

Louise Persse

Dan Dwyer

#### Directors appointed by Post

James John Marshall

Alison Harrop

Michael Tenace

#### (b) Employer sponsor

The Australian Postal Corporation is the employer sponsor. The Scheme does not employ personnel. The Corporation incurs costs related to and provides services to the Scheme in accordance with a services deed. These services are provided on terms and conditions that are set out in a services deed entered into between the Corporation and the Trustee. These costs are disclosed at Note 11.

#### (c) Key management personnel

The following were key management personnel at any time during the reporting period:

#### Non-executive Directors

Leonard John Early (retired 31 March 2013)

Mark Birrell (appointed 1 April 2013)

James Craig Metcher

Louise Persse

Dan Dwyer

James John Marshall

Alison Harrop

Michael Tenace

# Australia Post Superannuation Scheme and its consolidated entities

## Notes to the financial statements for the year ended 30 June 2013

### 23. Related parties (continued)

#### (c) Key management personnel (continued)

Australian Postal Corporation Personnel

Australian Postal Corporation as Key Delegate provides services to the Scheme and employs key personnel to do so.

Compensation paid to key management personnel by the Corporation is disclosed below.

Certain Directors are members of the Scheme. Their membership terms and conditions are the same as those available to other members of the Scheme.

The key management personnel compensation is:

<i>In thousands of AUD</i>	Consolidated		Scheme	
	2013	2012	2013	2012
Short-term employee benefits	1,773	1,568	1,773	1,568
Post employment benefits	148	99	148	99
Other long-term benefits	25	56	25	56
Termination benefits	-	232	-	232
	<u>1,946</u>	<u>1,955</u>	<u>1,946</u>	<u>1,955</u>

#### (d) Other related party transactions

There were no other related party transactions with key management personnel (2012: Nil).

### 24. Consolidated entities

The parent entity is Australia Post Superannuation Scheme, which owns more than half the voting power of the below trusts and therefore accounting standards require them to be consolidated.

The Scheme's investments in each of its consolidated entities is detailed below:

	2013	2012
Consolidated entities	%	%
Alternative Investment Private Syndicate Fund A	100	100
Alternative Investment (Real Estate) Private Syndicate	100	100
Alternative Investment (Hotel and New Zealand) Private Syndicate	100	100
Private Markets Trading Trust Fund A	100	100
Vanguard Cash Reserve Fund	94	91

The Responsible Entity of Alternative Investment (Real Estate) Private Syndicate and Alternative Investment (Hotel and New Zealand) Private Syndicate, Eureka Funds Management Ltd, is not controlled by the Scheme.

The Responsible Entity of the Vanguard Cash Reserve Fund, Vanguard Investments Australia Ltd, is not controlled by the Scheme.

# Australia Post Superannuation Scheme and its Consolidated Entities

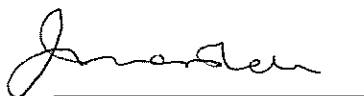
## Trustee's declaration to the members of Australia Post Superannuation Scheme

In the opinion of the Trustee of Australia Post Superannuation Scheme:

- (i) The financial statements of the Consolidated Entity, as set out on pages 3 to 39 are drawn up so as to present fairly the net assets of the Scheme as at 30 June 2013 and the changes in net assets for the year then ended; and
- (ii) The operations of the Scheme have been carried out in accordance with its Trust Deed dated 19 June 1990, as amended and in compliance with:
  - The requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations;
  - Applicable sections of the Corporations Act 2001 and Regulations; and
  - The requirements under section 13 of the Financial Sector (Collection of Data) Act 2001;
- iii) The financial statements have been prepared in accordance with Accounting Standards, other mandatory reporting requirements and the provisions of the Trust Deed dated 19 June 1990, as amended.

Signed in accordance with a resolution of the Directors of PostSuper Pty Ltd:

Dated at Melbourne this ..... 17 ..... day of September 2013

  
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\_\_\_\_\_

Directors of PostSuper Pty Ltd  
Trustee of the Scheme

AUSTRALIA POST SUPERANNUATION SCHEME ABN 42 045 077 895

## REPORT BY THE INDEPENDENT APPROVED AUDITOR TO THE TRUSTEE AND MEMBERS

### Financial statements

I have audited the financial statements of Australia Post Superannuation Scheme for the year ended 30 June 2013 comprising the statement of net assets, statement of changes in net assets, 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 Australia Post Superannuation Scheme.

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 net assets of Australia Post Superannuation Scheme as at 30 June 2013 and the changes in net assets for the year ended 30 June 2013.

*Ernst & Young*  
ERNST & YOUNG

  
Martin Walsh  
Partner  
Melbourne

17 September 2013