

**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NEW SOUTH WALES ELECTRICAL SUPERANNUATION SCHEME FOR THE YEAR ENDED 30 JUNE 2013

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**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME**
Statement of Financial Position
As at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Cash and cash equivalents			
Cash	(11b)	7,397,296	6,134,122
Trade and Other Receivables			
Contributions Receivable		3,836,229	3,766,129
Investment Income Receivable	(13)	5,216,228	2,715,215
Group Life Insurance Rebate Receivable		195,058	140,000
GST Receivable		34,369	25,135
Investments			
Financial Assets			
Property Trusts		8,992,660	8,696,446
Other Unlisted Unit Trusts		-	6,713,409
Pooled Superannuation Trusts		243,394,392	201,565,838
Insurance Policies - Investment Linked		194,049,371	153,466,934
Other Assets			
Property, Plant & Equipment	(14)	4,455	9,600
Deferred tax assets	(10d)	4,835,726	8,713,535
TOTAL ASSETS		<u>467,955,784</u>	<u>391,946,363</u>
LIABILITIES			
Trade and Other Payables			
Benefits Payable		1,727,095	462,221
Administration fees		71,395	86,402
Provision for Employee Entitlements		26,962	48,019
Group Life Insurance		164,603	210,878
Group Tax Payable		14,696	15,020
No TFN Contributions Tax Payable/ (Receivable)		45,520	(31,131)
Trustee Expenses		122,549	134,648
Tax Liabilities			
Provision for Income Tax	(10c)	1,723,910	1,453,990
Deferred tax liabilities	(10d)	569,652	552,735
TOTAL LIABILITIES		<u>4,466,382</u>	<u>2,932,782</u>
NET ASSETS AVAILABLE TO PAY BENEFITS		<u>463,489,402</u>	<u>389,013,581</u>
REPRESENTED BY:			
LIABILITY FOR ACCRUED BENEFITS			
	(4), (5), (6)		
Allocated to Members' Accounts		459,568,223	384,032,031
Unallocated to Members' Accounts		1,780,270	3,207,787
Reserves		2,140,909	1,773,763
		<u>463,489,402</u>	<u>389,013,581</u>

This Statement of Financial Position should be read in conjunction with the accompanying notes on pages 6 to 27.

**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME**
Operating Statement
For the Year Ended 30 June 2013

	Note	<u>2013</u>	<u>2012</u>
		\$	\$
INVESTMENT REVENUE			
Distributions		8,317,242	6,016,304
Changes in net market values	(7)	<u>57,541,551</u>	<u>(7,668,344)</u>
		<u>65,858,793</u>	<u>(1,652,040)</u>
CONTRIBUTIONS REVENUE			
Employer contributions		41,417,807	41,860,690
Member contributions		1,244,940	1,541,943
Transfers in from other funds		<u>5,045,366</u>	<u>4,009,871</u>
		<u>47,708,113</u>	<u>47,412,504</u>
OTHER REVENUE			
Proceeds from group life policies		1,941,550	1,330,148
Interest received - bank		168,241	179,744
Other income		235,850	140,364
Forgone benefits		<u>3,132</u>	<u>20,917</u>
		<u>2,348,773</u>	<u>1,671,173</u>
TOTAL REVENUE		<u><u>115,915,679</u></u>	<u><u>47,431,637</u></u>
GROUP LIFE INSURANCE EXPENSES		(2,215,258)	(2,198,739)
INVESTMENT FEE REBATES		228,469	194,013
GENERAL ADMINISTRATION EXPENSES			
Administration expenses	(8)	(907,852)	(873,464)
Trustee expenses	(15)	(993,700)	(942,951)
Other Scheme expenses	(17)	(504,668)	(299,405)
Auditors remuneration	(9)	(67,760)	(65,560)
No TFN contributions tax		(45,520)	30,116
Superannuation contribution surcharge		-	(406)
TOTAL EXPENSES		<u>(4,506,289)</u>	<u>(4,156,396)</u>
BENEFITS ACCRUED BEFORE INCOME TAX		111,409,390	43,275,241
INCOME TAX EXPENSE	(10a,10b)	<u>(8,562,267)</u>	<u>(3,229,233)</u>
BENEFITS ACCRUED AFTER INCOME TAX		<u><u>102,847,123</u></u>	<u><u>40,046,008</u></u>

This Operating Statement should be read in conjunction with the accompanying notes on pages 6 to 27.

**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME**

**Statement of Cash Flows
For the Year Ended 30 June 2013**

	Note	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows:			
Distribution income received		5,816,229	12,730,571
Interest income received		168,241	179,744
Contributions income received		47,638,013	47,379,285
Group Life Insurance Proceeds		1,886,492	1,286,957
Other Revenue		238,982	161,281
Cash Outflows:			
Administration Expenses		(922,859)	(853,989)
GST Expense		(9,234)	(3,901)
Audit & Other Services Fees		(65,560)	(63,800)
Insurance Premiums		(2,261,533)	(2,150,005)
Operating Expenses		(1,529,104)	(1,186,172)
Surcharge Tax Paid		-	(60)
Income Tax Paid		(4,366,490)	(4,773,630)
Members' Benefits		(27,106,428)	(21,154,158)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(11a)	<u>19,486,749</u>	<u>31,552,123</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Investments		41,726,998	26,465,267
Units in Investments purchased		(60,179,243)	(56,749,023)
Direct Investment Rebates		228,469	194,014
Cash received for sales of Fixed Assets		201	-
Cash paid for purchases of Fixed Assets		-	(6,613)
NET CASH FLOW (USED IN) INVESTING ACTIVITIES		<u>(18,223,575)</u>	<u>(30,096,355)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,263,174	1,455,768
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		<u>6,134,122</u>	<u>4,678,354</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	(11b)	<u><u>7,397,296</u></u>	<u><u>6,134,122</u></u>

This Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 6 to 27.

NEW SOUTH WALES ELECTRICAL SUPERANNUATION SCHEME Notes to the Financial Statements For the Year Ended 30 June 2013

1. 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 Standard AAS 25 : "Financial Reporting by Superannuation Plans," ("AAS 25") 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 and other accounting standards to the extent applicable.

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

(b) Statement of Compliance

The financial statements comply with AAS 25. Since AAS 25 is the principal standard that applies to the financial statements, other Australian Accounting Standards issued by the AASB are also applied where necessary except to the extent that they differ from AAS25.

New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the New South Wales Electrical Superannuation Scheme (the "Scheme") for the annual reporting period ended 30 June 2013.

The Trustee, New South Wales Electrical Superannuation Scheme Pty Ltd, anticipates the adoption of these Standards will not have a material financial impact on the financial report of the Scheme.

Accounting Standard	Nature	Application Date of Standard	Application Date for Trust
AASB 10 - Consolidated	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities.	01-Jan-13	01-Jul-13
AASB 12 - Disclosure of Interest in Other Entities	New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	01-Jan-13	01-Jul-13
AASB 13 - Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.	01-Jan-13	01-Jul-13

NEW SOUTH WALES ELECTRICAL SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting standards and interpretations issued, but not yet effective

Accounting Standard	Nature	Application Date of Standard	Application Date for Trust
AASB 2012-2 - Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial offsetting criteria of AASB 132 are not met.	01-Jan-13	01-Jul-13
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	01-Jan-13	01-Jul-13
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	01-Jan-14	01-Jul-14
Interpretation 21 Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	01-Jan-14	01-Jul-14
AASB 9 Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	01-Jan-15	01-Jul-15

NEW SOUTH WALES ELECTRICAL SUPERANNUATION SCHEME Notes to the Financial Statements For the Year Ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments and Derivatives

Investments of the Scheme are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments are measured at net market value. Gains or losses on investments are recognised in the Operating Statement.

Net market values of investments have been determined as follows:

- * other unlisted unit trusts and property trusts
at redemption price at balance date as quoted by the investment manager
- * pooled superannuation trusts
at redemption price at balance date as quoted by the investment manager
- * life office policies
at surrender value at balance date as advised by the insurer

The Trustee has concluded that the above measurement bases are appropriate. The nature of the assets and liabilities is that measurement amounts may change over time.

Purchases and sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place are recognised on the trade date ie. the date that the Scheme commits to purchase the asset.

(d) Revenue Recognition

Revenue is recognised and measured as fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Scheme 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

Interest revenue on cash and other financial assets carried at net market value is recorded according to terms of the contract and when the Scheme's right to receive the interest is established.

Dividends and Distributions

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

Proceeds from Group Life Policies

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

(e) 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 to the Scheme's taxable income.

Income tax on the Operating Statement for the year comprises current and deferred tax. Income tax is reflected in the Operating Statement.

Current tax expense is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% for Trust income and any adjustment to tax payable in respect of previous years. Assessable income referable to pension liabilities may be exempt from tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME
Notes to the Financial Statements
For the Year Ended 30 June 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income Tax (Continued)

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

Deferred income tax assets are recognised for all deductible temporary differences, 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.

(f) Benefits Payable

Benefits payable are valued at net market value which comprises the entitlements of members who ceased employment prior to the year end but had not been paid at that time. Benefits payable are normally settled within 30 days.

(g) Receivables and Other Payables

Receivables are carried at nominal amounts due which approximate net fair value.

Other payables are recognised for amounts to be paid in the future for goods and services received prior to the end of the financial year, whether not billed by the economic entity. Receivables and other payables are normally settled within 30 days.

(h) Cash and Cash Equivalents

Cash and short-term deposits 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 that are readily convertible to cash and subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Accrued Benefits

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

NEW SOUTH WALES ELECTRICAL SUPERANNUATION SCHEME Notes to the Financial Statements For the Year Ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Provision for Deductions

A provision has been made for the administration levies, group life insurance premiums and contribution tax which will be deducted when the contributions included in unallocated cash and contributions receivable at 30 June 2013 are allocated to members.

The effects of this policy are as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Increase in contribution tax expense and provision for tax on contributions	532,420	527,213
Reduction in Members' Funds not yet Allocated and Vested Benefits	<u>532,420</u>	<u>527,213</u>

(k) 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 Scheme has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has transferred control of the asset.

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

(l) 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.

(m) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires the making of estimates and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities where they are not available from independent sources.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

(n) No TFN Contributions Tax

Where a member does not provide their tax file number to the Scheme, the Scheme may be required to pay no TFN contributions tax at a rate of 31.5% which is in addition to the concessional tax rate of 15% which applies to the Scheme's taxable income.

The no TFN contributions tax liability recognised by the Scheme will be charged to the relevant member's accounts. Where a tax offset is obtained by the Scheme in relation to a member's no TFN contributions tax, the tax offset will be included in the relevant member's accounts.

2. OPERATION OF THE SCHEME

The Scheme was established on 8th October 1987 to provide benefits to members of the Scheme. Members are required to be employed by a participating employer of the Scheme.

The Trustee of the Scheme is New South Wales Electrical Superannuation Scheme Pty Limited ABN 28 003 156 812.

The Scheme is a defined contribution scheme whereby contributions of the employer and the employees are made in accordance with the terms of the Trust Deed. The members' accounts are credited or debited each year with their proportionate share of the net investment income, expenses and income tax expense of the Scheme.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Trust was registered with the Australian Prudential Regulation Authority on 12 August 2005 (licence no L0000161).

**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME
Notes to the Financial Statements
For the Year Ended 30 June 2013**

3. INVESTMENTS

The investments of the Scheme (other than short term deposits) are managed on behalf of the Trustee by selected investment managers.

	<u>2013</u>	<u>2012</u>
	\$	\$
Property Trusts		
Macquarie Global Infrastructure Fund 11A	3,240,885	3,263,065
AMP Infrastructure Equity Fund	<u>5,751,775</u>	<u>5,433,381</u>
	8,992,660	8,696,446
Other Unlisted Unit Trusts		
Goodman Australia Industrial Fund	-	6,713,409
Pooled Superannuation Trusts		
JANA Managed Funds	240,162,746	199,786,107
JANA Managed Funds - Pensions	<u>3,231,646</u>	<u>1,779,731</u>
	243,394,392	201,565,838
Insurance Policies - Investment Linked		
MLC Life Company Policies	<u>194,049,371</u>	<u>153,466,934</u>
Total Investments	<u><u>446,436,423</u></u>	<u><u>370,442,627</u></u>

Classification of Financial Instruments under the Fair Value Hierarchy

AAS 25 requires investments to be measured using net market value. The following table shows financial instruments recorded at net market value, analysed between those whose net market value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs that are significant to the determination of net market value. Net market value is considered a reasonable approximation of fair value, and for the purposes of the "fair value hierarchy", estimated costs of disposal have been disregarded for Level 1 financial assets. Listed Australian equities and listed international equities have been disclosed within Level 1 in the fair value hierarchy, as the Trustee considers this is the most appropriate treatment that reflects how listed equities are valued.

	Valued at Quoted market price (Level 1) \$	2013 Valued technique- Market observable inputs (Level 2) \$	Valued technique- Non-Market observable inputs (Level 3) \$	TOTAL \$
Property Trusts	-	-	8,992,660	8,992,660
Other Unlisted Unit Trusts	-	-	-	-
Pooled Superannuation Trusts	-	243,394,392	-	243,394,392
Insurance Policies - Investment Linked	-	194,049,371	-	194,049,371
Total Investments	<u><u>-</u></u>	<u><u>437,443,763</u></u>	<u><u>8,992,660</u></u>	<u><u>446,436,423</u></u>

**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME
Notes to the Financial Statements
For the Year Ended 30 June 2013**

3. INVESTMENTS (Continued)

	Valued at Quoted market price (Level 1) \$	2012 Valued technique- Market observable inputs (Level 2) \$	Valued technique- Non-Market observable inputs (Level 3) \$	TOTAL \$
Property Trusts	-	-	8,696,446	8,696,446
Other Unlisted Unit Trusts	-	-	6,713,409	6,713,409
Pooled Superannuation Trusts	-	201,565,838	-	201,565,838
Insurance Policies - Investment Linked	-	153,466,934	-	153,466,934
Total Investments	-	355,032,772	15,409,855	370,442,627

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the net market value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

Disclosure of the methods and assumptions applied in determining the net market value for each class of financial assets and financial liabilities are included in Note 1 (c).

Level 3 Financial Instruments Transactions

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within level 3 between the beginning and the end of the reporting period.

30 June 2013

	Property Trusts \$	Other Unlisted Unit Trusts \$	TOTAL \$
Opening balance	8,696,445	6,713,410	15,409,855
Total realised/(unrealised) gains and losses	296,215	(75,391)	220,824
Sales/ Redemptions	(194,036)	(6,744,024)	(6,938,060)
Distributions	194,036	106,005	300,041
Closing balance	<u>8,992,660</u>	<u>-</u>	<u>8,992,660</u>

30 June 2012

	Property Trusts \$	Other Unlisted Unit Trusts \$	TOTAL \$
Opening balance	13,727,369	6,810,751	20,538,120
Total realised/(unrealised) gains and losses	541,341	74,716	616,057
Sales/ Redemptions	(6,197,208)	(595,703)	(6,792,911)
Distributions	624,943	423,646	1,048,589
Closing balance	<u>8,696,445</u>	<u>6,713,410</u>	<u>15,409,855</u>

**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME
Notes to the Financial Statements
For the Year Ended 30 June 2013**

3. INVESTMENTS (Continued)

Gains or losses recognised in the Operating Statement for Level 3 transactions are presented in the movement in net market value of investments as follows:

30 June 2013

	Property Trusts \$	Other Unlisted Unit Trusts \$	TOTAL \$
Total gains/(losses) recognised in the Operating Statement for the period	296,215	(75,391)	220,824
	296,215	-	296,215

30 June 2012

	Property Trusts \$	Other Unlisted Unit Trusts \$	TOTAL \$
Total gains/(losses) recognised in the Operating Statement for the period	541,341	74,716	616,057
	541,341	74,716	616,057

For financial instruments classified in Level 3 in the fair value hierarchy some of the inputs to the valuation models are unobservable and therefore subjective in nature. The use of reasonably possible alternative assumptions could possibly produce a different net market value measurement. If the impact of using those alternative assumptions would cause the fair value of level 3 assets to be higher or lower by 5% of the net assets of the Scheme and the result for the year would have been higher or lower by \$449,633 (2012 \$770,493).

(c) Transfers Between Hierarchy Levels

There have been no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the year.

**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME
Notes to the Financial Statements
For the Year Ended 30 June 2013**

4. LIABILITY FOR ACCRUED BENEFITS

The liability for accrued benefits is the Scheme's present obligations to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the sundry liabilities and income tax liabilities as at reporting date.

The changes in the liability for accrued benefits for the Scheme are as follows:

	2013	2012
	\$	\$
a) CHANGES IN THE LIABILITY FOR ACCRUED BENEFITS		
Liability for accrued benefits at beginning of year	389,013,581	369,851,645
Plus: Benefits accrued after income tax	102,847,123	40,046,008
Less: Benefits paid (Note 12)	<u>(28,371,302)</u>	<u>(20,884,072)</u>
Liability for accrued benefits at end of year	<u>463,489,402</u>	<u>389,013,581</u>
Represented by:		
Allocated to Members' Accounts	459,568,223	384,032,031
Unallocated to Members' Accounts (Note 4b)	1,780,270	3,207,787
Reserves (Note 4c)	<u>2,140,909</u>	<u>1,773,763</u>
	<u>463,489,402</u>	<u>389,013,581</u>

b) UNALLOCATED TO MEMBER ACCOUNTS

Unapplied cash	203,556	431,093
Contributions receivable	3,836,229	3,766,129
Claims payable (excluding group life)	(1,727,095)	(462,222)
Provision for deductions (Note 1j)	<u>(532,420)</u>	<u>(527,213)</u>
	<u>1,780,270</u>	<u>3,207,787</u>

The amount unallocated to members accounts above is a surplus amount in excess of vested benefits that the Scheme has not been able to allocate to members at balance date.

c) RESERVES

Investment and Taxation Reserve	117,024	688,369
Group Life Surplus	228,438	147,008
Administration Reserves	-	(738,928)
Operational Risk Financial Reserve	1,180,597	-
Contingency	<u>614,850</u>	<u>1,677,314</u>
	<u>2,140,909</u>	<u>1,773,763</u>

The Reserve is created from funds that would otherwise be available for distribution to members. The purpose of the Reserve is to meet any operational or associated expenses incurred by the Scheme or Trustee which are not met by the fees deducted from members' accounts.

By 30 June 2016, APRA requires Trustees to hold adequate financial resources to address any losses arising from operational risks. The Operational Risk Financial Reserve will be maintained in an Operational Risk Financial Reserve account as an asset of the Scheme. The balance of the reserve account is an identifiable amount of cash. Interest earned on this account is re-invested in the account.

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5. VESTED BENEFITS

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

	2013	2012
	\$	\$
Vested Benefits	461,348,493	387,239,818
As compared to Net Assets available to pay Benefits	463,489,402	389,013,581

6. GUARANTEED BENEFITS

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

7. CHANGES IN NET MARKET VALUES OF INVESTMENT ASSETS

Investments Realised during the year:

Property Trusts

GPT Wholesale Office Fund	-	144,729
Total Net Realised Property Trust Gains	-	144,729

Other Unlisted Unit Trusts

Goodman Australia Industrial Fund	(75,391)	(1,778)
Total Net Realised Unlisted Unit Trust (Losses)	(75,391)	(1,778)

Pooled Superannuation Trusts

JANA Managed Funds	5,190,689	(642,188)
JANA Managed Funds - Pensions	11,911	238
Total Net Realised Pooled Superannuation Trusts Gains/(Losses)	5,202,600	(641,950)

Insurance Policies - Investment Linked

MLC Life Company Policies	204,210	183,044
Total Net Insurance Policies - Investment Linked Realised Gains	204,210	183,044

Total Net Realised Gains/(Losses)

	5,331,419	(315,955)
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7. CHANGES IN NET MARKET VALUES OF INVESTMENT ASSETS (Continued)

	<u>2013</u>	<u>2012</u>
	\$	\$
Investments held at reporting date:		
AMP Infrastructure Equity Fund	318,394	447,693
Macquarie Global Infrastructure Fund 11A	<u>(22,179)</u>	<u>(51,081)</u>
Total Net Unrealised Property Trust Gains	<u>296,215</u>	<u>396,612</u>
Goodman Australia Industrial Fund	-	76,493
Total Net Unrealised Other Unlisted Unit Trust Gains	-	<u>76,493</u>
JANA Managed Funds	40,352,345	(15,754,559)
JANA Managed Funds - Pensions	<u>261,346</u>	<u>42,936</u>
Total Net Unrealised Pooled Superannuation Trusts Gains/(Losses)	<u>40,613,691</u>	<u>(15,711,623)</u>
MLC Life Company Policies	11,300,226	7,886,129
Total Net Unrealised Insurance Policies - Investment Linked Gains	<u>11,300,226</u>	<u>7,886,129</u>
Total Net Unrealised Gains/(Losses)	<u>52,210,132</u>	<u>(7,352,389)</u>
Total Changes in Net Market Value of Investment Assets	<u>57,541,551</u>	<u>(7,668,344)</u>

8. ADMINISTRATION EXPENSES

Holding fees and transaction fees are deducted from members' accounts and applied to the Reserve account to meet the costs of administration and other expenses of the Scheme.

Fees are payable to the administrator as per the Administration Agreement between the Scheme and Australian Administration Services Pty Limited.

9. AUDITOR'S REMUNERATION

	<u>2013</u>	<u>2012</u>
	\$	\$
Amounts received or due and receivable by Ernst & Young for		
- an audit of the financial statements of the entity.		
Current Year	60,060	57,860
- taxation services in relation to the entity.	<u>7,700</u>	<u>7,700</u>
	<u>67,760</u>	<u>65,560</u>

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10. INCOME TAX	2013	2012
	\$	\$
(a) Major components of income tax expense for the years ended 30 June 2013 and 2012		
<i>Current income tax expense</i>		
Current income tax charge	4,599,985	4,768,952
Adjustments in respect of current income tax of previous years	67,555	(5,622)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	3,894,727	(1,534,097)
Income tax expense reported in Operating Statement	8,562,267	3,229,233
(b) Reconciliation between income tax expense and the accounting profit before income tax		
A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:		
Benefits accrued from ordinary activities before income tax	111,409,390	43,275,241
At the tax rate of 15%	16,711,409	6,491,286
Tax Effect of Imputation and foreign tax credits	324,491	300,376
Permanent Differences		
Transfers from Other Funds	(756,806)	(601,481)
Taxable Rollovers	-	13,832
Non-taxable Member Contributions	(148,967)	(201,711)
Realised (Losses) per Capital Gains Tax	(49,004)	(115,516)
Discount on Unrealised Gains per Capital Gains Tax	(292,763)	-
Tax Free Investment Income	(1,705)	(115)
Tax Free Pension (Income)/Expense	(2,097)	96
Tax deferred investment income	(75,873)	(74,209)
Proceeds from Term Insurance	(291,233)	(199,522)
Anti Detriment Payment	(51,229)	(36,965)
Difference between accounting and Tax treatment for taxable investments	(4,715,069)	(334,255)
No TFN Contributions Tax	6,830	(4,517)
Surcharge Tax	-	62
Imputation Credits	(2,163,272)	(2,002,506)
Adjustments in respect of current income tax of previous years	67,555	(5,622)
Income tax expense reported in Operating Statement	8,562,267	3,229,233

**NEW SOUTH WALES ELECTRICAL
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10. INCOME TAX (Continued)

	2013	2012
	\$	\$
(c) Provision for income tax		
Provision for income tax	1,723,910	1,453,990
(d) Deferred tax balances		
	2013	2012
	Opening	Opening
	Balance	Balance
	\$	\$
	Charged to	Charged to
	income	income
	\$	\$
	Closing	Closing
	Balance	Balance
	\$	\$
<i>Deferred tax liabilities</i>		
Contributions receivable	(552,735)	(552,735)
	(16,917)	499
	(569,652)	(552,735)
	(552,735)	(552,735)
<i>Deferred tax assets</i>		
Accrued expenses	64,432	64,432
Unrealised losses/ (gains) on investments	2,421,762	2,421,762
Realised losses on investments	6,227,341	6,227,341
	(10,650)	14,076
	(3,916,164)	1,484,506
	49,005	35,016
	53,782	64,432
	(1,494,402)	2,421,762
	6,276,346	6,227,341
	8,713,535	7,179,937
	(3,877,809)	1,533,598
	4,266,074	8,713,535
Net deferred tax asset	8,160,800	6,626,703
	(3,894,726)	1,534,097
	4,266,074	8,160,800

11. STATEMENT OF CASH FLOWS

a) Reconciliation of Net Cash provided by Operating Activities to Benefits Accrued from Ordinary Activities after Income Tax

	2013	2012
	\$	\$
Benefits accrued after income tax	102,847,123	40,046,008
Benefits Paid	(28,371,302)	(20,884,072)
Depreciation of Property, Plant and Equipment	2,840	15,543
Loss on Sale of Property, Plant and Equipment	2,104	-
Change in Net Market Values of Investments and Investment Rebates	(57,770,020)	7,668,344
Increase / (Decrease) in Accounts Payable	1,246,763	(257,166)
Decrease/ (Increase) in Net Deferred Tax Asset	3,894,726	(1,534,098)
Increase in Income Taxes Payable	269,920	53,720
Increase in Contributions Receivable	(70,100)	(33,218)
(Increase)/Decrease in Other Receivables	(2,565,305)	6,477,062
	19,486,749	31,552,123

b) Reconciliation of Cash

Cash at Bank	6,629,106	6,371,574
Unpresented cheques	(412,407)	(237,452)
	6,216,699	6,134,122
Operational Risk Financial Reserve	1,180,597	-
	7,397,296	6,134,122

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12. BENEFITS PAID

	2013	2012
	\$	\$
Death Benefits Paid	1,978,641	1,812,029
Group Life Insurance Component	(106,600)	(190,400)
	1,872,041	1,621,629
Withdrawals	26,428,128	19,182,874
Death	1,872,041	1,621,629
Disablement	71,133	79,569
	28,371,302	20,884,072

13. INVESTMENT INCOME RECEIVABLE

Property Trusts		
AMP Infrastructure Equity Fund	226,518	194,036
Macquarie Global Infrastructure Fund 11A	317,546	-
	544,064	194,036
Other Unlisted Unit Trusts		
Goodman Australia Industrial Fund	-	106,005
Pooled Superannuation Trusts		
JANA Managed Funds	4,672,164	2,415,174
	5,216,228	2,715,215

14. PROPERTY, PLANT & EQUIPMENT

Motor Vehicle - Under Lease		
At Cost	-	50,803
Less accumulated amortisation	-	(28,679)
Less cost of disposal	-	(22,124)
Net Written Down Value	-	-
Office Equipment and Furniture		
At Cost	12,249	18,323
Less accumulated depreciation	(7,794)	(8,723)
Net Written Down Value	4,455	9,600
Total	4,455	9,600

15. TRUSTEE EXPENSES

Directors' Fees	174,585	139,730
Superannuation - Employees	37,210	67,254
General Office Expenses	3,363	1,986
Legal Fees	70,806	88,453
Motor Vehicle Expenses	12,003	17,259
Professional Consulting Fees	267,674	228,800
Staff Related Costs	419,428	377,880
Travel, Accommodation & Meals	8,631	21,589
	993,700	942,951

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16. FUNDING ARRANGEMENTS (CONTRIBUTIONS)

Employer

Each participating employer is required to contribute in respect of each eligible member such amounts or at such rates as are set out in the agreement by which the employer was admitted to participate in the Scheme. This sum is payable monthly 14 days after each month end.

Employees

Employees can contribute to the Scheme on a voluntary basis.

17. OTHER SCHEME EXPENSES

	<u>2013</u>	<u>2012</u>
	\$	\$
Arrears/Debt Collection	62,846	63,165
Bank Charges	9,681	10,331
Government Charges	131,439	52,990
Investment Consulting Fees	4,627	9,571
Other Scheme Expenses	6,632	3,514
Printing	10,023	-
Recruitment Expenses	51	30,313
Service Related Charges	236,821	70,323
Trustee Liability Insurance	14,064	14,064
Trustee Meetings & Conferences	28,484	45,134
	<u>504,668</u>	<u>299,405</u>

18. MEMBERSHIP & PARTICIPATING EMPLOYERS

	<u>2013</u>	<u>2012</u>
	No.	No.
Employed Members	8,511	8,150
Not-Employed Members	7,071	7,840
Total Membership	<u>15,582</u>	<u>15,990</u>
Total Employers	<u>3,905</u>	<u>3,311</u>

19. RELATED PARTY TRANSACTIONS

(a) Trustee and key management personnel

New South Wales Electrical Superannuation Scheme Pty Limited (ABN 28 003 156 812) was appointed Trustee on 8 October 1987.

The Directors of the Trustee during the year were :

Employer Representatives

Anthony Glossop (Chairman)
Reginald Alan Young

Member Representatives

Russell Wilson
Paul Sinclair (appointed 18 August 2012)

John Michael McCrory (Independent Director)

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19. RELATED PARTY TRANSACTIONS (Continued)

(a) Trustee and key management personnel (Continued)

There are no other key management personnel other than the directors disclosed above and the Trustee of the Fund.

The Trustee obtained an RSE licence from the Australian Prudential Regulation Authority on 12 August 2005 (licence no L0000161).

(b) Compensation of Key Management Personnel

	<u>2013</u>	<u>2012</u>
	\$	\$
Short-term benefits - directors fees	<u>174,585</u>	<u>139,730</u>

There are no other categories of Compensation paid.

(c) Related party transactions

During the year secretariat fees of \$33,000 (2012 \$30,875) were paid to the National Electrical and Communications Association (NECA). The following directors of the Trustee company were also nominees of NECA:

Anthony Herbert Glossop
Reginald Alan Young

During the year fees of \$40,850 (2012 \$15,191) were paid to the Electrical Trades Union (ETU) for directors meeting attendance. The following directors of the Trustee company were nominees of the ETU:

Russell James Wilson

Trustee

There were no transactions between the Scheme and New South Wales Electrical Superannuation Scheme Pty Ltd during the year (2012: \$nil).

Trustee Directors

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

20. SEGMENT INFORMATION

The Scheme operates solely in one reportable business segment, being the provision of benefits to members. The Scheme also operates from one reportable geographic segment, being Australia, from where its activities are managed. Revenue is derived from interest, dividends, gains on the sale of investments, unrealised changes in the value of investments, and contributions revenue.

21. INSURANCE

The Scheme 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 benefit in excess of the vested benefit.

NEW SOUTH WALES ELECTRICAL SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2013

22. RISK MANAGEMENT

The Scheme's financial instruments principally comprise units in pooled superannuation trusts and life company policies. The main purpose of these financial instruments is to generate a return on investment. The Trustee has determined that investing via these types of instruments is appropriate for the Scheme.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- Market risk (which includes currency risk, interest rate risk and price risk)
- Credit risk
- Liquidity risk

These risks are described more fully on the following pages. Set out below is a general description of how investment risk is managed by the Trustee.

Risk Management Structure

The Trustee acknowledges that an integral part of its good governance practice is a sound and prudent risk management framework. The risk framework is documented in the Scheme's Risk Management Plan and Strategy which is subject to regular review both by management and the Board and an annual audit of compliance.

The Board of Directors of the Trustee has overall responsibility for the establishment and oversight of the Scheme's risk management framework. The Trustee's Audit and Compliance Committee oversees how management monitors compliance with the Scheme's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme. The Trustee's risk management policies are established to identify and analyse the risks faced by the Scheme (including the investment risks managed by the Scheme's Investment Committee), to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The allocation of the investments of the Scheme to the various types of asset classes is determined by the Scheme's Implemented Investment Consultant and are subject to the agreed ranges set by the Board. Once allocated, they are invested in accordance with the Scheme's published investment strategies for the various investment options available to members.

The Board's Investment Committee consists of selected Board Members with appropriate investment experience. The Investment Committee is responsible for developing and monitoring the Scheme's risk management policies related to investment activities. This includes oversight of the performance of the Implemented Investment Consultant.

An external Implemented Investment Consultant is appointed to provide expert advice to the Trustee Board regarding the management of the Scheme's investment portfolio in accordance with the investment strategies for the Scheme's various investment options. The Trustee Board, through the appointed Implemented Investment Consultant, undertakes extensive due diligence to ensure the appointed fund managers have the requisite skills and expertise. Investments are monitored on a weekly basis through evaluation of prevailing market conditions and benchmark analysis. JANA was the appointed Implemented Investment Consultant throughout the year.

The Scheme does not have any significant exposure to any individual counterparty or industry. Its assets are invested by individual investment managers as disclosed in the Statement of Financial Position.

The Scheme holds no collateral as security or any other credit enhancements. There are no significant financial assets that are past due or impaired. Credit risk is not considered to be significant to the Scheme except in relation to investments in debt securities.

The Board of Directors of the Trustee receives quarterly risk management reports from the Scheme's Investment Consultant on its activities. Divergence from target asset allocations and the composition of the portfolio is monitored by the Board on a quarterly basis. Reports to the Board include the following:

- details of the controls in place to monitor compliance with the Scheme's various investment strategies;
- current asset allocations against target positions; and
- investment performance against benchmarks.

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22. RISK MANAGEMENT (Continued)

Set out below is a more detailed description of the components of the investment risks faced by the Scheme (ie Market, Credit and Liquidity risk), how the Trustee manages these risks and the sensitivities of the Scheme's investments to these components of investment risk.

Market risk

Market risk represents the risk that the fair value or future cashflows of a financial instrument will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the individual instrument (or its issuer) or factors affecting all instruments in the market. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme has exposure to currency risk through its holdings in investments in Australian domiciled registered funds that invest in international equities and bonds.

The Scheme's exposures to currency risk at 30 June 2013 was comprised as follows:

	2013 \$	2012 \$
International Equities		
- held in Australian currency denominated collective investment vehicles	117,279,050	84,193,421
	<u>117,279,050</u>	<u>84,193,421</u>

Interest rate risk

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

The majority of the Scheme's financial instruments are non-interest bearing with only cash and cash equivalents and short term deposits being directly subject to interest rate risk. As a result, the Scheme is subject to limited direct exposure to interest rate fluctuations in prevailing levels of market interest rates. The Scheme is indirectly exposed to fluctuations in market interest rates through its investments in pooled superannuation trusts and life company policies, which invest in a variety of short and long term interest bearing securities. In the table set out on the following page, \$ Nil (2012 \$ Nil) of the investments in pooled superannuation trusts and life company policies are specifically designated as holding fixed interest securities.

The interest rate risk disclosures have not been prepared on a look through basis for investments held indirectly through pooled superannuation trusts and life company policies. Consequently, the disclosure of interest rate risk in this note does not represent a comprehensive interest rate risk profile of the Scheme.

The Scheme's interest rate risk is monitored on a monthly basis by the Investment Consultant in accordance with the policies and procedures in place including monitoring of exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Investment Consultant also has the authority to transfer excess cash to short-term deposits. All transfers require dual authorisation from the Investment Consultant and the Scheme Secretary.

Currently, cash at bank and on deposit are held with Westpac Bank which has a Aa2 rating as reported by Moody's. The rating of Westpac Bank is reviewed by the Investment Committee on an annual basis. Any changes in banking arrangements requires the approval of the Trustee Board.

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22. RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

At the reporting date the profile of the Scheme's interest-bearing and non-interest bearing financial instruments was:

30 June 2013

Assets	Interest bearing	Non-interest bearing	Total
Cash	7,397,296	-	7,397,296
Receivables and Other Assets	-	9,286,339	9,286,339
Deferred tax assets	-	4,835,726	4,835,726
Investments			
Property Trusts	-	8,992,660	8,992,660
Pooled Superannuation Trusts	-	243,394,392	243,394,392
Insurance Policies - Investment Linked	-	194,049,371	194,049,371
	<u>7,397,296</u>	<u>460,558,488</u>	<u>467,955,784</u>
Liabilities			
Payables	-	2,172,820	2,172,820
Income tax payable	-	1,723,910	1,723,910
Deferred tax liabilities	-	569,652	569,652
	<u>-</u>	<u>4,466,382</u>	<u>4,466,382</u>

30 June 2012

Assets	Interest bearing	Non-interest bearing	Total
Cash	6,134,122	-	6,134,122
Receivables and Other Assets	-	6,656,079	6,656,079
Deferred tax assets	-	8,713,535	8,713,535
Investments			
Property Trusts	-	8,696,446	8,696,446
Other Unlisted Unit Trusts	-	6,713,409	6,713,409
Pooled Superannuation Trusts	-	201,565,838	201,565,838
Insurance Policies - Investment Linked	-	153,466,934	153,466,934
	<u>6,134,122</u>	<u>385,812,241</u>	<u>391,946,363</u>
Liabilities			
Payables	-	926,057	926,057
Income tax payable	-	1,453,990	1,453,990
Deferred tax liabilities	-	552,735	552,735
	<u>-</u>	<u>2,932,782</u>	<u>2,932,782</u>

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22. RISK MANAGEMENT (Continued)

Sensitivity Analysis-Interest Rate Risk

Following analysis of historical data over the past 5 years and expected interest rate movement during the 2013 financial year together with consultation with the investment consultant, the Scheme anticipates 100 basis point movement in interest rates is reasonably possible for the 30 June 2013 reporting period. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012 and is not guaranteed.

An increase/decrease of 100 basis points in interest rates as the reporting date would have increased/decreased the Benefits accrued as a result of operations before income tax and Net assets available to pay benefits by the amounts shown below:

	Carrying Amount	Benefits accrued as a result of operations before income tax		Net Assets available to pay Benefits	
		-100bps	+100bps	-100bps	+100bps
30 June 2013					
Cash	7,397,296	(739,730)	739,730	(739,730)	739,730
30 June 2012					
Cash	6,134,122	(613,412)	613,412	(613,412)	613,412

Other market price risk

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

As all of the Scheme's financial instruments are carried at net market value with changes recognised in the Operating Statement, changes in market conditions affecting net market value will be recognised in the Operating Statement. As the investments of the Scheme (other than cash held for liquidity purposes) comprise a combination of directly held securities and units in collective investment vehicles, the Scheme's exposure to other market risk is therefore limited to the market price movement of these investments. The Scheme's exposure at year end to other market price is detailed below.

Sensitivity Analysis- Other market price risk

In consultation with the investment consultant, the Scheme considers the following movements in other market price risk are reasonably possible for the 2013 reporting period:

Property Trusts	10%
Other Unlisted Unit Trusts	10%
Pooled Superannuation Trusts	
JANA Managed Funds	10%
JANA Managed Funds - Pensions	10%
Insurance Policies - Investment Linked	
MLC Life Company Policies	10%

The increase/decrease in the market price against the investments of the Scheme at 30 June 2013 would have increased/(decreased) the Benefits accrued as a result of operations before tax by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates remain constant. The analysis is performed on the same basis for 2012 and is not guaranteed.

**NEW SOUTH WALES ELECTRICAL
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22. RISK MANAGEMENT (Continued)

Sensitivity Analysis- Other market price risk (Continued)

Assets	%	Carrying Amount	Benefits accrued as a result of operations before income tax	
			Decrease	Increase
30 June 2013				
Property Trusts	10	8,992,660	(899,266)	899,266
Pooled Superannuation Trusts	10	243,394,392	(24,339,439)	24,339,439
Insurance Policies - Investment Linked	10	194,049,371	(19,404,937)	19,404,937
		446,436,423	(44,643,642)	44,643,642
30 June 2012				
Property Trusts	10	8,696,446	(869,645)	869,645
Other Unlisted Unit Trusts	10	6,713,409	(671,341)	671,341
Pooled Superannuation Trusts	10	201,565,838	(20,156,584)	20,156,584
Insurance Policies - Investment Linked	10	153,466,934	(15,346,693)	15,346,693
		370,442,627	(37,044,263)	37,044,263

Credit Risk

Credit Risk is the risk that a counterparty to a financial instrument will cause a loss to the other party by failing to discharge an obligation. The Scheme has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis by the Investment Consultant. The credit policy provides guidelines as to the appropriate terms and conditions of transactions entered into and the escalation procedures to follow when the recovery of assets is considered doubtful.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. No collateral is held as security nor do other credit enhancements exist for financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due. The Scheme does not have any significant exposure to any individual counterparty or industry.

Substantially all of the cash held by the Scheme is held with Westpac Bank. The Scheme monitors its credit risk by monitoring the credit quality and financial positions of the bank through regular analysis of their financial reports.

For investment in listed Australian equities credit risk arising on these investments is mitigated by monitoring that fund managers transact predominantly with reputable brokers on recognised exchanges.

Credit risk arising from pooled superannuation trusts and life company policies is mitigated by extensive due diligence prior to the appointment of Investment and Fund Managers, and benchmark analysis of the Investment and Fund Managers appointed.

Credit risk associated with contributions receivable and other receivables is considered low as there is usually a short settlement period as the receivable relates to timing differences in respect of the receipt of contributions from the employer sponsors. The Scheme monitors the ageing of unsettled trades on a monthly basis to ensure receivables do not exceed 30 days.

All of the assets of the Scheme are held in the name of the Trustee.

**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME
Notes to the Financial Statements
For the Year Ended 30 June 2013**

22. RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk, the risk of not always having funds available to meet the Scheme's financial obligations when they fall due, is recognised in the Scheme's Liquidity Policy.

The main liquidity related risks to be managed within the Scheme are:

- > Having cash ready to meet benefit payments or to meet monthly switches by members to the Cash option
- > Meeting the 30 day rule for withdrawals from the Scheme (SIS regulation 6.43)
- > Avoiding breaching IPS and PDS maximum or minimum asset allocation ranges
- > Avoiding the forced sale of physical assets in distressed markets
- > Having funds available to pay operating expenses and taxes as they fall due.

These risks are partially mitigated by explicitly considering liquidity as part of reviews of strategic asset allocations, the use of relatively wide Strategic Asset Allocation (SAA) ranges and the Scheme's net positive, regular cash flow. Liquidity is managed by the Scheme's Investment consultant and monitored regularly in its reports to the Trustee.

The Scheme's Trust Deed and Product Disclosure Statement provides for the daily withdrawal of benefits and it is therefore exposed to the liquidity risk of meeting members' withdrawals at any time.

The Scheme's liquidity risk is managed on a monthly basis by the Investment Consultant in accordance with policies and procedures in place and the Scheme's Investment Strategy. The Scheme's overall liquidity risks are monitored on a monthly basis by the Trustee.

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

	Carrying Amount	Contractual cash flows	Less than 1 month	1-6 Months	6+ Months
30 June 2013					
Sundry creditors	2,172,820	2,172,820	2,172,820	-	-
Income tax payable	1,723,910	1,723,910	-	-	1,723,910
Vested benefits	461,348,493	461,348,493	461,348,493	-	-
	<u>465,245,223</u>	<u>465,245,223</u>	<u>463,521,313</u>	<u>-</u>	<u>1,723,910</u>
30 June 2012					
Sundry creditors	926,057	926,057	926,057	-	-
Income tax payable	1,453,990	1,453,990	-	-	1,453,990
Vested benefits	387,239,818	387,239,818	387,239,818	-	-
	<u>389,619,865</u>	<u>389,619,865</u>	<u>388,165,875</u>	<u>-</u>	<u>1,453,990</u>

Vested benefits have been included in the less than one month column, as this is the amount that the Scheme could be required to pay members' vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

23. SUBSEQUENT EVENTS

Since 30 June 2013, there have been no matters or circumstances, which have arisen that have significantly affected or may significantly affect the financial position or operating results of the Scheme.

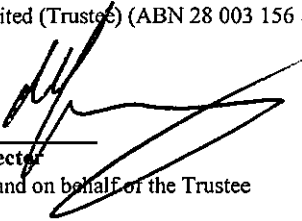
**NEW SOUTH WALES ELECTRICAL
SUPERANNUATION SCHEME**

**Trustee's Report
30 June 2013**

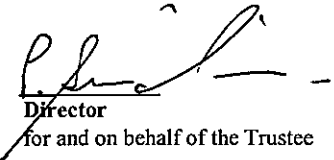
In the opinion of the Trustee of the New South Wales Electrical Superannuation Scheme:

1. The accompanying financial statements of the New South Wales Electrical Superannuation Scheme are properly drawn up so as to present fairly the financial position of the Scheme as at 30 June 2013 and the result of its operations and cashflows for the year ended on that date are in accordance with Australian Accounting Standards and other mandatory professional reporting requirements; and
2. The Scheme has been conducted in accordance with its constituent Trust Deed (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 New South Wales Electrical Superannuation Scheme Pty Limited (Trustee) (ABN 28 003 156 812).



Director
for and on behalf of the Trustee



Director
for and on behalf of the Trustee

Date: 23/10/13



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INDEPENDENT REPORT BY THE APPROVED AUDITOR TO THE TRUSTEE AND MEMBERS
NEW SOUTH WALES ELECTRICAL SUPERANNUATION SCHEME ABN 95 275 115 088

Financial statements

I have audited the financial statements of the New South Wales Electrical Superannuation Scheme for the year ended 30 June 2013 comprising the statement of financial position, operating statement, cash flow statement, summary of significant accounting policies, other explanatory notes and the Trustee statement.

Trustee's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the Trustee and members of the New South Wales Electrical Superannuation Scheme.

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 judgment, 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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Part 2- Independent Auditor's report on APRA Annual Return and Compliance – Reporting Entity

(A) APRA Annual Return

Independent Auditor's report approved form for registrable superannuation entity

Independent auditor's report to the trustee of New South Wales Electrical Superannuation Scheme on APRA Annual Return forms SRF 200.0, Statement of Financial Performance, SRF 210.0 Statement of Financial Position, SRF 220.0 Exposure Concentrations and SRF 230.0 Transactions with Associated Parties.

Trustee's Responsibility for the APRA Annual Return Forms

The superannuation entity's trustee is responsible for the preparation and lodgement of the APRA Annual Return forms and for such internal controls as the trustee determines to be necessary to enable the preparation of these forms free from material misstatement, whether due to fraud or error. The APRA Annual Return forms have been prepared for the purposes of fulfilling the trustee's reporting requirements pursuant to the *Financial Sector (Collection of Data) Act 2001* (FSCODA Reporting Standards).

Auditor's Responsibility

My responsibility is to express an opinion on the APRA Annual Return Forms based on my audit. I have audited, pursuant to the FSCODA Reporting Standards, APRA Annual Return forms *SRF 200.0 Statement of Financial Performance*; and *SRF 210.0 Statement of Financial Position*; and other information in APRA Annual Return forms *SRF 220.0 Exposure Concentrations*; and *SRF 230.0 Transactions with Associated Parties*; (collectively known as the 'relevant forms') of New South Wales Electrical Superannuation Scheme, which comprise part of the APRA Annual Return, for the year ended 30 June 2013.

I have conducted an independent audit of the relevant forms in order to express an opinion on them to the trustee of New South Wales Electrical Superannuation Scheme.

I have also performed an independent audit of the financial statements of New South Wales Electrical Superannuation Scheme for the year ended 30 June 2013. My auditor's report on the financial statements was signed on 23 October 2013, and was not modified.

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 relevant forms are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the relevant forms. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the amounts and disclosures in the relevant forms, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and presentation of the amounts and disclosures in the relevant forms 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 control. 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 amounts and disclosures in the relevant forms.

(B) Compliance

Trustee's Responsibility for Compliance

The superannuation entity's trustee is responsible for complying with the requirements of the SIS Act, SIS Regulations, the Reporting Standards made under s. 13 of the *Financial Sector (Collection of Data) Act 2001* (FSCODA Reporting Standards), the *Corporations Act 2001* (Corporations Act) and *Corporation Regulations 2001* (Corporation Regulations).

Auditor's Responsibility

I have audited the compliance of New South Wales Electrical Superannuation Scheme with the requirements set out above for the year ended 30 June 2013.

My responsibility is to express a conclusion on the trustee's compliance with the requirements of the SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporation Regulations based on the audit. My audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3100 *Compliance Engagements*). These Standards require that I comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the trustee of New South Wales Electrical Superannuation Scheme has, in all material respects:

- (a) complied with the relevant requirements of the following provisions (to the extent applicable) of the SIS Act and SIS Regulations:

Sections 19(2), 19(3), 29E(1)(c) (only in relation to the Trustee's compliance with each measure and procedure within its Risk Management Strategy), 29E(1)(e), 35A, 35C, 36, 65, 66, 67, 69-85, 86-93A, 95, 97, 98, 101, 103, 104, 105, 106, 107, 109, 117, 118, 122, 124, 125, 126K, 152, 154 and 155(2);

Regulations 2.33(2), 3.10, 4.08(3), 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 9.29, 9.30, 13.14, 13.17, 13.17A; and

- (b) complied with the FSCODA Reporting Standards that are subject to audit (to the extent applicable); and
- (c) complied with the relevant requirements of the following provisions of the Corporations Act and Corporation Regulations (to the extent applicable):

Sections 1012B, 1012F, 1012H(2), 1012I, 1013B, 1013D, 1013K(1), 1013K(2), 1016A(2), 1016A(3), 1017B(1), 1017B(5), 1017C(2), 1017C(3), 1017C(5), 1017C(8), 1017D(1), 1017D(3), 1017D(3A), 1017DA(3), 1017E(2), 1017E(3), 1017E(4), 1020E(8) and 1020E(9); and

Regulations 7.9.11K, 7.9.11N, 7.9.11O, 7.9.11P, 7.9.11Q and 7.9.32(3); and

- (d) complied with the requirement to prepare the respective forms comprising the APRA Annual Return.

for the year ended 30 June 2013.