
Australia Post Superannuation Scheme

Annual Financial Report
30 June 2014

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Australia Post Superannuation Scheme

Statements of changes in net assets

For the year ended 30 June 2014

<i>In thousands of AUD</i>	<i>Note</i>	2014	2013
Investment revenue			
Interest		2,301	2,847
Distributions		416,197	336,621
Foreign exchange gains/(losses)		11	43
Movement in net market values	9	219,691	141,033
		<u>638,200</u>	<u>480,544</u>
Less direct investment expense		4,320	3,905
Net investment revenue		<u>633,880</u>	<u>476,639</u>
Contributions revenue	5		
Members		53,606	50,685
Employers		203,185	247,028
Transfers from other funds		25,540	38,075
		<u>282,331</u>	<u>335,788</u>
Total Revenue		<u>916,211</u>	<u>812,427</u>
Less:			
Benefits paid	10	379,349	344,640
Expenses			
General administration expenses	11	13,289	14,204
Excess contributions tax		188	28
		<u>392,826</u>	<u>358,872</u>
Total Expenses and benefits paid		<u>392,826</u>	<u>358,872</u>
Net change for the year before income tax		523,385	453,555
Less: Income tax expense/ (benefit)	12	83,861	77,663
Net change for the year after income tax		<u>439,524</u>	<u>375,892</u>
Net assets available to pay benefits at the beginning of the financial year		<u>6,606,985</u>	<u>6,231,093</u>
Net assets available to pay benefits at the end of the financial year		<u>7,046,509</u>	<u>6,606,985</u>

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 31.

Australia Post Superannuation Scheme

Statements of net assets

As at 30 June 2014

<i>In thousands of AUD</i>	<i>Note</i>	2014	2013
Assets			
Cash and cash equivalents			
Cash assets		<u>32,495</u>	<u>21,929</u>
Investments			
Units in unit trusts		6,746,790	6,500,004
Fixed interest		9,058	9,789
Derivative financial assets		<u>59,801</u>	<u>151,443</u>
		6,815,649	6,661,236
Other assets			
Sundry debtors	13	275,090	219,632
Deferred income tax asset	12	<u>28,133</u>	<u>68,222</u>
		303,223	287,854
Total Assets		<u>7,151,367</u>	<u>6,971,019</u>
Less:			
Liabilities			
Sundry creditors	14	16,611	1,809
Benefits payable		35,204	45,292
Derivative financial liabilities		32,821	266,609
Current tax liability		<u>20,222</u>	<u>50,324</u>
Total Liabilities		<u>104,858</u>	<u>364,034</u>
Net Assets available to pay benefits at the end of the financial year	6	<u>7,046,509</u>	<u>6,606,985</u>

The statements of net assets are to be read in conjunction with the notes of the financial statements set out on pages 5 to 31.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

1. Reporting entity

The Australia Post Superannuation Scheme (the "Scheme") is a superannuation scheme domiciled in Australia. The address of the Scheme's registered office is Level 18, 111 Bourke Street, Melbourne, Victoria. Previously, the Scheme presented consolidated financial statements including its consolidated entities. Because the Scheme has elected to adopt AASB 10 *Consolidated Financial Statements* and the investment entity exemption discussed in 2(d) below, the Scheme is no longer required to prepare consolidated financial statements. Consequently, the reporting entity for the current and prior period is the Scheme.

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 19 September 2014.

(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

Note 6(a) Liability for accrued benefits

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

2. Basis of preparation (continued)

(d) Changes in accounting policies

i. Consolidated entities

The Scheme has adopted AASB 10 *Consolidated Financial Statements*, AASB 12 *Disclosure of Interests in Other Entities*, and AASB 127 *Separate Financial Statements (2011)* with a date of initial application of 1 July 2013. The Scheme meets the definition of an investment entity and therefore has also early adopted the investment entity amendments to AASB 10, AASB 12 and AASB 27 with a date of initial application of 1 July 2013.

As a result of the adoption of AASB 10 including the early adoption of the investment entity amendments, the Scheme has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. AASB 10 introduces a new control model that is applicable to all investees; however as the Scheme meets the definition of an investment entity, it is not required to consolidate its investees, but must recognise and measure such investments at net market value.

The Scheme meets the definition of an investment entity per AASB 10.

In accordance with the transitional provision, the Scheme has applied the new accounting policy retrospectively and restated comparative information. Accordingly, investment in Alternative Investment Private Syndicate Fund A, Alternative Investment (Real Estate) Private Syndicate, Alternative Investment (Hotel and New Zealand) Private Syndicate, Private Markets Trading Trust Fund A and Vanguard Cash Reserve Fund are no longer being consolidated but recognised as investments at net market value.

The change in accounting policy has not resulted in an adjustment to the net assets available to pay benefits. The tables below present, in respect of the period immediately preceding the date of initial application, the resulting changes as previously reported in the consolidated financial statements. The transitional provisions of the amendments do not require disclosure of similar information in respect of the current period.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

2. Basis of preparation (continued)
- (d) Changes in accounting policy (continued)
- i. Consolidated entities (continued)

Statements of net assets

<i>In thousands of AUD</i>	30 June 2013 Consolidated As previously reported	Adjustment	30 June 2013 Scheme As restated
Assets			
Cash and cash equivalents			
Cash assets	77,311	(55,382)	21,929
Investments			
Units in unit trusts	1,586,347	4,913,657	6,500,004
Shares	744,281	(744,281)	-
Interests in limited partnerships	2,121,071	(2,121,071)	-
Fixed interest	2,054,871	(2,045,082)	9,789
Derivative financial assets	151,443	-	151,443
	6,658,013	3,223	6,661,236
Property, plant and equipment	465,079	(465,079)	-
Other assets			
Sundry debtors	75,661	143,971	219,632
Deferred income tax asset	72,293	(4,071)	68,222
	147,954	139,900	287,854
Total Assets	7,348,357	(377,338)	6,971,019
Less:			
Liabilities			
Sundry creditors	43,023	(41,214)	1,809
Benefits payable	45,292	-	45,292
Derivative financial liabilities	267,203	(594)	266,609
Bank debt	210,700	(210,700)	-
Deferred income tax liability	32,468	(32,468)	-
Current tax liability	49,943	381	50,324
Net assets attributable to minority interests	123,096	(123,096)	-
Total Liabilities	771,725	(407,691)	364,034
Net assets available to pay benefits	6,576,632		6,606,985
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	(30,353)	-
Net Assets available to pay benefits at the end of the financial year	6,606,985	-	6,606,985

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

2. Basis of preparation (continued)
 (d) Changes in accounting policy (continued)
 i. Consolidated entities (continued)

Statements of changes in net assets

<i>In thousands of AUD</i>	30 June 2013 Consolidated As previously reported	Adjustment	30 June 2013 Scheme As restated
Investment revenue			
Interest	3,882	(1,035)	2,847
Distributions	260,520	76,101	336,621
Foreign exchange gains/(losses)	308,145	(308,102)	43
Movement in net market values	(83,212)	224,245	141,033
	489,335	(8,791)	480,544
Less direct investment expense	28,240	(24,335)	3,905
Net investment revenue	461,095	15,544	476,639
Other revenue			
Operating income	146,885	(146,885)	-
Rental income	5,229	(5,229)	-
	152,114	(152,114)	-
Contributions revenue			
Members	50,685	-	50,685
Employers	247,028	-	247,028
Transfers from other funds	38,075	-	38,075
	335,788	-	335,788
Total Revenue	948,997	(136,570)	812,427
Less:			
Benefits paid	344,640	-	344,640
Expenses			
General administration expenses	14,204	-	14,204
Operating expenses	78,764	(78,764)	-
Excess contributions tax	28	-	28
Employee benefits expense	52,182	(52,182)	-
Bank debt costs	8,497	(8,497)	-
Total Expenses and benefits paid	498,315	(139,443)	358,872
Net change for the year before income tax	450,682	2,873	453,555
Less: Income tax expense/ (benefit)	77,942	(279)	77,663
Net change for the year after income tax	372,740	3,152	375,892
Less: Net change attributable to minority interests	2,713	(2,713)	-
Change for the year in net assets after income tax available to pay benefits	370,027	5,865	375,892

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

2. Basis of preparation (continued)
- (d) Changes in accounting policy (continued)
- i. Consolidated entities (continued)

Net assets available to pay benefits at the beginning of the financial year	6,206,605		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	(30,535)	-
Net assets available to pay benefits at the end of the financial year	<u>6,606,985</u>	<u>-</u>	<u>6,606,985</u>

- ii. Fair value measurement

AASB 13 established a single framework for measuring fair value and making disclosures about fair value measurement when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs including AASB 7. As a result, the Scheme has included additional disclosures at note 15(e), *Fair value measurement recognised in the statement of net assets*, in this regard.

In accordance with the transitional provisions of AASB 13, the Scheme has applied the fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has had no impact on the measurement of the Scheme's assets and liabilities.

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.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

3. Statement of significant accounting policies (continued)

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

Estimated fair value is based on the net asset value ascertained from periodic valuations provided by the Trustee of the Unit Trust. These valuations are generally provided either daily or monthly in pricing reports and unit holder statements, and 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 amounting to \$3,013,534,979 (2013: \$3,342,382,005) have been estimated by the Trustees of the Trusts. Due to the uncertainty inherent in the estimations, actual outcomes over time may vary materially from these estimates.

(b) Financial instruments

i. Recognition

The Scheme 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 net market value of the financial asset or the financial liability are recorded.

Financial assets and financial liabilities are recognised using trade date accounting.

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 Scheme 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.

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 Scheme 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 Scheme'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 Scheme 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.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

3. Statement of significant accounting policies (continued)

(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.

(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 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. 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.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

3. Statement of significant accounting policies (continued)

(i) Income tax

The Scheme is a complying superannuation scheme. Accordingly, the concessional tax rate of 15% has been applied. 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.

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.

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.

(j) 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.

(k) Comparatives

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

(l) Valuation of accrued benefits

Accrued benefits have been actuarially determined.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

3. Statement of significant accounting policies (continued)

(m) Issued standards not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 June 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Scheme are set out below. The Scheme does not intend to adopt these standards early.

AASB 1056 Superannuation Entities, released on 5 June 2014, replaces AAS 25 Financial Reporting by Superannuation Plans effective from 1 July 2016. 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.

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 2014 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.

(c) Australian Postal Corporation

Australian Postal Corporation made a contribution to the Scheme of \$159m (2013: \$201m) during the year ended 30 June 2014. In addition, salary sacrifice contributions of \$38m (2013: \$35m) were contributed by Australian Postal Corporation during the year ended 30 June 2014.

On the advice of the Actuary, the Australian Postal Corporation has agreed to contribute 9.5% of superannuation salaries of Australia Post, StarTrack Retail Pty Ltd, Decipha Pty Ltd and Post Logistics Pty Ltd employees for the year ended 30 June 2015.

(d) Australian air Express

Australian air Express Pty Ltd made contributions to the Scheme of \$5.6m (2013: \$6.9m) during the year ended 30 June 2014. In addition, salary sacrifice contributions of \$0.3m (2013: \$0.4m) were contributed by Australia air Express Pty Ltd during the year ended 30 June 2014.

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 2015. It is also required to make contributions in respect of exiting members if its vested benefits are not fully funded.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

5. Funding arrangements (continued)

(e) StarTrack Retail Pty Ltd

From 1 July 2013, StarTrack Retail Pty Ltd makes the equivalent of 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. StarTrack Retail Pty Ltd made contributions to the Scheme of \$4.6m during the year ended 30 June 2013.

(f) PostSuper Pty Ltd

PostSuper Pty Ltd contributions were based on the following rates:

9.25% (2013: 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.

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 2014 (including benefits transferred from the Commonwealth Superannuation Scheme).

This liability has been calculated using data as at 30 June 2014, 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.

The financial assumptions that are used in the calculations of the liability as at 30 June 2013 and 30 June 2014 is summarised below:

	30 June 2014	30 June 2013
Discount Rate	7.25%	7.25% p.a.
Assumed Rate of inflationary Salary Growth	2.0% p.a. to 30 June 2016	2.0% p.a. to 30 June 2014
	3.5% p.a. thereafter	3.5% p.a. thereafter

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

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

(a) Liability for accrued benefits (continued)

<i>In thousands of AUD</i>	2014	2013
Liability for accrued benefits at beginning of period	6,079,778	5,709,438
Plus benefits expense	659,024	714,980
Less benefits paid and payable	(379,349)	(344,640)
	<hr/>	<hr/>
Liability for accrued benefits at end of period	6,359,453	6,079,778
	<hr/>	<hr/>
As compared with nets assets available to pay benefits	7,046,509	6,606,985
	<hr/>	<hr/>

(b) Reserves

<i>In thousands of AUD</i>	2014	2013
Operational Risk Financial Requirement		
Opening balance	-	-
Plus transfers into reserve	7,454	-
Plus earnings on reserve	51	-
Less transfers out of reserve	-	-
Closing balance	7,505	-
	<hr/>	<hr/>

Under the Trustee's Operational Risk Financial Requirement (ORFR) Strategy, the Scheme is targeting an ORFR reserve of 0.25% of the Scheme's net assets.

The Scheme has a transition plan approved by the Trustee for building the ORFR to meet the target amount. The ORFR target amount is expected to be achieved by 30 June 2016.

The ORFR reserve is part of the financial management of the Scheme and is operated in accordance with the ORFR Strategy. The ORFR may be used in certain circumstances to address operational risk events or claims against the Scheme arising from operational risk.

(c) 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 2014. The net assets of the Scheme exceed total vested benefits as at 30 June 2014.

<i>In thousands of AUD</i>	2014	2013
Vested benefits as at the end of the year	6,912,140	6,585,670
	<hr/>	<hr/>
As compared with net assets available to pay benefits	7,046,509	6,606,985
	<hr/>	<hr/>

The APSS is not in an unsatisfactory financial position under the Superannuation Industry Supervision Act as at 30 June 2014 because the net assets available to pay benefits are greater than the vested benefits.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

7. Guaranteed benefits

At 30 June 2014 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 less than the net assets available to pay benefits at that date.

As at 30 June 2014 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.

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>	2014	2013
Movements in investments held at end of the financial year:	336,431	188,088
Movements in investments realised during the financial year:	(116,740)	(47,055)
	<u>219,691</u>	<u>141,033</u>

10. Benefits paid

<i>In thousands of AUD</i>	2014	2013
Resignation benefits	188,429	158,283
Retirement benefits	326,334	276,591
Death benefits	8,678	8,241
Disablement benefits	4,137	6,359
	<u>527,578</u>	<u>449,474</u>
Less amounts retained as Rollovers within the Scheme	148,229	104,834
	<u>379,349</u>	<u>344,640</u>

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

11. General administration expenses

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>	2014	2013
Administration expenses – met directly by the Corporation	13,045	13,914
Administration expenses – met directly by the Scheme	244	290
	13,289	14,204

12. Income tax

Recognised in the statement of changes in net assets

<i>In thousands of AUD</i>	2014	2013
Current income tax expense		
Current year	46,556	77,134
Adjustments for prior years	(2,784)	(13,864)
Deferred income tax expense		
Origination and reversal of temporary differences	40,089	14,393
Total income tax expense in statement of changes in net assets	83,861	77,663

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

<i>In thousands of AUD</i>	2014	2013
Net change for the year before income tax	523,385	453,555
Income tax at the complying superannuation fund income tax rate of 15% (2013: 15%).	78,508	68,033
Increase in income tax expense due to:		
Benefits paid	56,902	51,696
Superannuation contributions (surcharge) tax	28	4
Taxed realised and unrealised gains to accounting difference	(9,609)	(3,974)
Decrease in income tax expense due to:		
Non-assessable member contributions and co-contributions	(8,652)	(8,374)
Non-taxable transfers from other funds	(3,126)	(4,783)
Dividend imputation credits	(13,363)	(2,910)
Withholding tax and rebates	(8,187)	(4,799)
Death and disability deduction	(966)	(857)
Exempt pension income	(4,891)	(2,509)
Over provision in prior year	(2,784)	(13,864)
Income tax expense	83,861	77,663

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

12. Income tax (continued)

Recognised deferred income tax assets and liabilities

<i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Sundry	-	-	-	-	-	-
Unrealised gain from investments	28,133	68,222	-	-	28,133	68,222
Net income tax (assets) / liabilities	28,133	68,222	-	-	28,133	68,222

Movement in temporary differences during the year

2014

<i>In thousands of AUD</i>	Balance 1/07/2013	Recognised in income	Balance 30/06/2014
Sundry	-	-	-
Unrealised gain from investments	68,222	(40,089)	28,133
Provisions	-	-	-
	68,222	(40,089)	28,133

2013

<i>In thousands of AUD</i>	Balance 1/07/2012	Recognised in income	Balance 30/06/2013
Sundry	-	-	-
Unrealised gain from investments	82,615	(14,393)	68,222
Provisions	-	-	-
	82,615	(14,393)	68,222

13. Sundry debtors

<i>In thousands of AUD</i>	2014	2013
Investment related receivables	274,686	219,368
Other assets	404	264
	275,090	219,632

14. Sundry creditors

<i>In thousands of AUD</i>	2014	2013
Investment related payables	15,818	884
Trade payables	617	885
Other payables	176	40
	16,611	1,809

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. 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.

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

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. Financial instruments (continued)

Overview (continued)

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. 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 (listed 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.

(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.

The Scheme'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>	2014	2013
Assets		
<i>Derivative financial assets</i>		
USD	13,124	114,122
Euro	18	25,606
GBP	516	11,357
	<u>13,658</u>	<u>151,085</u>

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. Financial instruments (continued)

(a) Market risk (continued)

Currency risk (continued)

In thousands of AUD

Liabilities	2014	2013
<i>Derivative financial liabilities</i>		
USD	373	194,407
Euro	374	49,125
GBP	3,859	21,629
	4,606	265,161

Sensitivity analysis

Based on analysis of historical data over the past 10 years, a 11% 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. The method and assumption used in the analysis was performed on the same basis for 2013 and is not guaranteed.

A 11% 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:

2014	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
		-11%	11%	-11%	11%
<i>In thousands of AUD</i>					
USD	12,751	2,638	(1,399)	2,638	(1,399)
Euro	(356)	(206)	217	(206)	217
GBP	(3,343)	(2,436)	3,377	(2,436)	3,377
	9,052	(4)	2,195	(4)	2,195
2013					
	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
		-12%	12%	-12%	12%
<i>In thousands of AUD</i>					
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

Notes to the financial statements for the year ended 30 June 2014

15. 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>	2014	2013
Interest bearing instruments		
Cash assets	32,495	21,929
Fixed interest	9,058	9,789
	<u>41,553</u>	<u>31,718</u>

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 method and assumption used in the analysis was performed on the same basis for 2013 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:

2014	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
		-50bps	+50bps	-50bps	+50bps
<i>In thousands of AUD</i>					
Cash assets	32,495	(162)	162	(162)	162
Fixed interest	9,058	158	(158)	158	(158)
	<u>41,553</u>	<u>(4)</u>	<u>4</u>	<u>(4)</u>	<u>4</u>
2013	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
		-50 bps	+50 bps	-50 bps	+50 bps
<i>In thousands of AUD</i>					
Cash assets	21,929	(110)	110	(110)	110
Fixed interest	9,789	197	(197)	197	(197)
	<u>31,718</u>	<u>87</u>	<u>(87)</u>	<u>87</u>	<u>(87)</u>

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. Financial instruments (continued)

(a) Market risk (continued)

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.

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

Investment

Units in unit trusts

- Public markets 5.3%
- Private markets 9.1%

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 method and assumption used in the analysis for 2014 was based on historical data in relation to specific investments since inception. The method and assumption used in the analysis for 2013 was based on historical data in relation to specific investments over the past ten years. The methods and assumptions are not guaranteed.

2014	%	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
			Decrease	Increase	Decrease	Increase
<i>In thousands of AUD</i>						
Units in unit trusts						
Public markets	5.3%	3,690,694	(195,607)	195,607	(195,607)	195,607
Private markets	9.1%	3,056,096	(278,105)	278,105	(278,105)	278,105
		6,746,790	(473,712)	473,713	(473,712)	473,712

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. Financial instruments (continued)

(a) Market risk (continued)

2013	%	Carrying amount	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
			Decrease	Increase	Decrease	Increase
<i>In thousands of AUD</i>						
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
		6,500,004	(386,532)	386,532	(386,532)	386,532

(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 Scheme's financial assets exposed to credit risk amounted to the following:

<i>In thousands of AUD</i>	2014	2013
Cash assets	32,495	21,929
Units in unit trusts	6,746,790	6,500,004
Fixed interest	9,058	9,789
Derivative financial assets	59,801	151,443
Sundry debtors	275,090	219,632
	7,123,234	6,902,797

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.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. Financial instruments (continued)

(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.

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 and excludes the impact of netting agreements.

(c) Liquidity risk (continued)

2014	Carrying amount	Contractual cash flows	< 1 month	1 – 3 months	> 3 months
<i>In thousands of AUD</i>					
Financial liabilities including derivatives settled net					
Sundry creditors	16,611	16,611	2,328	3,191	11,092
Benefits payable	35,204	35,204	35,204	-	-
Derivative financial liabilities	32,821	32,821	-	-	32,821
	84,636	84,636	37,532	3,191	43,913
Derivative financial liabilities settled gross					
Outflows	(3,307,791)	(3,307,791)	-	(1,680,898)	(1,626,893)
Inflows	3,341,440	3,341,440	-	1,681,552	1,659,888
	33,649	33,649	-	654	32,995
2013	Carrying amount	Contractual cash flows	< 1 month	1 – 3 months	> 3 months
<i>In thousands of AUD</i>					
Financial liabilities including derivatives settled net					
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
	313,710	313,710	47,101	-	266,609

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. Financial instruments (continued)

(c) Liquidity risk (continued)

Derivative financial liabilities settled gross

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
	(104,902)	(104,902)	-	(50,757)	(54,145)

The Scheme's significant financial liabilities are vested benefits to members of \$6,912,140,000 (2013: \$6,585,670,000). The Scheme considers it highly unlikely that all members will request to roll over their superannuation account at the same time.

15. Financial instruments (continued)

(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) of the Significant accounting policy section.

(e) Fair value measurement recognised in the statement of net assets

The table below analyses financial instruments carried at net market 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). The method of valuing level 2 investments is disclosed at note 3 (a) *Market quoted investments (i)* of the Statement of significant accounting policy section; 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), and the unobservable inputs have a significant effect on the instrument's valuation. The method of valuing level 3 investments is disclosed at note 2(c) of the Basis of preparation section and note 3(a) *Non-market quoted investments (i)* of the Statement of significant accounting policy section.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. Financial instruments (continued)

(e) Fair value measurement recognised in the statement of net assets (continued)

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in a transaction between market participants at the measurement date.

The method of valuing financial instruments is detailed in note 3 of the Statement of significant accounting policies section.

The Scheme has an established control framework with respect to the measurement of fair values. When third party valuation information, such as periodic valuations provided by the Trustees of unlisted unit trusts is used to measure fair value, the Trustee has a process in place to assess the evidence obtained to support the conclusion that such valuations meet the requirements of Australia Accounting Standards. The Trustee's policy on the valuation of private market investments held in the Scheme is to adopt the latest available reported valuations provided by the operators of the investment vehicles. The valuations provided by the Trustees of unlisted unit trusts are monitored daily, monthly or as required.

Because the Scheme's private market investments are made through funds, it is practical to rely in most circumstances on the valuations provided by the funds' own operators, who are knowledgeable about the operating performance and condition of the assets. APSS Management monitors the valuation of fair value of the private market investments in the Scheme daily, through the calculation of crediting rates, and monthly, when the latest available information is reconciled to valuations provided by the operators of the investment vehicles.

The following table analyses financial instruments carried at net market value which the Trustee believe approximates fair value

2014

<i>In thousands of AUD</i>	Level 1	Level 2	Level 3	Total
Units in unit trusts	-	3,733,255	3,013,535	6,746,790
Fixed interest	-	9,058	-	9,058
Derivative financial assets	-	59,801	-	59,801
	-	3,802,114	3,013,535	6,815,649
Derivative financial liabilities	-	(32,821)	-	(32,821)
		(32,821)	-	(32,821)

2013

<i>In thousands of AUD</i>	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
	-	3,318,854	3,342,382	6,661,236
Derivative financial liabilities	-	(266,609)	-	(266,609)
		(266,609)	-	(266,609)

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. Financial instruments (continued)

(f) Additional financial instruments disclosure

2014

Reconciliation of level 3 net market value measurements of financial assets

In thousands of AUD

	Financial assets
Opening balance	3,342,382
Total gains or losses in profit or loss included in the movement in net market value in the statement of changes in net assets	67,051
Purchases	335,929
Sales	(731,828)
Transfers into/ (out of) level 3	<u>-</u>
Closing balance	<u>3,013,535</u>
Total gains or losses included in the Statement of changes in net assets for assets attributable to changes in unrealised gains and losses relating to assets and liabilities held at the end of the reporting period.	<u>61,340</u>

2013

Reconciliation of level 3 net market value measurements of financial assets

In thousands of AUD

	Financial assets
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)
Transfers into/ (out of) level 3	<u>-</u>
Closing balance	<u>3,342,382</u>
Total gains or losses included in the Statement of changes in net assets for assets attributable to changes in unrealised gains and losses relating to assets and liabilities held at the end of the reporting period.	<u>204,595</u>

The table below sets out information about significant unobservable inputs used at 30 June 2014 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

15. Financial instruments (continued)

(f) Additional financial instruments disclosure

Type	Fair value \$'000	Valuation approach	Key unobservable input	Range of estimates for unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Units in unlisted unit trusts	3,013,535	Net asset value of the unlisted unit trust	Valuation of underlying investments of the unlisted unit trust	6.4% to 10.4%	An increase in the value of the underlying investments of the unlisted unit trust will result in higher fair values.

16. Auditor's remuneration

In thousands of AUD

Audit services

Auditor of the Scheme

Ernst & Young

Audit of annual financial report

2014

2013

173

148

173

148

Other Services

Auditor of the Scheme

Ernst & Young

Other assurance services

49

42

49

42

17. Related parties

Identity of related parties

The Scheme has a related party relationship with 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 2014 are:

Independent Director

Mark Birrell

Directors appointed by Unions

James Craig Metcher

Louise Persse

Dan Dwyer

Directors appointed by Post

James John Marshall

Alison Harrop (resigned 29 November 2013)

Michael Tenace

Catherine Walsh (appointed 5 March 2014)

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

17. Related parties (continued)

(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

Mark Birrell
James Craig Metcher
Louise Pesse
Dan Dwyer
James John Marshall
Alison Harrop (resigned 29 November 2013)
Michael Tenace
Catherine Walsh (appointed 5 March 2014)

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>	2014	2013
Short-term employee benefits	1,644	1,773
Post employment benefits	144	148
Other long-term benefits	33	25
	<u>1,821</u>	<u>1,946</u>

(d) Other related party transactions

There were no other related party transactions with key management personnel (2013: Nil).

Australia Post Superannuation Scheme

Notes to the financial statements for the year ended 30 June 2014

18. Involvement with unconsolidated investment entities

The table below describes the types of investment entities that the Scheme does not consolidate but in which it holds an interest, set out by investment strategy.

Investment Strategy	Net Market Value as at 30 June 2014 <i>In thousands of AUD</i>	Exposure %	Financial Statement classification
Market Return	3,553,567	74%	Units in unit trusts
Cash Return	1,275,949	26%	Units in unit trusts

The table above lists the net market value and percentage exposure to each investment strategy as at 30 June 2014. The maximum exposure to each investment strategy is limited to the net market value of the investment strategy as at 30 June 2014. The net market value of the exposure changes on a daily basis throughout the period.

The investments of the Scheme are managed in accordance with the investment governance strategy with the respective underlying investment managers. The investment decisions of the Scheme are based on analysis conducted by the investment manager. The investment return of the Scheme is exposed to the variability of the performance of the underlying management of the investments.

(i) Involvement with unconsolidated investment entities

In accordance with the transitional provisions of AASB 10, the Scheme reassessed the consolidation conclusion for its investees for the period from 1 July 2013. There were no changes in the consolidation conclusion as a result of this reassessment. As a consequence of adopting the investment entity amendments of AASB 10, the Scheme now accounts for investment in consolidated entities at net market value which approximates fair value.

The Scheme's investment in each of the unconsolidated investment entities is detailed below:

Unconsolidated Investment Entity	Domicile	Registered Office	Percentage Ownership
Alternative Investment Private Syndicate Fund A	Australia	Level 18, 111 Bourke Street, Melbourne, Victoria	100%
Alternative Investment (Real Estate) Private Syndicate	Australia	Level 9, 255 George Street, Sydney, NSW	100%
Alternative Investment (Hotel and New Zealand) Private Syndicate	Australia	Level 9, 255 George Street, Sydney, NSW	100%
Private Markets Trading Trust	Australia	Level 18, 111 Bourke Street, Melbourne, Victoria	100%
Vanguard Cash Reserve Fund	Australia	Level 34, Freshwater Place, 2 Southbank Boulevard, Southbank, Victoria	92%

As at 30 June 2014, there are no significant restrictions on the ability of an unconsolidated subsidiary to transfer funds to the Scheme in the form of income or returns of capital.

As at 30 June 2014, the Scheme does not have any current commitments or intentions to provide financial or other support to the unconsolidated subsidiary.

Australia Post Superannuation Scheme and its Consolidated Entities

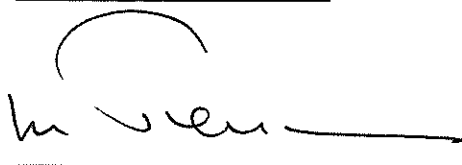
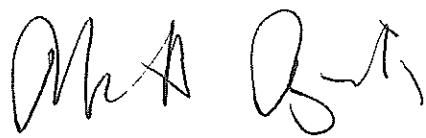
Trustee's declaration to the members of Australia Post Superannuation Scheme

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

- (i) The financial statements of the Scheme, as set out on pages 3 to 31 are drawn up so as to present fairly the net assets of the Scheme as at 30 June 2014 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 19th day of Sept 2014



Directors of PostSuper Pty Ltd
Trustee of the Scheme