

RETAIL EMPLOYEES SUPERANNUATION TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

ABN: 62 653 671 394
Fund Registration Number: R1000016

**RETAIL EMPLOYEES SUPERANNUATION TRUST
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FOR THE YEAR ENDED 30 JUNE 2013**

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Report by the independent Approved Auditor to the trustee and members of the Retail Employees Superannuation Trust (ABN: 62 653 671 394)

Financial statements

I have audited the financial statements of the Retail Employees Superannuation Trust for the year ended 30 June 2013 comprising the Statement of Financial Position, Operating Statement and Cash Flow Statement.

Trustee's responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

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

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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 the Retail Employees Superannuation Trust as at 30 June 2013 and the results of its operations and its cash flows for the year ended 30 June 2013.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers", written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read "Craig Cummins", written in a cursive style.

Craig Cummins
Partner

Sydney
12 September 2013



Auditor's Independence Declaration

As lead auditor for the audit of the Retail Employees Superannuation Trust (ABN: 62 653 671 394) for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of the Retail Employees Superannuation Trust during the year.

A handwritten signature in black ink, appearing to read 'Craig Cummins'.

Craig Cummins
Partner
PricewaterhouseCoopers

Sydney
12 September 2013


**RETAIL EMPLOYEES SUPERANNUATION TRUST
TRUSTEE DECLARATION
FOR THE YEAR ENDED 30 JUNE 2013**

In the opinion of the Directors of Retail Employees Superannuation Pty Limited, being the Trustee of Retail Employees Superannuation Trust:

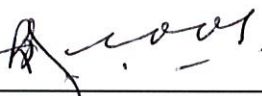
- (i) the accompanying financial statements of Retail Employees Superannuation Trust are properly drawn up so as to present fairly the financial position of the Trust as at 30 June 2013 and the results of its operations and cashflows for the year ended on that date in accordance with applicable Accounting Standards and other mandatory professional requirements in Australia; and
- (ii) the Trust has been conducted in accordance with its constituent Trust Deed dated 2 December 1987, as amended and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations and Guidelines during the year.

Signed in accordance with a resolution of the Board of Directors of Retail Employees Superannuation Pty Limited (ABN 39 001 987 739).

Signed at Sydney this 12th day of September 2013



Director



Director

RETAIL EMPLOYEES SUPERANNUATION TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	NOTE	30-Jun-13 \$'000	30-Jun-12 \$'000
ASSETS			
Cash and Cash Equivalents			
Cash	10	78,091	108,951
Trade and Other Receivables			
Contributions Receivable		55,699	49,488
Investment Income Receivable		101,489	81,193
Sundry Debtors		4,287	3,154
Net GST Receivable		2,280	1,168
		<u>163,755</u>	<u>135,003</u>
Investments			
Financial Assets			
Unsettled Investment Sales		112,400	54,960
Managers Liquidity	15	1,210,769	871,641
Listed Equity Securities	15	14,235,521	10,112,839
Fixed Interest Securities	15	2,765,843	2,381,807
Discount Securities		2,517,801	2,312,852
Direct Property		795,190	671,375
Unlisted Trusts	15	6,644,884	5,634,199
Derivatives	15	490,192	326,775
		<u>28,772,600</u>	<u>22,366,448</u>
Tax Assets			
Deferred Tax Asset	11	68,026	150,871
Other Assets			
Fixed Assets	13	224	294
TOTAL ASSETS		<u>29,082,696</u>	<u>22,761,567</u>
LIABILITIES			
Trade and Other Payables			
Insurance Premiums Payable		51,782	32,661
Benefits Payable		34,965	84,732
Administration Expenses Payable		6,348	7,774
Sundry Creditors		6,056	3,958
Audit Fees Payable		116	130
Financial Liabilities			
Unsettled Investment Purchases		89,850	40,848
Derivatives	16	880,704	203,241
Investment Management Fees Payable		19,902	14,551
Other Investment Accruals	16	422,180	268,926
Tax Liabilities			
Income Tax Payable		107,974	88,443
Deferred Tax Liabilities	11	258,105	24,756
TOTAL LIABILITIES		<u>1,877,982</u>	<u>770,020</u>
NET ASSETS AVAILABLE TO PAY BENEFITS		<u>27,204,714</u>	<u>21,991,547</u>
Represented by:			
LIABILITY FOR ACCRUED BENEFITS			
Allocated to Members' Accounts	3	26,974,640	21,728,636
Defined Benefit Plan Account		35,588	33,074
Not Yet Allocated	3a	58,335	73,382
Vested Benefits	3b	27,068,563	21,835,092
Reserves	4	136,151	156,455
		<u>27,204,714</u>	<u>21,991,547</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

RETAIL EMPLOYEES SUPERANNUATION TRUST
OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	30-Jun-13 \$'000	30-Jun-12 \$'000
INVESTMENT REVENUE			
Dividend Income		692,375	582,698
Interest - Bank		1,730	2,305
Interest Income - Investments		157,246	143,610
Rental Income		71,188	56,159
Movement in Net Market Value	8	3,599,259	(369,411)
Net Investment Revenue		<u>4,521,798</u>	<u>415,361</u>
CONTRIBUTIONS REVENUE			
Employer		2,480,339	2,322,803
Member		234,491	221,562
Rollovers		683,748	560,658
Total Contributions Revenue		<u>3,398,578</u>	<u>3,105,023</u>
OTHER REVENUE			
Group Life Insurance Proceeds		114,304	138,487
Other Income		390	135
		<u>114,694</u>	<u>138,622</u>
TOTAL REVENUE		<u>8,035,070</u>	<u>3,659,006</u>
INVESTMENT EXPENSES			
Direct Investment Expenses		101,337	81,423
Property Expenses		16,252	16,413
Custodian Fees		3,855	2,588
GROUP LIFE INSURANCE EXPENSES		364,463	313,641
GENERAL ADMINISTRATION EXPENSES			
Administration Fees		85,608	80,379
Trustee Company Operating Expenses		47,690	33,576
Depreciation		324	267
Auditor's Remuneration	22	368	499
Superannuation Contributions Surcharge		(3)	(35)
Other Expense		117	453
TOTAL EXPENDITURE		<u>620,011</u>	<u>529,204</u>
Operating Surplus for the Year Before Tax		7,415,059	3,129,802
Less: Income Tax Expense	11	<u>644,797</u>	<u>272,656</u>
BENEFITS ACCRUED AS A RESULT OF OPERATIONS		<u>6,770,262</u>	<u>2,857,146</u>

The above Operating Statement should be read in conjunction with the accompanying notes.

RETAIL EMPLOYEES SUPERANNUATION TRUST
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	30-Jun-13 \$'000	30-Jun-12 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows:			
Dividends		671,986	580,288
Rental Income		71,188	39,746
Interest		158,976	145,915
Contributions		3,392,366	3,110,231
Group Life Insurance Proceeds		114,304	138,487
Other Revenue		268	(561)
Cash Outflows:			
Administration Expenses		(87,034)	(78,799)
Insurance Premiums		(345,342)	(300,744)
Operating Expenses		(48,993)	(34,555)
Income Tax Paid		(309,074)	(385,311)
Surcharge Tax Paid		59	53
Members' Benefits		(1,606,861)	(1,291,353)
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	9	2,011,843	1,923,397
CASH FLOWS FROM INVESTING AND OTHER ACTIVITIES			
Net Cash Flow from Purchase and Sale of Investments		(1,921,145)	(1,771,556)
Direct Investment Expenses		(121,443)	(84,011)
Purchase of Fixed Assets		(115)	(472)
NET CASH FLOW USED IN INVESTING AND OTHER ACTIVITIES		(2,042,703)	(1,856,039)
NET INCREASE / (DECREASE) IN CASH HELD		(30,860)	67,358
CASH AT THE BEGINNING OF THE PERIOD		108,951	41,593
CASH AT THE END OF THE PERIOD	10	78,091	108,951

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 1. GENERAL INFORMATION

Retail Employees Superannuation Trust ("The Trust") operates as a superannuation fund domiciled in Australia. The head office is located at 50 Carrington Street, Sydney, NSW 2000. The Trust was registered with the Australian Prudential Regulation Authority on the 30th of September 2004. The licence number (RSE) is R1000016. The Trust is a public offer fund. It provides superannuation products predominantly to members in the retail sector. The types of superannuation products provided are both Defined benefit and Accumulation.

The Directors of The Trustee authorised the issue of the Financial Statements on the 12th September 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Financial Statements are general purpose statements which have been drawn up in accordance with Australian Accounting Standards including AAS 25 : "Financial Reporting by Superannuation Plans (AAS25)", as amended by AASB 2005-13 "Amendments to Australian Accounting Standards (AAS25)", the Superannuation Industry (Supervision) Act 1993 and Regulations and the provisions of the Trust Deed.

The Financial Statements have been prepared in accordance with the historical cost convention, except for the valuation of investments which are measured at net market value.

(b) Statement of Compliance

The Financial Statements are prepared on the basis of the revised Australian Accounting Standards, which include Australian equivalents of International Financial Reporting Standards ("AIFRS"). Since AAS25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS25.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Trustee's assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The Trustee does not expect this to have a significant impact on the recognition and measurement of the Trust's financial instruments as they are carried at net market value with gains and losses recognised through the Operating Statement.

(ii) AASB 13 Fair Value measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Trust does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the Trust in the current or future reporting periods and on foreseeable future transactions.

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Valuation of Investments and Derivatives

Investments and derivatives of the Trust are recorded at net market value and changes in the net market value of assets are recognised in the Operating Statement in the periods in which they occur. Net market value has been determined as follows:

- (i) Shares in listed companies, units in listed trusts, government securities and other fixed interest securities by reference to market quotations at the reporting date;
- (ii) Unlisted unit trusts by reference to the Net Asset Value per unit at the reporting date.
- (iii) Property is revalued at least annually by reference to an independent valuation, in accordance with the Trustee's policy on revaluations.
- (iv) The Trust has exposure in the normal course of business arising from transactions in interest rate, share indices and currency futures. The Trust also has exposure arising from transactions in share options, interest rate, equity and cross-currency swaps.
- (v) Derivative financial instruments including forward exchange contracts and fixed interest rate futures are recorded at market rates at close of business on the balance date.

Estimated costs of realisation have been deducted in determining net market value. Net market value is considered a reasonable approximation of fair value.

(d) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) 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 calculated as the difference between the net market value at sale, or at balance date, and the net market value at the previous valuation point and recognised in the Operating Statement.

Contributions and Transfers In

Contributions and transfers in are recognised when control of the asset has been attained and are recorded, gross of any tax, in the period to which they relate.

Interest

Revenue is recognised as interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends and Distributions

Revenue is recognised when the right to receive payment is established.

Rental Income and Expense

Rental income is the gross rent earned on direct property investments, and property expenses are shown separately as part of investment expenses. In the previous year, rental income was stated net of property expenses. The prior year figures have been reclassified to conform with the presentation in the current year financial statements.

(f) Income Tax

The Trust is a complying superannuation fund within the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied.

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

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

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Tax (Continued)

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

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.

(g) Contributions Received and Benefits Paid

The accrual for contributions has been determined on the basis of cash received subsequent to the year end. The liability for outstanding claims has been determined on the basis of claims paid subsequently to year end. In the previous year Benefits Payable also included Group Life Insurance Proceeds received on behalf of members. In the current year, these amounts have been included in Amounts Allocated to Members' Accounts to better reflect the character of these payments. This change in accounting policy does not have a material impact on the financial statements.

(h) Death and Disablement Insurance

Insurance claims received have been classed as "Other Revenue - Group Life Insurance Proceeds". The corresponding benefit paid/payable to members has been included in Benefits Paid, or included in Amounts Allocated to Members' Accounts where unpaid.

(i) Fixed Assets

Motor vehicles, office equipment and furniture are fully depreciated at the time of purchase. The cost of office refurbishment has been capitalised and is being amortised over the life of the lease, as shown in Note 13.

(j) Employee Entitlements

The Trust has calculated annual and long service leave entitlements on a present value basis of employees' entitlements not settled as at 30 June 2013. Expenses which are consequential to the employment of the employees but which are not employee entitlements, for example, on-costs associated with annual and long service leave liability, have also been recognised as liabilities where the entitlements to which they relate have been recognised as liabilities and expenses in accordance with AASB 119 - Employee Benefits.

(k) Superannuation Contribution Surcharge

Superannuation Contribution Surcharge 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 Superannuation Laws Amendment (abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received 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.

(l) Consolidation

The accounts include consolidation of the accounts of the subsidiary Super Investment Management Pty Limited ABN 86 079 706 657 as at 30 June 2012 and 2013.

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Goods and Services Tax

Revenues, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated inclusive of GST. The net amount of GST receivable from the taxation authority is included as part of receivables in the Statement of Financial Position. Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(n) Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Trust transfers substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(o) Significant Accounting Judgements, Estimates and Assumptions

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(p) Valuation of Accrued Benefits

The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in note 5.

(q) Receivables and Other Payables

Receivables are carried at nominal amounts due which approximate net market value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is objective evidence that the debt will not be collected.

Other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust and are carried at nominal amounts which approximate net market value. Payables are normally settled on 30 day terms.

(r) 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.

(s) Foreign Currency

Both the functional and presentation currency of the Trust is Australian dollars (\$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in the operating result in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

(t) Comparative Reclassifications

Certain comparative amounts have been reclassified to conform to the presentation in the current year financial statements.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3. LIABILITY FOR ACCRUED BENEFITS

Accrued benefits represents the Trust's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities and income tax liabilities as at balance date.

	30-Jun-13 \$'000	30-Jun-12 \$'000
Liability for accrued benefits at the beginning of the period	21,991,547	20,444,101
Plus: Benefits Accrued as a Result of Operations	6,770,262	2,857,146
Less: Gross Benefits Paid and Payable		
Withdrawals	(237,450)	(207,602)
Rollovers	(993,513)	(736,487)
Retirements	(94,990)	(95,955)
Deaths	(31,513)	(105,835)
Permanent Disablements	(24,890)	(41,400)
Pensions	(174,739)	(122,421)
Total Gross Benefits Paid and Payable	<u>(1,557,095)</u>	<u>(1,309,700)</u>
Liability for accrued benefits at the end of the period	<u><u>27,204,714</u></u>	<u><u>21,991,547</u></u>

NOTE 3a. NOT YET ALLOCATED

	30-Jun-13 \$'000	30-Jun-12 \$'000
Amounts not yet allocated to member's accounts consist of:		
Contributions not yet allocated	19,272	21,319
Investment earnings not yet allocated	39,063	52,063
	<u><u>58,335</u></u>	<u><u>73,382</u></u>

Investment earnings are allocated to members accounts via the unit pricing process as soon as the valuation information is available. However due to the time lag in receiving certain valuations, there will always be a timing difference between the valuations used for allocation to member accounts and that reflected in the financial statements. This difference is the 'Investment earnings not yet allocated' and can be positive or negative.

NOTE 3b. VESTED BENEFITS

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

	30-Jun-13 \$'000	30-Jun-12 \$'000
Vested Benefits at the End of the Period - Accumulation Members	<u>27,032,975</u>	<u>21,802,018</u>
Vested Benefits at the End of the Period - Defined Benefit Members	<u>35,588</u>	<u>33,074</u>
Total Vested Benefits at the End of the Period	<u><u>27,068,563</u></u>	<u><u>21,835,092</u></u>

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 4. RESERVES

	30-Jun-13 \$'000	30-Jun-12 \$'000
Reserves are split into the following components:		
Operational Risk Financial Requirement Reserve (previously Contingency Reserve)	71,121	48,177
Capital Reserve	28,514	33,591
Group Life Insurance Reserve	4,761	50,465
Administration Reserve	31,755	24,222
	136,151	156,455

On 22 November 2012 the Contingency Reserve was renamed the Operational Risk Financial Requirement Reserve (ORFR Reserve) and an amount of \$12.5M was transferred from the Group Life Insurance reserve to the ORFR Reserve.

NOTE 5. DEFINED BENEFIT PLAN ACCOUNT

The amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Trust up to 30 June 2013. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions.

Accrued benefits have been previously valued as part of comprehensive actuarial reviews undertaken at the following dates:

		Accrued benefit	Next Actuarial Review
Accrued benefits - Tetra Pak	1 July 2012	9,289,408	1 July 2015
Accrued benefits - SDA	1 July 2012	8,199,526	1 July 2015
Accrued benefits - RIDBC	1 July 2012	1,685,541	1 July 2015
Accrued benefits - AED	1 May 2011	409,885	1 May 2014
Accrued benefits - Akzo Nobel	30 June 2011	11,214,000	30 June 2014

NOTE 6. GUARANTEED BENEFITS

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

NOTE 7. FUNDING ARRANGEMENTS

The Trust is predominantly a defined contribution plan providing superannuation benefits for the members of the Retail Employees Superannuation Trust. The Trust's primary purpose is to provide benefits for its members.

The funding policy adopted in respect of the Defined Benefit Plan component is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. As such, in framing employer contribution rates, the Actuary has considered long-term trends in such factors as Trust membership, salary growth and average market value of Trust assets.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 8. MOVEMENT IN NET MARKET VALUES

	30-Jun-13 \$'000	30-Jun-12 \$'000
Investments Held at End of Year		
Cash & Short Term Deposits	957	(733)
Other Interest Bearing Securities	59,982	109,368
Australian Equities	1,001,824	(472,760)
International Equities	1,469,963	(239,079)
Property	30,952	92,774
Other (Development, Infrastructure)	383,074	271
	<u>2,946,752</u>	<u>(510,159)</u>
Investments Realised During the Year		
Investments Realised During the Year	<u>652,507</u>	<u>140,748</u>
	<u>3,599,259</u>	<u>(369,411)</u>

NOTE 9. NOTE TO CASH FLOW STATEMENT

**RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES
TO BENEFITS ACCRUED AS A RESULT OF OPERATIONS.**

	30-Jun-13 \$'000	30-Jun-12 \$'000
Benefits Accrued as a Result of Operations	6,770,262	2,857,146
Cash Flows in Operating Profit Attributable to Non Operating Activities		
Movement in Net Market Value-(Gain)/Loss	(3,599,259)	369,411
Direct Investment Charges	121,443	84,011
Non Cash Flows in Operating Profit		
Depreciation of Fixed Assets	186	178
Changes in Assets and Liabilities		
(Increase)/Decrease in Contributions Receivable	(6,211)	5,208
(Increase)/Decrease in Accrued Investment Income	(20,390)	(2,410)
(Increase)/Decrease in Sundry Debtors	(2,829)	(964)
Increase/(Decrease) in Insurance Premiums Payable	19,121	12,898
Increase/(Decrease) in Administration Expenses Payable	(1,240)	1,758
Increase/(Decrease) in Sundry Creditors	(2,324)	(594)
Increase/(Decrease) in Benefits Payable	(49,767)	18,347
Increase/(Decrease) in Income Tax Payable	23,753	(36,829)
Increase/(Decrease) in Deferred Tax Assets/Liabilities	316,193	(75,064)
Cash Items Not Included in Result of Operations		
Benefits Paid	(1,557,095)	(1,309,699)
Net Cash Flows from Operating Activities	<u>2,011,843</u>	<u>1,923,397</u>

NOTE 10. CASH

For the purpose of the cash flow statement, cash includes cash on hand and in banks other than that held by the investment custodian. Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

Cash at Bank	<u>78,091</u>	<u>108,951</u>
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RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 11. INCOME TAX**Income Tax Expense**

Major components of income tax expense are:

	30-Jun-13 \$'000	30-Jun-12 \$'000
Operating Statement		
Current income tax charge		
Current income tax charge	327,721	351,959
Adjustments in respect of current income tax of previous years	882	(6,123)
Deferred income tax		
Relating to origination and reversal of temporary differences	316,194	(73,180)
Income tax expense reported in operating statement	<u>644,797</u>	<u>272,656</u>

A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:

Benefits accrued as a result of operations before income tax	<u>7,415,059</u>	<u>3,129,802</u>
Income Tax at 15%	1,112,259	469,470
Imputation and Foreign Tax Credits	19,452	15,134
Decrease in Income Tax Expense due to Permanent Differences		
Non-Assessable Group Life Proceeds	(17,146)	(20,773)
Non-Assessable Member Contributions	(33,281)	(31,499)
Non-Assessable Transfers from Other Funds	(101,993)	(83,354)
Non-Deductible Superannuation Contribution Surcharge	(1)	(5)
Non-Deductible No TFN Contributions Tax	903	4,352
Non-Deductible Expenses	30	26
Anti-Detriment Provision	(2,081)	(2,411)
Imputation and Foreign Tax Credits	(129,678)	(100,896)
Non-Assessable Investment Income	(183,942)	31,508
Exempt Pension Income	(20,607)	(2,774)
Tax Expense for Current Year	<u>643,915</u>	<u>278,779</u>
Under/(over) provision for prior years	882	(6,123)
Total Income Tax Expense	<u>644,797</u>	<u>272,656</u>

Deferred income tax

Deferred income at 30 June relates to the following:

Deferred income tax liabilities

Net Capital Gains on investments subject to CGT	222,588	-
Contributions Receivable	8,245	7,319
Investment Income Receivable	821	779
Unrealised Revenue Gains	26,451	16,658
Gross deferred income tax liabilities	<u>258,105</u>	<u>24,756</u>

Deferred income tax assets

Accrued expenses	8,004	5,157
Net Capital Losses on investments subject to CGT	-	143,350
Capital Losses transferred in from other Funds	-	1,882
Investment Income Receivable (incl deferred tax credits)	60,022	482
Gross deferred income tax assets	<u>68,026</u>	<u>150,871</u>

The effective rate of income tax paid by the Trust for 2013 was 8.7% (2012: 8.7%).

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 12. MEMBERSHIP AND PARTICIPATING EMPLOYERS

	30-Jun-13 No.	30-Jun-12 No.
Active Members	1,262,646	1,224,802
Inactive Members	707,954	744,240
Total Membership	<u>1,970,600</u>	<u>1,969,042</u>
Participating Employers	<u>152,782</u>	<u>143,679</u>

Active members are those in receipt of regular contributions from their participating employers. Inactive members no longer receive a contribution from their participating employers.

NOTE 13. FIXED ASSETS

	30-Jun-13 \$'000	30-Jun-12 \$'000
Motor Vehicles		
Cost	843	766
Accumulated Depreciation	<u>(843)</u>	<u>(766)</u>
	-	-
Office Equipment and Furniture		
Cost	1,152	1,151
Accumulated Depreciation	<u>(1,152)</u>	<u>(1,151)</u>
	-	-
Capitalisation - Refurbishment		
Cost	368	368
Accumulated Amortisation	<u>(144)</u>	<u>(74)</u>
	<u>224</u>	<u>294</u>
Net Written Down Value	<u>224</u>	<u>294</u>

NOTE 14. COMMITMENTS AND CONTINGENT LIABILITIES

The Trust has outstanding capital commitments in respect of investments in unlisted securities that have not been called upon. The amount of commitments contracted for at the reporting date but not recognised as liabilities is \$238,500,000 (2012: \$262,228,000)

At year end, the Trust had no known contingent liabilities.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 15. FINANCIAL ASSETS HELD AT NET MARKET VALUE

	30-Jun-13 \$'000	30-Jun-12 \$'000
Managers Liquidity		
Cash	672,079	533,909
Margin Accounts	83,111	56,011
Term Deposits	455,579	281,721
	<u>1,210,769</u>	<u>871,641</u>
Listed Equity Securities		
Australian Equity Securities	6,456,936	5,114,539
International Equity Securities	7,778,585	4,998,300
	<u>14,235,521</u>	<u>10,112,839</u>
Fixed Interest Securities		
Australian Fixed Interest Securities	1,250,048	1,154,959
International Fixed Interest Securities	1,515,795	1,226,848
	<u>2,765,843</u>	<u>2,381,807</u>
Unlisted Trusts		
Unlisted Trusts - Equities	51,629	48,718
Unlisted Trusts - Equity Strategies	946,848	727,595
Unlisted Trusts - Fixed Interest	1,811,864	1,464,379
Unlisted Trusts - Property	1,441,340	1,257,121
Unlisted Trusts - Infrastructure	1,023,156	937,555
Unlisted Trusts - Absolute Return Strategies	1,162,863	1,037,412
Unlisted Trusts - Other	207,184	161,419
	<u>6,644,884</u>	<u>5,634,199</u>
Derivatives		
Fixed Interest Futures	7,939	1,360
Share Price Index Futures	2,488	15,094
Exchange Traded Options	160,677	150,235
Forward Foreign Exchange	319,088	160,086
	<u>490,192</u>	<u>326,775</u>

NOTE 16. FINANCIAL LIABILITIES HELD AT NET MARKET VALUE

Derivatives		
Fixed Interest Futures	5,907	1,941
Share Price Index Futures	4,480	2,080
Bank Bill Futures	34	175
Exchange Traded Options	165,829	131,239
Forward Foreign Exchange	704,454	67,806
	<u>880,704</u>	<u>203,241</u>
Other Investment Accruals		
At the end of the year the Trust had unsettled purchase transactions and accrued expenses, that were entered into by its wholly owned subsidiary - Super Investment Management Pty Limited as follows:		
Repurchase Agreements	422,180	266,336
Accrued Investment Expenses	-	2,590
	<u>422,180</u>	<u>268,926</u>

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 17. FINANCIAL RISK MANAGEMENT

The investments of the Trust (other than cash held for liquidity purposes), comprising discretely managed portfolios and units in collective investment vehicles such as various unit trusts and other managed investments, are held on behalf of the Trustee by its global custodian. Each investment manager is required to invest the assets managed by it in accordance with the terms of a written mandate. The Trustee has determined that appointment of these managers is appropriate for the Trust and is in accordance with the Trust's investment strategy.

For the Core Option, the Trustee determines the asset allocation to different asset classes within specific ranges. The Trustee receives advice from its investment adviser in making its assessment. The asset allocation is reviewed monthly. The other investment options have set asset allocations which are reviewed annually.

The Trust's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Trust manages this investment risk as part of its overall risk management framework. The Trust's investment managers may use derivative financial instruments to reduce risks in the share, bond and currency markets and to increase or decrease the Trust's exposure to particular investment classes or markets within pre-determined ranges. Derivative financial instruments are included in the relevant asset category in the Statement of Financial Position.

Financial risk management is carried out by the Trustee through the Investment Committee with advice from an external investment adviser and internal management. The Trustee obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks.

The Trust uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk. The Trust's investment adviser uses a range of qualitative and quantitative measures when assessing the individual managers' and overall Trust's investment arrangements.

(a) Market Risk

(i) Price Risk

The Trust is exposed to equity securities and derivative securities price risk. This arises from investments held by the Trust for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. The securities are classified on the Statement of Financial Position at net market value. All securities investments present a risk of loss of capital. The maximum risk is determined by the net market value of the financial instruments.

The Trustee mitigates this price risk through diversification. Diversification is achieved through investment manager selection with a range of investment styles and different investment mandates. The majority of the Trust's equity investments are publicly traded and included in the major ASX indices or the MSCI World Index.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. Investment manager mandate compliance and performance reports against benchmark are reported on a regular basis to the Investment Committee.

Sensitivity analysis

A percentage increase in the relevant asset classes as set out in the table below at the reporting date would have increased the net assets available to pay benefits by \$3,742,529,000 (2012: an increase of \$2,785,205,000). An equal change in the opposite direction would have decreased the net assets available to pay benefits by \$3,742,529,000 (2012: a decrease of \$2,785,205,000). The impact on the net investment revenue would have been an increase or decrease of \$3,742,529,000 (2012: \$2,785,205,000). The impact mainly arises from the reasonably possible change in the net market value of listed equities, direct property, unlisted trusts and equity derivatives. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, in consultation with its investment adviser, having regard to the average absolute annual returns of the relevant index in local terms over a 10 year period.

Asset Class	Percentage	
	2013	2012
Australian Equities	21%	20%
International Equities	22%	23%
Direct Property	11%	12%
Infrastructure	10%	10%
Equity Strategies	13%	13%
Absolute Return	8%	8%

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market Risk (Continued)

(ii) Foreign Exchange Risk

The Trust holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis. The Trust's investment policy states that the benchmark allocation for foreign currency exposure is 15%. The minimum of the allowable range is 10%. The maximum of the allowable range is equal to the top of the range for the overseas asset class. However, the actual level of foreign currency exposure within the Core Strategy will not be greater than the Target Asset Allocation to that asset class at any particular point in time. This is implemented via a currency overlay manager, who monitors the foreign currency exposure on a weekly basis, and takes out forward foreign exchange contracts as appropriate. For accounting purposes the Trust does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified on the Statement of Financial Position at net market value. Compliance with the Trust's policy is reported to the Investment Committee on a regular basis.

The table below summarises the Trust's assets and liabilities that are denominated in a currency other than the Australian dollar

30-Jun-13	US Dollar A\$'000	Japanese Yen A\$'000	GB Pound A\$'000	Euro A\$'000	Swiss Franc A\$'000	Other A\$'000	Total \$'000
Assets	6,365,593	420,757	889,855	1,495,787	343,294	1,665,550	11,180,836
Liabilities	(65,339)	(2,911)	(602)	(1,588)	(954)	(5,111)	(76,505)
Foreign Exchange Contracts **	(3,412,234)	(223,282)	(201,412)	(325,528)	(184,078)	(305,865)	(4,652,399)
Net Exposure	2,888,020	194,564	687,841	1,168,671	158,262	1,354,574	6,451,932

30-Jun-12	US Dollar A\$'000	Japanese Yen A\$'000	GB Pound A\$'000	Euro A\$'000	Swiss Franc A\$'000	Other A\$'000	Total \$'000
Assets	4,257,938	293,046	589,313	867,075	211,673	1,149,693	7,368,738
Liabilities	(20,196)	-	(399)	(895)	(2,839)	(524)	(24,853)
Foreign Exchange Contracts **	(2,749,927)	(148,514)	(166,261)	(356,345)	(171,641)	(54,754)	(3,647,442)
Net Exposure	1,487,815	144,532	422,653	509,835	37,193	1,094,415	3,696,443

** Foreign Exchange Contracts are the value of the exchange exposure (rather than the market value of the hedged instrument).

Sensitivity analysis

A 12% strengthening (2012: 12%) of the Australian dollar against the following currencies at the reporting date would have increased/(decreased) the net assets available to pay benefits and the net investment revenue by the amounts shown in the table below. The analysis assumes that all other variables, in particular interest rates, remain constant. The impact mainly arises from the reasonably possible change in foreign currency rates. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, in consultation with its investment adviser, having regard to the average absolute divergence between the unhedged and hedged MSCI World Index ex Australia annual returns over a 10 year period. The amounts include both monetary and non monetary items because it is not feasible to allocate the FFX hedging against specific assets.

	US Dollar A\$'000	Japanese Yen A\$'000	GB Pound A\$'000	Euro A\$'000	Swiss Franc A\$'000
30-Jun-13	(309,431)	(20,846)	(73,697)	(125,215)	(16,957)
30-Jun-12	(159,409)	(15,486)	(45,284)	(54,625)	(3,985)

A 12% weakening (2012: 12%) of the Australian dollar against the above currencies at the reporting date would have the equal but opposite effect to the amounts shown above on the basis that all other variables remain constant.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 17. FINANCIAL RISK MANAGEMENT (Continued)**(a) Market Risk (Continued)****(iii) Interest Rate Risk**

The Trust's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cashflows. The risk is measured using sensitivity analysis.

As at 30 June 2013, the Trust's investment strategy is to hold approximately 17% invested in fixed interest securities, either via mandates or through unlisted trusts. The Trustee monitors its fixed interest exposure on a monthly basis. The Trust may also enter into derivative financial instruments to mitigate the risk of future interest rate changes.

The Trust's exposure to interest rate movements on those investments at 30 June 2013 was as follows:

30-Jun-13	Floating Interest rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets				
Unsettled Investment Sales			112,400	112,400
Managers Liquidity	755,190	455,579		1,210,769
Equity Securities			14,235,521	14,235,521
Fixed Interest Securities	1,200,527	1,565,316		2,765,843
Discount Securities	2,517,801			2,517,801
Direct Property			795,190	795,190
Unlisted Trusts			6,644,884	6,644,884
Derivatives			490,192	490,192
Financial Liabilities				
Unsettled Investment Purchases			(89,850)	(89,850)
Derivatives			(880,704)	(880,704)
Investment Management Fees Payable			(19,902)	(19,902)
Other Investment Accruals			(422,180)	(422,180)
Total	4,473,518	2,020,895	20,865,551	27,359,964
Net increase/decrease in exposure from interest rate futures (notional principal)	18,788	(18,788)		-
Net exposure	4,492,306	2,002,107	20,865,551	27,359,964

30-Jun-12	Floating Interest rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets				
Unsettled Investment Sales			54,960	54,960
Managers Liquidity	589,920	281,721		871,641
Equity Securities			10,112,839	10,112,839
Fixed Interest Securities	931,319	1,450,488		2,381,807
Discount Securities	2,312,852			2,312,852
Direct Property			671,375	671,375
Unlisted Trusts			5,634,199	5,634,199
Derivatives			326,775	326,775
Financial Liabilities				
Unsettled Investment Purchases			(40,848)	(40,848)
Derivatives			(203,241)	(203,241)
Investment Management Fees Payable			(14,551)	(14,551)
Other Investment Accruals			(268,926)	(268,926)
Total	3,834,091	1,732,209	16,272,582	21,838,882
Net increase/decrease in exposure from interest rate futures (notional principal)	238,974	(238,974)		-
Net exposure	4,073,065	1,493,235	16,272,582	21,838,882

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 17. FINANCIAL RISK MANAGEMENT (Continued)**(a) Market Risk (Continued)****(iii) Interest Rate Risk (Continued)***Sensitivity analysis*

An increase of 65 basis points (2012: 72 basis points) in interest rates would have decreased the net assets available to pay benefits and the net investment revenue by \$35,656,000 (2012: a decrease of \$45,124,000). A move by the same amount in the opposite direction would have increased the net assets available to pay benefits and the net investment revenue by \$35,656,000 (2012: an increase of \$45,124,000).

The impact mainly arises from the reasonably possible change in interest rates on the net market value of fixed interest securities. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, in consultation with its investment adviser, having regard to the average annual absolute movement in the yields of 10 year Australian and US Government bonds over a 10 year period.

(b) Credit Risk

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

The Trust primarily invests in debt securities which are rated by a well known rating agency. The Trust manages its exposure to credit risk by setting minimum grade ratings by investment type and a minimum overall weighted average credit rating in its investment mandates. Compliance with mandates is reported to the Investment Committee on a monthly basis.

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 predominantly with counterparties on recognised exchanges, and ensuring that transactions are undertaken with a range of counterparties.

The Trust does not have any significant exposure to any individual counterparty or industry. Its assets are invested by individual investment managers and in specific investment trusts and investment linked insurance policies.

The net market value of financial assets included in the Statement of Financial Position represent the Trust's exposure to credit risk in relation to those assets. An analysis of debt securities by rating is set out in the table below.

Australian Fixed Interest Securities

	30-Jun-13 \$'000	30-Jun-12 \$'000
Rating		
AAA	841,747	841,123
AA	324,008	251,603
A	70,359	60,586
BBB	13,934	1,647
Total	<u>1,250,048</u>	<u>1,154,959</u>

International Fixed Interest Securities

Rating		
AAA	101,766	153,893
AA	134,460	72,051
A	301,235	446,098
BBB	262,637	216,594
Below BBB	715,697	338,212
Total	<u>1,515,795</u>	<u>1,226,848</u>

(c) Liquidity Risk

Liquidity risk is the risk that the Trust will encounter difficulty in raising cash to meet commitments associated with member benefits. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Trust invests the large majority of its assets in financial instruments, which under normal market conditions are readily convertible to cash.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17. FINANCIAL RISK MANAGEMENT (Continued)**(c) Liquidity Risk (Continued)**

The table below analyses the contractual maturities of the Trust's financial liabilities, excluding gross settled derivative liabilities, based on the remaining period to the contractual maturity date at the year end.

	Contract / Notional \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	>12 months \$'000
30-Jun-13					
Financial Liabilities					
Unsettled Investment Purchases	89,850	89,850			
Net Settled Derivatives	176,250	763	175,487	-	-
Investment Management Fees Payable	19,902	19,902			
Other Investment Accruals	422,180	422,180			
Total Net Settled Financial Liabilities	708,182	532,695	175,487	-	-

	Contract / Notional \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	>12 months \$'000
30-Jun-12					
Financial Liabilities					
Unsettled Investment Purchases	40,848	40,848			
Net Settled Derivatives	135,435	-	135,435	-	-
Investment Management Fees Payable	14,551	14,551			
Other Investment Accruals	268,926	268,926			
Total Net Settled Financial Liabilities	459,760	324,325	135,435	-	-

In addition, the total liability for accrued benefits of \$27,204,714,000 (2012 \$21,991,547,000) has a contractual maturity of less than 1 month.

The table below analyses the contractual maturities of the Trust's derivative financial instruments that will be settled on a gross basis, based on the remaining period to the contractual maturity date at the year end.

	Contract / Notional \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	>12 months \$'000
30-Jun-13					
Foreign currency forward contracts					
Inflows	13,208,477	4,018,865	7,218,513	1,971,099	-
(Outflows)	(13,597,282)	(4,084,898)	(7,468,012)	(2,044,372)	-

	Contract / Notional \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	>12 months \$'000
30-Jun-12					
Foreign currency forward contracts					
Inflows	9,483,418	1,012,478	6,018,057	2,452,883	-
(Outflows)	(9,391,080)	(1,005,705)	(5,977,713)	(2,407,662)	-

(d) Net Fair Values of Financial Assets and Liabilities

The Trust's financial assets, liabilities and derivative instruments are included in the Statement of Financial Position at amounts that approximate the net fair value.

Refer to Note 2 for the methods and assumptions adopted in determining the net market values of derivatives and investments.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair value hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels: Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2). Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by The Trust. The Trust considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The tables below set out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2013 and 30 June 2012

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, exchange traded derivatives, government and semi government bonds. Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include, corporate bonds and certain unlisted unit trusts, forward foreign exchange contracts and swaps. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include direct property, Australian and International mortgage backed securities, and unlisted investments in infrastructure and property unit trusts. As observable prices are not available for these securities, the Trust has used valuation techniques to derive fair value.

Fair Value Hierarchy

30-Jun-13	Total \$'000	Level 1 '000	Level 2 '000	Level 3 '000
- Unsettled Investment Sales	112,400	112,400	-	-
- Managers Liquidity	1,210,769	1,210,769	-	-
- Listed Equity Securities	14,235,521	14,235,521	-	-
- Fixed Interest Securities	2,765,843	1,206,836	371,098	1,187,909
- Discount Securities	2,517,801	2,517,801	-	-
- Direct Property	795,190	-	-	795,190
- Unlisted Trusts	6,644,884	-	3,973,204	2,671,680
- Derivatives	490,192	171,104	319,088	-
Total Financial Asset	28,772,600	19,454,431	4,663,390	4,654,779
- Unsettled Investment Purchases	89,850	89,850	-	-
- Derivatives	880,704	176,250	704,454	-
- Investment Management Fees Payable	19,902	19,902	-	-
- Other Investment Accruals	422,180	422,180	-	-
Total Financial Liability	1,412,636	708,182	704,454	-
Net Financial Fair Value	27,359,964	18,746,249	3,958,936	4,654,779

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 17. FINANCIAL RISK MANAGEMENT (Continued)**(e) Fair value hierarchy (Continued)****Fair Value Hierarchy**

30-Jun-12	Total \$'000	Level 1 '000	Level 2 '000	Level 3 '000
- Unsettled Investment Sales	54,960	54,960	-	-
- Managers Liquidity	871,641	871,641	-	-
- Listed Equity Securities	10,112,839	10,112,839	-	-
- Fixed Interest Securities	2,381,807	1,079,298	392,813	909,696
- Discount Securities	2,312,852	2,312,852	-	-
- Direct Property	671,375	-	-	671,375
- Unlisted Trusts	5,634,199	-	3,278,104	2,356,095
- Derivatives	326,775	166,689	160,086	-
Total Financial Asset	22,366,448	14,598,279	3,831,003	3,937,166
- Unsettled Investment Purchases	40,848	40,848	-	-
- Derivatives	203,241	135,435	67,806	-
- Investment Management Fees Payable	14,551	14,551	-	-
- Other Investment Accruals	268,926	268,926	-	-
Total Financial Liability	527,566	459,760	67,806	-
Net Financial Fair Value	21,838,882	14,138,519	3,763,197	3,937,166

The table below sets out the movement in level 3 instruments by class of financial instrument:

30-Jun-13	Total \$'000	Fixed Interest Securities	Direct Property \$'000	Unlisted Trust \$'000
Opening Net Market Value	3,937,166	909,696	671,375	2,356,095
Gains/(Losses) recognised in profit/loss	297,951	208,996	(2,116)	91,071
Add: Purchases in current year	1,151,726	602,792	185,986	362,948
Less: Sale Proceeds in Current year	(732,065)	(533,575)	(60,055)	(138,435)
Closing Net Market Value	4,654,779	1,187,909	795,190	2,671,680

30-Jun-12	Total \$'000	Fixed Interest Securities	Direct Property \$'000	Unlisted Trust \$'000
Opening Net Market Value	3,456,530	843,031	633,178	1,980,321
Gains/(Losses) recognised in profit/loss	208,324	17,758	38,197	152,312
Add: Purchases in current year	729,292	477,827	-	236,516
Less: Sale Proceeds in Current year	(441,974)	(428,920)	-	(13,054)
Closing Net Market Value	3,952,172	909,696	671,375	2,356,095

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business the Trust enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument type, foreign exchange rate, or other variable. The use of derivatives is an essential part of the Trust's investment management. Derivatives are not managed in isolation. They are used for a number of purposes including adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios. An overview of the risk exposures relating to derivatives is included in note 17.

	Contract/ Notional	Net Market Value	
		Assets \$'000	Liabilities \$'000
30-Jun-13			
Fixed Interest Futures	1,210,674	7,939	5,907
Share Price Index Futures	692,909	2,488	4,480
Bank Bill Futures	198,574	-	34
Exchange Traded Options	419,004	160,677	165,829
Forward Foreign Exchange	12,967,380	319,088	704,454
	15,488,541	490,192	880,704

	Contract/ Notional	Net Market Value	
		Assets \$'000	Liabilities \$'000
30-Jun-12			
Fixed Interest Futures	851,678	1,360	1,941
Share Price Index Futures	513,089	15,094	2,080
Bank Bill Futures	139,277	-	175
Exchange Traded Options	395,689	150,235	131,239
Forward Foreign Exchange	9,508,642	160,086	67,806
	11,408,375	326,775	203,241

NOTE 19. SEGMENT INFORMATION

The Trust operates solely in one reportable business segment, being the provision of benefits to members. The Trust also operates from one reportable geographic segment, being Australia, from where its activities are managed. Whilst the Trust operates from Australia only, the Trust has investment exposures in different countries and across different industries. Revenue is derived from interest, dividends, property rentals, gains on sales of investments, unrealised changes in value of investments, and contributions revenue.

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 20. STOCK LENDING

The Trust has entered into stock lending arrangements with its global custodian, under which legal title to some of the Trust's assets may be transferred to another entity. The risks and benefits of ownership of the assets remain with the Trust. The Trust maintains collateral of at least 102% of the value of any scrip lent. The net market value of assets subject to stock lending arrangements at the reporting date, and which are included in the Statement of Financial Position, amounts to \$589,349,000 (2012: \$667,465,000).

NOTE 21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant events have occurred since balance date which would impact on the financial position of the Trust disclosed in the Statement of Financial Position as at 30 June 2013 or on the results and cash flows of the Trust for the year ended on that date.

NOTE 22. AUDITOR'S REMUNERATION

	30-Jun-13 \$'000	30-Jun-12 \$'000
Amounts received or due and receivable by the external auditor:		
- an audit of the financial statements of the entity	153	156
- other professional services	202	320
- under accrual of Audit fee payable from prior year	13	23
	<u>368</u>	<u>499</u>

NOTE 23. RELATED PARTIES**Retail Employees Superannuation Pty Limited**

The following persons held the position of Director of Retail Employees Superannuation Pty Limited during part or all of the year.

Employee Representatives

Mr Ian John Blandthorn
Mr Joseph de Bruyn
Ms Sue-Anne Combe Burnley
Mr Geoffrey John Williams

Employer Representatives

Mr Clifford Allison
Mr Stephen Bradley (appointed 20/11/2012)
Mr Rohan Kenneth Stretton Jeffs
Ms Margaret Hannah Osmond (resigned 12/8/2012)
Mr Duncan Ewan Shaw

The Directors did not receive any compensation in relation to their duties as Directors of the Trustee Company.

A related entity of Mr Stephen Bradley received payments totalling \$9,167 for consulting services provided to the Trust during the period that he was a Director of Retail Employees Superannuation Pty Limited.

The Trustee has an Australian Financial Services Licence with the AFSL Number being 240003 issued 2 February 2004. The Trustee has Registrable Superannuation Entity Trustee Licence Number L0000055 issued 1 October 2004.

Retail Employees Superannuation Pty Limited (the Company) paid premiums in respect of a contract to indemnify the Directors and Officers of the Company, of Retail Employees Superannuation Trust and its subsidiaries against claims for which they may be liable. The total amount of insurance premiums paid for the year ended 30 June 2013 was \$456,396 (2012: \$413,843).

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 23. RELATED PARTIES (Continued)**Compensation of Key REST Management Personnel**

Key management personnel include the Directors, and the following Responsible Officers:

2013

Mr Damian Hill
Mr Paul Sayer
Mr Ashley Boland
Mr Chris Stevens
Ms Mary Atley (from 12/09/2012)
Ms Joanne Townsend (from 11/03/2013)
Mr Paul Howard (from 11/04/2013)

2012

Mr Damian Hill
Mr Paul Sayer
Mr Ashley Boland
Mr Chris Stevens

	2013 \$'000	2012 \$'000
Short-Term Benefits	1,612	1,326
Post Employment	116	87
Other Long Term Benefits	-	-
Termination Benefits	-	-
Share Based Payment	-	-
	<u>1,728</u>	<u>1,413</u>

Super Investment Management Pty Limited (SIM)

SIM is a wholly owned subsidiary of Retail Employees Superannuation Trust. The following persons held the position of Director of SIM during part or all of the year.

Mr Joseph de Bruyn
Mr Geoffrey John Williams

Mr Rohan Kenneth Stretton Jeffs
Mr Duncan Ewan Shaw

Retail Employees Superannuation Trust pays all the operating expenses of SIM. These expenses amounted to \$6,649,000 (2012: \$5,365,000).

The Directors did not receive any compensation in relation to their duties as Directors of SIM.

REST Infrastructure Pty Ltd

REST Infrastructure Pty Ltd is a wholly owned subsidiary of Retail Employees Superannuation Trust. The following persons held the position of Director of REST Infrastructure Pty Ltd during part or all of the year.

Mr George Zielinski
Mr Richard Alexander Roberts

During the year the following related party transactions occurred between REST and REST Infrastructure Pty Ltd:

- (i) REST Infrastructure Pty Ltd paid a fully franked dividend of \$26,803,089 (2012: nil) to REST
- (ii) REST Infrastructure Pty Ltd repaid an interest free loan of \$24,991,383 (2012: \$8,465,200) to REST.
- (iii) REST made an interest free loan of \$34,175,718 (2012: \$8,465,200) to Infrastructure Pty Ltd

The impact on the Trust's operating statement in relation to its investment in REST Infrastructure Pty Ltd was a movement in net market value of \$29,116,000 (2012: \$55,985,000)

	30-Jun-13 \$'000	30-Jun-12 \$'000
The Trust's investment in REST Infrastructure Pty Ltd is structured as follows:		
Equity	99,250	99,250
Interest free loan	146,481	137,297
	<u>245,731</u>	<u>236,547</u>
Revaluation	180,369	151,253
Net market value	<u>426,100</u>	<u>387,800</u>

NOTE 24. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is set out on page 4.