

**AUSTRALIAN GOVERNMENT EMPLOYEES
SUPERANNUATION TRUST**

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

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AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Note	2011 \$'000	2010 \$'000
ASSETS			
Cash and cash equivalents			
Cash at bank		10,013	10,926
Deposits		<u>512,884</u>	<u>258,556</u>
	14 (b)	<u>522,897</u>	<u>269,482</u>
Other assets			
Distributions and dividends receivable		81,179	43,982
Other receivables	5	438	473
Office equipment		54	73
Total Cash and Other Assets		<u>604,568</u>	<u>314,010</u>
Tax assets			
Deferred tax asset	13 (c)	<u>45,876</u>	<u>52,635</u>
Investments			
Unit trusts	4	2,339,364	1,826,758
Shares in listed companies	4	1,060,286	965,724
Fixed interest securities	4	381,708	643,887
Derivative Assets	4	<u>36,441</u>	<u>13,666</u>
Total Investments		<u>3,817,799</u>	<u>3,450,035</u>
TOTAL ASSETS		<u>4,468,243</u>	<u>3,816,680</u>
LIABILITIES			
Derivative Liabilities	4	7,279	27,358
Other payables			
Benefits payable		4,122	34
Other payables	6	6,124	5,903
Tax liabilities			
Income tax payable		30,995	17,415
Deferred tax liabilities		<u>2,040</u>	<u>900</u>
TOTAL LIABILITIES		<u>50,560</u>	<u>51,610</u>
NET ASSETS AVAILABLE TO PAY BENEFITS		<u>4,417,683</u>	<u>3,765,070</u>
Represented by:			
LIABILITY FOR ACCRUED BENEFITS			
Allocated to members' accounts		4,415,803	3,763,370
Reserves	7(b)	1,880	1,700
	7(a)	<u>4,417,683</u>	<u>3,765,070</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements on pages 5 to 28.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**OPERATING STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

	Note	2011 \$'000	2010 \$'000
INVESTMENT REVENUE			
Interest		45,581	33,009
Dividends and distributions		211,065	114,982
Changes in net market value	11	117,778	115,625
Other investment income		2,065	1,426
Total Investment Revenue		<u>376,489</u>	<u>265,042</u>
CONTRIBUTIONS REVENUE			
Employer		362,168	349,901
Member		134,799	139,982
Government co-contributions		2,866	5,309
Transfers in from other funds		229,648	237,915
Total Contribution Revenue		<u>729,481</u>	<u>733,107</u>
OTHER REVENUE			
Group life insurance proceeds		7,001	6,490
Other income		-	129
Total Other Revenue		<u>7,001</u>	<u>6,619</u>
TOTAL REVENUE		<u>1,112,971</u>	<u>1,004,768</u>
INVESTMENT EXPENSES			
Custodian and investment managers fees		(12,067)	(9,723)
GROUP LIFE INSURANCE EXPENSES		(11,129)	(9,447)
GENERAL ADMINISTRATION EXPENSES			
Administration and other expenses		(9,911)	(9,595)
Superannuation contributions (surcharge) tax		(10)	(42)
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		<u>(33,117)</u>	<u>(28,807)</u>
BENEFITS ACCRUED AS A RESULT OF OPERATIONS BEFORE INCOME TAX		1,079,854	975,961
INCOME TAX (BENEFIT)/EXPENSE	13	83,291	78,190
BENEFITS ACCRUED AS A RESULT OF OPERATIONS AFTER INCOME TAX		<u>996,563</u>	<u>897,771</u>

The operating statement is to be read in conjunction with the notes to the financial statements on pages 5 to 28.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

		2011 \$'000	2010 \$'000
	Note	Inflows/ (Outflows)	Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received:			
Employers		362,167	349,901
Members		134,799	139,982
Transfers from other funds		229,648	237,915
Insurance proceeds		7,001	6,490
Government co-contributions		2,866	5,310
Interest received		695	432
Other revenue		-	129
Lump sum benefits paid		(296,535)	(215,461)
Pensions paid		(43,303)	(35,303)
Superannuation contribution (surcharge) tax		(1)	(39)
Group life insurance premiums paid		(11,283)	(9,433)
General administration expenses paid		(12,087)	(7,078)
Income tax paid		(61,812)	(45,387)
		<hr/>	<hr/>
NET CASH FLOW FROM OPERATING ACTIVITIES	14 (a)	<u>312,155</u>	<u>427,458</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Office Equipment		(4)	(41)
Net purchases of Investments		(58,736)	(490,341)
		<hr/>	<hr/>
NET CASH FLOW (USED IN) INVESTING ACTIVITIES		<u>(58,740)</u>	<u>(490,382)</u>
NET INCREASE / (DECREASE) IN CASH		253,415	(62,924)
ADD CASH AT THE BEGINNING OF THE FINANCIAL YEAR		269,482	332,406
		<hr/>	<hr/>
CASH AT THE END OF THE FINANCIAL REPORTING YEAR	14 (b)	<u>522,897</u>	<u>269,482</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements on pages 5 to 28.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans, as amended by AASB 2005-13 (December 2005), other applicable Accounting Standards, the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP. The financial report of the Trust does not comply with IFRSs, due to the requirements of AAS 25.

The financial statements were approved by the Board of Directors of the Trustee, AGE Super Pty Ltd, on 22 September 2011.

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Trust.

All amounts are presented in thousands of Australian dollars unless otherwise stated.

(c) Use of estimates and judgements

In the application of Accounting Standards, management is required to make judgments, estimates and assumptions about net market values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

Judgments made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

It was concluded that judgements made by management in the application of Australian Accounting Standards did not have a significant effect on the financial statements. No estimates with a significant risk of material adjustment in the next year were noted.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative amounts have been reclassified to conform with the current year's presentation.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Assets

Assets are included in the Statement of Financial Position at net market value as at reporting date and movements in the net market value of assets are recognised in the Operating Statement in the periods in which they occur.

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

Estimated costs of disposal are deducted in the determination of net market value.

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

Net market values have been determined as follows:

(i) Fixed interest securities and shares in listed companies

The value of these investments has been determined using last quoted sale price at reporting date. All such investments are net of any realisation costs (i.e. brokerage and stamp duty) which may apply in the event of disposal.

(ii) Unit trusts

These investments are valued at the redemption price at reporting date as advised by the respective investment manager as to reflect the Trust's interest in the underlying value of the assets within the unit trust.

(iii) Currency hedges

Net market value of forward foreign exchange contracts is determined according to the exchange rate current at reporting date less any transaction costs.

(b) Cash and Cash Equivalents

Cash and cash equivalent in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(c) Office Equipment

Cost and valuation

Plant and equipment are valued at cost, less accumulated depreciation and any accumulated impairment.

Depreciation

Depreciation is provided on a straight line basis at rates over the estimated useful life of the assets as follows:

Furniture and fittings	- over 10 years
Computer equipment	- over 3 years

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Office Equipment (continued)

Impairment

At each reporting date, assets are reviewed to determine whether there is any indication that an asset is impaired. Where an indicator of impairment exists, a formal estimate of the asset's recoverable amount is made, and where the carrying amount of an asset exceeds its recoverable amount the asset

is considered impaired and is written down to the recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use.

In assessing the value in use of plant and equipment the Trust takes into account the depreciated replacement cost of an asset which is the replacement cost of the asset less, where applicable, accumulated depreciation. Any impairment for plant and equipment is recognised in the Operating Statement.

(d) Financial Liabilities

The Trust recognises financial liabilities at net market value as at reporting date with any change in net market values of the Trust's financial liabilities since the beginning of the reporting period included in the statement of changes in net assets for the reporting period. Net market value is equal to the amortised cost of the liability using the effective interest method less estimated transaction costs.

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

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

(i) Benefits payable

Benefits payable comprises benefit payments processed prior to the balance date that have not been paid at the balance date.

(ii) Other payables

Other payables are payable on demand or short time frames of less than 60 days. Fair value is assumed to be equal to net market value (as estimated realisation costs are not material).

(e) Derivatives

The Trust uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from investment activities. The Trust does not hold or issue derivative financial instruments for trading purposes.

Net market value of exchange-traded futures or options is determined according to the last quoted bid or sale price relevant to close out the contract as at the close of business on reporting date less any transaction costs.

Net market value of forward foreign exchange contracts is determined according to the exchange rate current at reporting date less any transaction costs.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign Currency

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Resulting exchange differences are included in the Operating Statement for the year.

(g) Revenue Recognition

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

Changes in net market values

Changes in the net market value of investments are recognised as income and are 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).

Contributions and transfers in

Contributions revenue and transfers in are recognised when the control and the benefits from the revenue have transferred to the Trust and is recognised gross of any taxes.

Interest

Interest income is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date.

Dividends

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at reporting date, is reflected in the Statement of Financial Position as a receivable at net market value.

Distributions

Distributions from managed investment schemes are recognised as at the date the unit value is quoted ex-distribution and if not received at reporting date, are reflected in the Statement of Financial Position as a receivable at net market value.

Group life insurance proceeds

Insurance claim amounts are recognised where the insurer has agreed to pay the claim lodged and has transferred the claim amount to the Trust.

(h) Income Tax

Income tax on the benefits accrued as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the Operating Statement except to the extent that it relates to items recognised directly in members' funds in which case it is recognised directly in members' funds.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Tax (continued)

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the Statement of Financial Position date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax liabilities use the tax rate applicable at balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Income tax has been provided in the current year at the rate of 15% (15% in 2010) as it is the expectation of the Trustee that the Trust will be treated as a complying superannuation fund. If the Trust is subsequently deemed to be a non-complying fund for the current year, then income tax will be payable at a rate of 45% (45% in 2010) on the Trust's taxable income.

The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the Trustee and are properly payable by the Trust.

(i) Superannuation Contributions (Surcharge) Tax

Superannuation Contribution (Surcharge) Tax is levied on surchargeable contributions on the basis of the individual member's adjusted taxable income. The liability for the superannuation contribution surcharge is recognised when the assessment is received, as the Trustee considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Trust has been charged to the relevant members' accounts.

The Government has abolished the surcharge on surchargeable contributions that arose on or after 1 July 2005.

Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST). Where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO) it is recognised as part of the cost of acquisition of an asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to, the ATO are classified as operating cash flow.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Accrued Benefits

The liability for accrued benefits is the Trust's present obligation to pay benefits to members and beneficiaries. This has been calculated as the difference between the carrying amount of the assets and the carrying amounts of the sundry liabilities and income tax liabilities as at balance date.

(l) Investment Management Fees

Investment management fees only include those fees invoiced by investment managers.

(m) Comparative Figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(n) Employee Entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements, expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements, and other types of employee entitlements are recognised in the Operating Statements in their respective categories.

The Trust contributes to various superannuation funds in respect of its superannuation obligations for its employees. A superannuation contribution of 9% (2010: 9%) of the employees' salaries and wages is legally enforceable.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Issued Standards Not Early Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report:

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Trust's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Trust has not yet determined the potential effect of the standard.

3. NATURE OF FUND

The Australian Government Employees Superannuation Trust ("AGEST") was established on 1 July 1990. It is an accumulation fund, the purpose of which is to provide benefits for members of the fund and their dependants. AGEST Super Pty Ltd is the Trustee and has its registered office at Level 3, 4 Riverside Quay, Southbank, Victoria 3006, Australia.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

4. INVESTMENTS

	2011 \$'000	2010 \$'000
<i>Unit Trusts:</i>		
AEW Value Investors II REIT	16,429	6,667
ANZ Energy Infrastructure Trust	58,710	47,508
AQR Global Equity Long Short Fund	38,866	36,118
Blackrock Australian Bond Index Fund	263,512	200,446
Blackrock Global Bond Index Fund	133,186	-
BlackRock Alternative Advisors Q-BLK ARS III Fund	75,622	53,138
DEXUS Wholesale Property Fund	-	55,684
DBIS- THS Partners Global Equity Fund	45,436	32,338
Fiduciary International Real Estate Fund 2	5,593	6,811
Fortius Active Property Trust No. 1	34,223	32,420
GMO Multi-Strategy Fund	34,520	32,701
Goldman Sachs Vintage Fund V	14,573	10,618
Hastings Yield Fund	20,357	24,382
IFM Australian Infrastructure Fund	26,790	23,756
IFM Australian Private Equity Fund IV	27,279	17,316
IFM International Infrastructure Fund	140,954	124,562
Industry Super Holdings Pty Ltd	689	685
Industry Superannuation Property Core Fund	147,600	128,245
ISPT Development & Opportunities Fund No.2	18,647	6,684
Lazard Global Emerging Markets	36,928	36,458
Macquarie Alpha Opportunities Fund	128,624	116,759
Macquarie Alternative Investment Trust IV	10,315	10,083
Macquarie Alternative Investment Trust V	9,338	9,611
Maple-Brown Abbott Small Companies Trust	7,122	6,021
Members Equity Super Loans Trust	1,475	1,392
Mesirow Financial Private Equity Partnership Fund IV	13,994	9,565
Mondrian Focused Emerging Markets Fund	38,561	-
Northgate Private Equity Partners III	17,280	16,178
Northgate Private Equity Partners IV	15,632	10,381
Northgate NCD Partners V	20,530	24,269
Orbis Global Equity RRF	55,437	32,544
Pacific Equity Partners Fund IV	8,446	8,134
Pacific Equity Partners Supplementary Fund IV	2,854	1,924
PIMCO Fixed Interest Funds	54,041	80,799
QIC Property Fund	51,253	-
Quay Australia Private Equity Fund 4	19,593	14,451
Siguler Guff Distressed Opportunities Fund II	9,741	17,514
Siguler Guff Small Buyout Opportunities Fund	17,864	15,083
SSgA Australian Equities Index Trust	187,601	131,390
SSgA Australian Equities Indexed Non Lending Trust	45,475	41,085
SSgA Global Index Plus Trust	58,305	46,300
SSgA Global Index Plus Non Lending Trust	158,940	157,111
Vanguard International Property Securities Index Fund	113,761	64,503
Walter Scott Global Equity Fund	116,476	102,203
Wilshire Australia Private Markets No. 1 Fund	13,021	15,704
Wilshire Private Markets Australia No. 2 Fund	23,771	17,217
	<u>2,339,364</u>	<u>1,826,758</u>

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

4. INVESTMENTS (continued)

	2011 \$'000	2010 \$'000
<i>Shares in listed companies, managed by:</i>		
Ausbil Dexia (Australian shares)	235,869	213,681
Alliance Bernstein Global Value (International shares)	162,558	148,542
Ellerston Capital Limited (Australian shares)	52,687	46,739
GMO (Australian shares)	232,768	211,037
Kosmos (Australian shares)	68,065	55,244
Maple-Brown Abbott (Australian shares)	266,250	250,204
Turner Investment Partners (International shares)	42,089	40,277
	<u>1,060,286</u>	<u>965,724</u>
<i>Fixed interest securities, managed by:</i>		
BlackRock (Global fixed interest)	-	117,779
IFM Cash	238,417	306,847
IFM Infrastructure	10,001	-
Maple-Brown Abbott	2,990	1,983
SSgA Cash	130,300	217,278
	<u>381,708</u>	<u>643,887</u>
<i>Derivatives, managed by:</i>		
Alliance Bernstein Global Value (International shares)	56	(37)
BlackRock (Global fixed interest)	1,432	(1,513)
Millennium	1,799	(1,129)
Kosmos (Australian shares)	-	(167)
Pareto Active	14,511	(7,380)
Pareto Passive	3,380	(1,195)
Pareto Private	7,984	(2,271)
	<u>29,162</u>	<u>(13,692)</u>
Total Investments	<u>3,810,520</u>	<u>3,422,677</u>

5. OTHER RECEIVABLES

	2011 \$'000	2010 \$'000
Superannuation Contribution (Surcharge) tax	113	123
GST receivable	276	298
Interest receivable	49	44
Sundry receivable	-	8
	<u>438</u>	<u>473</u>

6. OTHER PAYABLES

	2011 \$'000	2010 \$'000
Administration fees	432	1,077
Insurance premiums	1,084	1,238
Investment consulting and investment managers fees	3,617	2,971
PAYG tax	48	12
Accrued Expenses	834	353
Employee Entitlements	109	252
	<u>6,124</u>	<u>5,903</u>

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

7. LIABILITY FOR ACCRUED BENEFITS

(a) Changes in the Liability for Accrued Benefits

	2011	2010
	\$'000	\$'000
Liability for accrued benefits at beginning of the year	3,765,070	3,114,017
Plus: Benefits accrued as a result of operations after income tax	996,563	897,771
Less: Lump sum benefits paid during the year	(300,647)	(211,415)
Less: Pensions paid during the year	(43,303)	(35,303)
Liability for accrued benefits at the end of the year	<u>4,417,683</u>	<u>3,765,070</u>

(b) Reserves

Balance at beginning of the year	1,700	5,646
Plus: Net investment earnings	376,489	243,071
Plus: Fees deducted from members' accounts	7,823	7,388
Plus: Net general and income tax benefit/(expenses)	(49,054)	(20,800)
Plus: Amounts allocated to members	(335,078)	(233,605)
Balance at end of the year	<u>1,880</u>	<u>1,700</u>

Reserves are kept in the Trust to meet ongoing commitments and contingencies and to pay administration and other expenses.

8. VESTED BENEFITS

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

	2011	2010
	\$'000	\$'000
Vested benefits	<u>4,415,803</u>	<u>3,763,370</u>

9. GUARANTEED BENEFITS

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

10. FUNDING ARRANGEMENTS

The Trust accepts contributions from employers and members at rates determined by the employers and members from time to time.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

11. CHANGES IN MARKET VALUES OF INVESTMENT ASSETS

	2011 \$'000	2010 \$'000
<i>Investments held at the reporting date:</i>		
Unit trusts	(9,858)	29,062
Shares in listed companies	17,239	12,135
Fixed interest securities	2,637	1,340
Currency hedges	27,963	(12,590)
	<u>37,981</u>	<u>29,947</u>
<i>Investments realised during the year:</i>		
Unit trusts	2,014	16,351
Shares in listed companies	24,108	30,684
Fixed interest securities	(2,215)	7,539
Currency hedges	55,890	31,104
	<u>79,797</u>	<u>85,678</u>
	<u>117,778</u>	<u>115,625</u>

12. AUDITORS' REMUNERATION

	2011 \$	2010 \$
Auditors of the Trust – KPMG Australia		
Audit services:		
Audit and review of financial reports and compliance	80,162	80,121
Other regulatory audit services:		
Audit of risk management strategy and plan	9,677	9,084
Audit of the annual APRA return	6,048	5,678
Other services:		
Breach management advisory services	-	9,040
Total	<u>95,887</u>	<u>103,923</u>

13. INCOME TAX

Income tax expenses and assets and liabilities arising from the levying of income tax (including capital gains tax) on the Trust have been determined in accordance with the provisions of Australian Accounting Standard AASB 112 – Income Taxes.

(a) Major components of income tax expenses for the year ended:

	2011 \$'000	2010 \$'000
Provision attributable to current year	72,520	50,055
Change in deferred income tax liabilities	1,140	900
Change in deferred tax asset	6,759	28,456
(Over)/Under provision for income tax in prior years	2,872	(1,221)
	<u>83,291</u>	<u>78,190</u>

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

13. INCOME TAX (continued)

	2011 \$'000	2010 \$'000	
(b) Reconciliation between income tax expenses and the accounting profit before income tax operating result:			
Benefits accrued as a result of operations before income tax	1,079,854	975,961	
Prima facie tax at 15% (2010: 15%)	161,978	146,394	
Decrease in tax expense due to:			
Tax effect of permanent differences			
Non-assessable investment income	(17,502)	(13,970)	
Imputation and foreign tax credits	(18,262)	(9,148)	
Non-assessable contributions	(50,506)	(53,174)	
Anti-detriment payments	(521)	(389)	
Group life proceeds	(1,050)	(973)	
Prior year (over) / under provision in income tax	2,872	(1,221)	
Increase in tax expense due to:			
Superannuation contributions (surcharge) tax	1	6	
Non deductible expenses	439	-	
No TFN contributions tax	145	463	
Capital losses tax adjustment	5,697	10,202	
Income tax expense on benefits accrued as a result of operations	<u>83,291</u>	<u>78,190</u>	
 (c) Deferred tax asset			
Fund expenses	201	248	
Capital losses	45,675	52,387	
	<u>45,876</u>	<u>52,635</u>	
 (d) Movement in temporary differences during the year			
	Balance 1 July 2010 \$'000	Recognised in income \$'000	Balance 30 June 2011 \$'000
Deferred tax assets			
Fund expenses accrued but not incurred	248	(47)	201
Capital losses	52,387	(6,712)	45,675
	<u>52,635</u>	<u>(6,759)</u>	<u>45,876</u>

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

14. NOTE TO STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash Flows from Operating Activities

	2011 \$'000	2010 \$'000
Benefits accrued as a result of operations after income tax	996,563	897,771
Non Cash Items in Operating Profit:		
Changes in net market values of investments	(117,778)	(115,625)
Dividends/distributions reinvested	(211,066)	(94,353)
Interest reinvested	(44,880)	(17,124)
Other investment income reinvested	(2,065)	(37,482)
Custodian and management fees deducted from Income	9,485	9,672
Benefits paid	(343,949)	(246,719)
Depreciation	23	57
Net cash from operating activities before change in assets and liabilities	286,333	396,197
Changes in Assets and Liabilities		
(Increase) / decrease in other receivables	34	54
Increase / (decrease) in benefits payable	4,075	(3,981)
Increase / (decrease) in accounts payable	234	2,384
Increase / (decrease) in current tax liabilities	13,580	10,045
Increase / (decrease) in deferred tax liability	1,140	900
(Increase) / decrease in deferred tax asset	6,759	21,859
Net cash flows from operating activities	312,155	427,458

(b) Reconciliation of Cash and cash equivalents

Cash at bank	522,897	269,482
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The amount of cash and cash equivalents in the prior year have been restated to more accurately classify \$258,556,000 of deposits as cash and cash equivalents instead of investments. As a result of this reclassification, net proceeds/ purchases of investments was also restated to (\$490,341,000) in the cashflow statement for prior year.

15. RELATED PARTIES

(a) Trustee

The Trustee of the Trust throughout the year was AGEST Super Pty Ltd. The directors of AGEST Super Pty Ltd during the year ended 30 June 2011 and up to the date of signing these financial statements were:

L.E. Rubinstein (Chair)	M.D. Fisher (appointed 27 July 2010)
M.G. Gepp	C.M. Wood (resigned 19 April 2011)
G.A. Owen	K. Van Barneveld (appointed 20 April 2011)
S. Dahn	M.L. Wilton (appointed 27 April 2011)
A.J. Hyams (resigned 5 July 2010)	

The Trustee holds a Registrable Superannuation Entity (RSE) licence (number L0000383) from the Australian Prudential Regulation Authority.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

15. RELATED PARTIES (continued)

(b) Compensation of Key Management Personnel

	2011	2010
	\$	\$
Compensation received or receivable by key management personnel of AGEST Super Pty Ltd (being the Directors and the Chief Executive Officer) in connection with management of the affairs of Australian Government Employees Superannuation Trust, whether as director, executive officer or otherwise comprising of:		
Short-term (salaries, bonuses, directors' fees)	485,726	551,997
Post employment (superannuation contributions)	39,673	126,488
Other long term employee benefits	-	21,649
	<u>525,399</u>	<u>700,134</u>

Included in the 2011 short-term benefits are directors fees paid in respect of M Fisher of \$45,417 which were paid to his employer the ACTU and directors fees paid in respect of K Van Barneveld \$9,651 which were paid to her employer the CPSU.

Included in the 2010 short-term benefits are directors fees paid in respect of C Bowtell of \$36,832 which were paid to her employer the ACTU and directors fees paid in respect of M Gepp \$16,545 which were paid to his employer the CPSU.

Directors and Executive remuneration falls within the following bands:

	2011	2010
	No.	No.
\$0 - \$50,000	4	4
\$50,001 - \$100,000	4	3
\$150,001 - \$200,000	1	-
\$300,001 - \$350,000	-	1

(c) Other related party transactions

	2011	2010
	\$	\$
Fees paid for services provided by the ACTU	10,865	10,809
Fees paid for legal services provided by Holding Redlich at normal commercial rates (L.E. Rubinstein is an employee of Holding Redlich)	4,264	20,406

Ms Maria Wilton, one of the current directors of AGEST Super Pty Ltd, is also an executive of Franklin Templeton, the manager of the Fiduciary International Property Trust.

AGEST currently holds investment in the Fiduciary International Property Trust and accordingly in the ordinary course of business pays management fees and undertakes transactions with the trust on a purely arm's length commercial basis.

(d) Director transactions with related parties

The following directors of the Trustee were also members of the Trust:

S. Dahn, M.G. Gepp, M.L. Wilton, C.M. Wood, K. Van Barneveld.

	2011	2010
	\$	\$
Vested and accrued benefits in the Trust of key management personnel as at 30 June.	520,967	595,334

Contributions and benefits for these directors are determined using the same Trust Deed provisions, which apply to all members.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

16. FINANCIAL RISK MANAGEMENT

(a) Overview of Financial Risk Management Policies and Processes

Risks arising from holding financial instruments are inherent in the Trust's activities, and are managed through a process of ongoing identification, measurement and monitoring by the Trustee. The Trustee has overall responsibility for the risk management framework for the Trust.

There are two committees that have been established by the Trustee whose role includes developing, monitoring and enhancing the risk management framework across various activities of the Trust:

- the **Investment Committee** meets 8 times a year and makes recommendations to the Trustee Board in relation to key investment issues. It also oversees the implementation of investment decisions and monitors the Trust's investment managers, cash flow and liquidity requirements, based on monthly reporting received from management and the Trust's custodian. It reviews investment strategy quarterly (or more frequently if necessary). In conjunction with the Trust's investment consultant, the Committee reviews the level of investment risk in each of the Trust's 12 investment options.
- the **Audit and Risk Management Committee** meets bi-monthly and assists the Trustee Board in fulfilling its responsibilities in relation to the financial management and statutory compliance of the Trust. It also identifies, analyses and monitors areas of operational and financial risk within the Trust and ensures that an appropriate management strategy and plan are developed. These are documented in the Trustee's Risk Management Plan and Strategy, which are subject to review by both management and the Committee in every meeting, and an annual audit of compliance. The Committee receives reports on the status of the risk controls and progress on risk management activities in each meeting.

The Trustee Board meets 8 times a year and both Committees update the Board in each meeting with their activities and issues arising. Agenda papers and minutes of Committee meetings are provided to all members of the Trustee Board.

(b) Strategy in Using Financial Instruments

The Trust's investments are subject to a variety of risks related to the use of financial instruments, including:

- Credit risk
- Liquidity risk
- Market risks such as interest rate risk, currency risk and market price risk.

Financial instruments of the Trust comprise investments in units in unlisted unit trusts, listed securities, debt instruments as part of investment managers' mandates, derivatives and cash. The Trust also has various other financial instruments such as other receivables, prepayments and benefits and other payables, which arise directly from the Trust's operations.

A key part of the financial risk management strategy is the process by which investment managers are selected and appointed by the Trustee. The Investment Committee has been delegated by the Trustee to select investment managers.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

16. FINANCIAL RISK MANAGEMENT (continued)

(b) Strategy in Using Financial Instruments (continued)

The Committee is assisted in this process by the Trust's investment consultant, Frontier Investment Consulting Pty Ltd. The Trustee attempts to provide a range of investment options that caters for all investor profiles. It has determined that a combination of investments managed by the appointed investment managers is appropriate for the Trust and is consistent with the Trust's published investment strategy.

(c) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Trust to incur a financial loss.

With respect to credit risk arising from the financial assets of the Trust, other than derivatives, the Trust's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments, as disclosed in the Statement of Financial Position.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges, and ensuring that transactions are undertaken with a large number of counterparties.

The Trust holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

The Trust does not have any significant exposure to any individual counterparty or industry. Its assets are invested by individual investment managers in specific investment trusts and other arrangements as disclosed in these Financial Statements.

(d) Liquidity Risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with its financial liabilities. The Trust's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring financial losses or risking damage to the Trust's reputation.

The Trust's Trust Deed and Product Disclosure Statement both provide for the daily withdrawal of benefits. Therefore, at any time, the Trust is exposed to liquidity risk in relation to paying members' benefits.

Financial liabilities of the Trust comprise vested benefits, benefits payable and accounts payable. These financial liabilities have no contractual maturities but are typically settled within 30 days via cash flow or investment redemptions. The Trustee of the Trust exercises prudent liquidity risk management by continually monitoring cash flow into the Trust, outgoing cash flow requirements and the balance in the Trust's bank account. The bank account always maintains a sufficient cash balance to meet its outgoing cash flow requirements when they fall due.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

16. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity Risk (continued)

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

Asset Sector	2011				
	Contractual Cashflows	Less than 1 month	1-12 months	Over 12 months	Carrying Amounts
	\$'000	\$'000	\$'000	\$'000	
Unsettled investment (purchases) sales	(4,016) 4,384	(4,016) 4,384	- -	- -	- -
Foreign exchange contracts and other derivatives Inflow (Outflow)	1,228,122 (1,195,578)	385,930 (384,028)	842,192 (811,550)	- -	 (7,279)
Creditors & accruals	(10,246)	(10,246)	-	-	(10,246)
Vested benefits	(4,415,803)	(4,415,803)	-	-	(4,415,803)
Total	(4,393,137)	(4,423,779)	30,642	-	(4,433,328)

Asset Sector	2010				
	Contractual Cashflows	Less than 1 month	1-12 months	Over 12 months	Carrying Amounts
	\$'000	\$'000	\$'000	\$'000	
Unsettled investment (Purchases) sales	(22,850) 17,253	(17,625) 17,253	(5,225) -	- -	- -
Foreign exchange contracts and other derivatives Inflow (Outflow)	1,223,499 (1,235,470)	376,563 (378,107)	846,936 (857,363)	- -	 (27,358)
Creditors & accruals	(5,937)	(5,937)	-	-	(5,937)
Vested benefits	(3,763,370)	(3,763,370)	-	-	(3,763,370)
Total	(3,786,875)	(3,771,223)	(15,652)	-	(3,796,665)

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

16. FINANCIAL RISK MANAGEMENT (continued)

(e) Market Risk

Market risk is the risk that changes in market variables, such as foreign exchange rates, interest rates and equity prices, will affect the Trust's income or the value of its holdings of financial instruments, however the net assets attributable to members will change by a corresponding amount.

The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is mitigated through careful selection of managers, resulting in a diversified mix of investments.

Currency Risk Exposures

Currency risk is the risk that the fair value of financial instruments and related future cash flows will fluctuate due to changes in foreign exchange rates.

The Trust may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency (Australian dollar). Consequently, the Trust may be exposed to risks that the exchange rate of its functional currency relative to other currencies may change in a manner that has an adverse affect on the value of that portion of the Trust's investments denominated in currencies other than the Australian dollar.

The Trust also has indirect exposure to currency risk via underlying managers in collective investment vehicles, which may have indirectly affected the price of the Trust's investments in these collective investment vehicles. The sensitivity to such price movements is disclosed in these Financial Statements under "market price risk".

Currency	2011			2010		
	Fair Value of Assets	Fair Value of Liabilities	Fair Value of Net Assets	Fair Value of Assets	Fair Value of Liabilities	Fair Value of Net Assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States Dollar	363,400	(473,835)	(110,435)	524,649	(463,927)	60,722
Euro	172,187	(193,304)	(21,117)	177,401	(206,636)	(29,235)
Great Britain Pound Sterling	32,156	(60,352)	(28,196)	64,282	(69,624)	(5,342)
Japanese Yen	69,778	(88,547)	(18,769)	59,890	(66,259)	(6,369)

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

16. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk Exposures (continued)

Sensitivity analysis

The movements in exchange rates used for the analysis below have been derived through a blend of historical analysis and the views of management and the Trust's investment consultant.

The following table shows the impact of changes in foreign currency exchange rates on the Trust's investments denominated in currencies other than the Australian dollar, if no foreign currency hedging was in place. Note however that the Trust does employ currency managers to hedge foreign currency exposure. The Trust's policy at 30 June 2011 was to hedge 33% (30 June 2010: 33%) of the Trust's foreign currency exposure back into Australian dollars. The Trustee may alter this percentage at any time.

Currency	2011			2010		
	Fair Value of Net Assets at 30 June	Rate increase in Net Assets and Benefits accrued as a result of operations by 15%	Rate decrease in Net Assets and Benefits accrued as a result of operations by 15%	Fair Value of Net Assets at 30 June	Rate increase in Net Assets and Benefits accrued as a result of operations by 15%	Rate decrease in Net Assets and Benefits accrued as a result of operations by 15%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States Dollar	(110,435)	14,405	(19,488)	60,722	(7,920)	10,716
Euro	(21,117)	2,754	(3,727)	(29,235)	3,813	(5,159)
Great Britain Pound Sterling	(28,196)	3,678	(4,976)	(5,342)	697	(943)
Japanese Yen	(18,769)	2,448	(3,312)	(6,369)	831	(1,124)

This analysis assumes that all other variables (including interest rates) remain constant and allows for the tax on the estimated movement. Such movements in the value of net assets would be reflected in the unit prices for the Trust's investment options and members' account balances.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

16. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value and future cash flows of financial instruments will fluctuate because of changes in interest rates.

The Trust is directly exposed to interest rate risk via its cash at bank and cash held under custody, derivative exposures through currency hedges as well as via derivatives and debt instruments held by the investment managers under investment mandates.

The Trust also has indirect exposure to interest rate risk via underlying managers in the collective investment vehicles, who may invest in fixed interest or inflation linked securities, which may indirectly affect the price of the Trust's investments in these collective investment vehicles. The sensitivity to such price movements is disclosed in these Financial Statements under "market price risk".

Sensitivity Analysis

The movements in interest rates used for the analysis below have been derived through a blend of historical analysis and the views of management and the Trust's investment consultant.

	2011			2010		
	Net market value at 30 June	Increase in Net Assets and Benefits accrued as a result of operations by 1.75%	Decrease in Net Assets and Benefits accrued as a result of operations by 1.75%	Net market value at 30 June	Increase in Net Assets and Benefits accrued as a result of operations by 1.75%	Decrease in Net Assets and Benefits accrued as a result of operations by 1.75%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	522,897	9,151	(9,151)	269,482	4,716	(4,716)
Derivative exposures	-	-	-	(182)	(3)	3
Debt instruments	10,001	175	(175)	124,602	2,181	(2,181)
Discount Securities	371,707	6,505	(6,505)	519,122	9,084	(9,084)

This analysis assumes that all other variables (including foreign exchange rates) remain constant and allows for tax on the estimated movement. Such movements in the value of net assets would be reflected in the unit prices for the Trust's investment options and members' account balances.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

16. FINANCIAL RISK MANAGEMENT (continued)

Market Price Risk

Market price risk represents the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments in the market.

The Trust is exposed to price risks arising from changes in the net market values of the Trust's collective investment vehicles and shares in listed companies, held by investment managers as part of investment mandates. Market price risk is minimised by ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies with appropriate asset diversification. The Trust's exposure at year end to other market price risk is detailed in the sensitivity analysis below.

Sensitivity Analysis

The movements in market returns used for the disclosure have been derived through a blend of historical analysis and the views of management and the Trust's investment consultant.

The movements shown do not represent expected returns for the next financial year but rather possible movements from the net market value of assets held at balance date until the entity will next present these disclosures.

Assuming market prices for the Trust's investments increased / (decreased) by the percentages in the table below relative to their value at 30 June and the investments held at 30 June were unchanged for the next year, the net assets available to pay benefits and benefits accrued as a result of operations would increase / reduce as shown in the table on the next page.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

16. FINANCIAL RISK MANAGEMENT (continued)

Market Price Risk (continued)

Sensitivity Analysis (continued)

	Min %	Max %	Carrying Amount \$'000	Change for the year in net assets available to pay benefits		Net assets available to pay benefits	
				Decrease \$'000	Increase \$'000	Decrease \$'000	Increase \$'000
30-Jun-2011							
Unit trusts	-12	28	2,339,364	(280,724)	655,022	(280,724)	655,022
Shares in listed companies	-21	39	1,060,286	(222,660)	413,512	(222,660)	413,512
Fixed interest securities	-5	16	381,708	(19,085)	61,073	(19,085)	61,073
Currency hedges	-15	15	29,162	(4,374)	4,374	(4,374)	4,374
			<u>3,810,520</u>	<u>(526,843)</u>	<u>1,133,981</u>	<u>(526,843)</u>	<u>1,133,981</u>
30-Jun-2010							
Unit trusts	-8	8	1,826,758	(146,141)	146,141	(146,141)	146,141
Shares in listed companies	-8	8	965,724	(77,258)	77,258	(77,258)	77,258
Fixed interest securities	-8	8	643,887	(51,511)	51,511	(51,511)	51,511
Currency hedges	-8	8	(13,692)	1,095	(1,095)	1,095	(1,095)
			<u>3,422,677</u>	<u>(273,815)</u>	<u>273,815</u>	<u>(273,815)</u>	<u>273,815</u>

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

16. FINANCIAL RISK MANAGEMENT (continued)

(f) Estimation of fair values

The Trust's financial assets and liabilities included in the Statement of Net Assets are carried at net market value which Directors believe approximates net fair value.

At 30 June 2011, the carrying amounts of investments for which fair values were determined directly, in full or in part, by reference to published price quotations amounted to \$3,810,520,064 (2010: \$3,422,676,712).

Fair value measurements

The table below analyses financial instruments carried at net market value, which 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).
- 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).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2011				
Unit Trusts	-	2,114,446	224,918	2,339,364
Shares in listed companies	1,058,987	1,299	-	1,060,286
Fixed interest securities	-	381,708	-	381,708
Currency Hedges	25	28,976	161	29,162
Total	1,059,012	2,526,429	225,079	3,810,520
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2010				
Unit Trusts	-	1,628,024	198,734	1,826,758
Shares in listed companies	965,486	227	11	965,724
Fixed interest securities	-	643,887	-	643,887
Currency Hedges	(392)	(13,300)	-	(13,692)
Total	965,094	2,258,838	198,745	3,422,677

There were no transfers between Level 1 and 2 during the period.

Reconciliation of Level 3 fair value measurements of financial assets:

	Total 2011 \$'000	Total 2010 \$'000
Opening balance	198,745	144,476
Total gains or losses:		
- in operating statement	(25,716)	15,164
Purchases	52,056	41,258
Redemptions	(6)	(2,153)
Closing balance	<u>225,079</u>	<u>198,745</u>

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

17. COMMITMENTS AND CONTINGENCIES

Australian Government Employees Superannuation Trust has no contingent liabilities.

The Trust has uncalled commitments to some investment trusts totalling \$215 million (2010: \$325 million) at balance date.

18. INSURANCE

The Trust provides death and disability benefits to members. These benefits are greater than the members' vested benefits. The Trustee has taken out insurance to cover that part of the death and disability benefits which is in excess of the vested benefits.

19. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no significant events after balance date that should be included in the financial statements.

AUSTRALIAN GOVERNMENT EMPLOYEES SUPERANNUATION TRUST

STATEMENT BY TRUSTEE

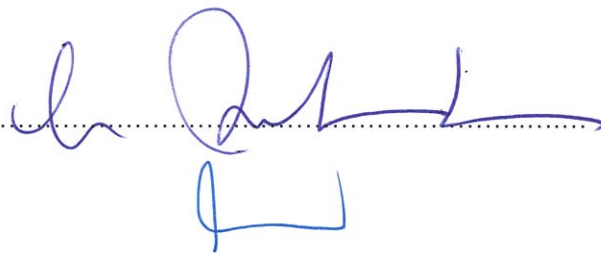
In the opinion of the Trustee of Australian Government Employees Superannuation Trust:

1. the accompanying financial statements of the Trust are properly drawn up so as to present fairly the financial position of the Trust as at 30 June 2011 and the results of its operations and cash flows for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia; and
2. the Trust has been conducted in all material respects in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993, and Corporations Act 2001, their Regulations and Guidelines during the year.

Signed in accordance with the resolution of the Board of Directors of AGEST Super Pty Ltd (A.B.N. 44 007 390 392).

Dated this 22nd day of September 2011

Director

A handwritten signature in blue ink, consisting of a large, stylized 'D' followed by a series of loops and a long horizontal stroke.

Director

.....



Australian Government Employees Superannuation Trust ABN 79 781 199 140

Report by the independent Approved Auditor to the trustee and members

Financial statements

I have audited the financial statements of Australian Government Employees Superannuation Trust (the Trust) for the year ended 30 June 2011, comprising the statement of financial position, operating statement, statement of cash flows and accompanying notes 1 to 19 as set out on pages 2 to 28 attached.

Trustee's responsibility for the financial statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the 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 Australian Government Employees Superannuation Trust.

My audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

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



Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards, the financial position of Australian Government Superannuation Trust as at 30 June 2011 and the results of its operations and its cash flows for the year ended 30 June 2011.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'S Hill'.

Sean Hill
Partner

Melbourne

22 September 2011