

## Board financial statements

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- > Financial statements





## INDEPENDENT AUDIT REPORT

To the Minister for Finance and Administration

### Scope

#### *The financial statements and Chief Executive's responsibility*

The financial statements comprise:

- Statement by the Chairman and Chief Executive;
- Income Statement, Balance Sheet and Statement of Cash Flows;
- Statement of Changes in Equity;
- Schedule of Commitments; and
- Notes to and forming part of the Financial Statements

of the PSS Board for the year ended 30 June 2006.

The Board's Chief Executive is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the PSS Board, and that comply with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and Accounting Standards and other mandatory financial reporting requirements in Australia. The Board's Chief Executive is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

#### *Audit Approach*

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and Accounting Standards in Australia, a view which is consistent with my understanding of the Board's financial position, and performance as represented by the results of its operations and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Chief Executive.

#### *Independence*

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

#### Audit Opinion

In my opinion, the financial statements of the PSS Board:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (b) gives a true and fair view of the PSS Board's financial position as at 30 June 2006 and of its performance and cash flows for the year then ended, in accordance with:
  - (i) the matters required by the Finance Minister's Orders; and
  - (ii) applicable Accounting Standards in Australia.

AUSTRALIAN NATIONAL AUDIT OFFICE



Carla Jago

Executive Director

Delegate of the Auditor-General

Canberra

30 October 2006

## PSS Board

### Statement by the Chairman and Chief Executive

In our opinion, the attached financial statements for the financial year ended 30 June 2006 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Susan Doyle  
Chairman  
AUSTRALIAN REWARD INVESTMENT ALLIANCE



Steve Gibbs  
Chief Executive Officer  
AUSTRALIAN REWARD INVESTMENT ALLIANCE

30 October 2006

**PSS Board**  
**Income Statement**  
**for the financial year ended 30 June 2006**

	Notes	2006 \$	2005 \$
<b>INCOME</b>			
<b>Revenue</b>			
Goods and services	4A	6 830 147	4 609 434
<b>Total Revenue</b>		<u>6 830 147</u>	<u>4 609 434</u>
<b>Gains</b>			
Resources received free of charge	4B	29 840	4 500
Reversals of previous asset write-downs	5D	6 194	-
<b>Total Gains</b>		<u>36 034</u>	<u>4 500</u>
<b>Total Income</b>		<b>6 866 181</b>	<b>4 613 934</b>
<b>EXPENSES</b>			
Employees	5A	2 355 589	1 705 194
Suppliers	5B	3 811 313	3 299 473
Depreciation and amortisation	5C	121 945	159 246
Write-down and impairment of assets	5D	-	61 450
Net loss from disposal of assets	4C	938	3 978
<b>Total Expenses</b>		<u>6 289 785</u>	<u>5 229 341</u>
<b>Operating Result</b>		<b>576 396</b>	<b>(615 407)</b>
<b>Net Surplus / (Deficit) Attributable to the Australian Government</b>		<u><b>576 396</b></u>	<u><b>(615 407)</b></u>

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

## PSS Board

### Balance Sheet as at 30 June 2006

	Notes	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	6A	986 315	93 096
Receivables	6B	1 239 767	759 359
<b>Total Financial Assets</b>		<u>2 226 082</u>	<u>852 455</u>
<b>Non-Financial Assets</b>			
Plant and equipment	7A	104 865	123 333
Intangibles	7B	26 813	48 648
Leasehold improvements	7C	172 500	162 750
<b>Total Non-Financial Assets</b>		<u>304 178</u>	<u>334 731</u>
<b>Total Assets</b>		<u>2 530 260</u>	<u>1 187 186</u>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	8B	1 209 644	630 741
Other payables	8C	155 420	125 414
<b>Total payables</b>		<u>1 365 064</u>	<u>756 155</u>
<b>Provisions</b>			
Employees	8A	341 692	228 659
<b>Total provisions</b>		<u>341 692</u>	<u>228 659</u>
<b>Total Liabilities</b>		<u>1 706 756</u>	<u>984 814</u>
<b>NET ASSETS</b>		<u>823 504</u>	<u>202 372</u>
<b>EQUITY</b>			
<b>Parent Entity Interest</b>			
Contributed equity		359 929	359 929
Asset revaluation reserve		79 843	35 106
Retained surplus / (accumulated deficit)		383 732	(192 664)
<b>Total Parent Entity Interest</b>		<u>823 504</u>	<u>202 371</u>
<b>TOTAL EQUITY</b>		<u>823 504</u>	<u>202 371</u>
<b>Current Assets</b>		<b>2 226 082</b>	<b>852 455</b>
<b>Non-Current Assets</b>		<b>304 178</b>	<b>334 731</b>
<b>Current Liabilities</b>		<b>1 563 636</b>	<b>877 823</b>
<b>Non-Current Liabilities</b>		<b>143 120</b>	<b>106 991</b>

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

## PSS Board

### Statement of Cash Flows for the financial year ended 30 June 2006

	Notes	2006 \$	2005 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash Received</b>			
Goods and services		6 830 967	4 828 473
Net GST receipts		163 968	182 772
<b>Total Cash Received</b>		<u>6 994 935</u>	<u>5 011 245</u>
<b>Cash Used</b>			
Employees		2 356 562	1 720 213
Suppliers		3 703 754	3 814 258
<b>Total Cash Used</b>		<u>6 060 316</u>	<u>5 534 471</u>
<b>Net Cash From / (Used by) Operating Activities</b>	9	<u>934 619</u>	<u>(523 226)</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash Received</b>			
Proceeds from sales of plant and equipment		-	176
<b>Total Cash Received</b>		<u>-</u>	<u>176</u>
<b>Cash Used</b>			
Purchase of plant and equipment		21 860	142 209
Purchase of computer software		-	60 638
Leasehold improvements		19 540	42 918
<b>Total Cash Used</b>		<u>41 400</u>	<u>245 765</u>
<b>Net Cash Used By Investing Activities</b>		<u>(41 400)</u>	<u>(245 589)</u>
<b>FINANCING ACTIVITIES</b>			
<b>Net Increase / (Decrease) in Cash Held</b>			
Cash at the beginning of the reporting period		93 096	861 911
<b>Cash at the End of the Reporting Period</b>		<u>986 315</u>	<u>93 096</u>

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

**PSS Board****STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 June 2006

Item	Accumulated Results		Asset Revaluation Reserve		Contributed Equity		Total Equity	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Opening Balance</b>	(192 664)	422 743	35 106	6 435	359 929	359 929	202 371	789 107
<b>Income and Expense</b>								
Income and expenses recognised directly in equity	-	-	44 737	28 671	-	-	44 737	28 671
Revaluation Adjustment	576 396	(615 407)	-	-	-	-	576 396	(615 407)
Net Operating Result								
<b>Total Income and Expenses recognised directly in Equity</b>	576 396	(615 407)	44 737	28 671	-	-	621 133	(586 736)
<b>Closing Balance</b>	383 732	(192 664)	79 843	35 106	359 929	359 929	823 504	202 371
<b>Closing Balance attributable to the Australian Government</b>	383 732	(192 664)	79 843	35 106	359 929	359 929	823 504	202 371

## PSS Board

### Schedule of Commitments as at 30 June 2006

	Notes	2006 \$	2005 \$
<b>BY TYPE:</b>			
<b>Other Commitments</b>			
Operating leases		1 443 988	315 837
<b>Total Other Commitments</b>		1 443 988	315 837
<b>Commitments Receivable</b>		(131 272)	(28 712)
<b>Net Commitments</b>		1 312 716	287 125
<b>BY MATURITY:</b>			
<b>Operating Lease Commitments</b>			
One year or less		283 655	154 633
From one to five years		1 029 061	132 492
<b>Net Commitments by Maturity</b>		1 312 716	287 125

Operating leases include leases for accommodation and motor vehicles.

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

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

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#### NOTE

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# PSS Board

## Notes to and forming part of the financial statements for the financial year ended 30 June 2006

### Note 1: Summary of Significant Accounting Policies

#### 1.1 Objectives of PSS Board

The PSS Board was established under section 20 of the Superannuation Act 1990 (PSS Act). Until 30 June 2006 the PSS Board administered the Public Sector Superannuation Scheme (PSS) in accordance with the provisions of the PSS Act, and was responsible for the management and investment of the PSS Fund.

The PSS Fund represents the funded component of PSS (i.e. the net assets arising from contributions and investment earnings), but excludes the unfunded liability of the Commonwealth Government to meet the anticipated value of future benefits.

In its capacity as a prescribed agency under the Financial Management and Accountability Act 1997, the PSS Board conducted its activities through the PSS Special Account - an account held with Reserve Bank of Australia. The objective of the PSS Board was to provide superannuation services that met the expectations of Government, employers, members and beneficiaries, and which complied with the superannuation regulatory environment.

The PSS Board's sole source of income was from external sources, and therefore no appropriations are included.

During the financial year ended 30 June 2006, the PSS Board's activities were funded through:

- an agreed share of the scheme administration charges collected by ComSuper from employers participating in PSS; and
- charges to the PSS Investments Trust (a subsidiary of PSS) to recover the cost of administering and managing the PSS Fund.

On 1 July 2006 the PSS Board merged with the CSS Board, and the resulting entity was renamed Australian Reward Investment Alliance (ARIA), pursuant to the Superannuation Legislation Amendments (Trustee Board and Other Measures) Act 2006.

ARIA administers PSS and the PSS Fund in exactly the same manner as the PSS Board.

#### 1.2 Basis of Accounting

These financial statements, which represent the PSS Board's scheme administration activities, are required by section 49 of the *Financial Management and Accountability Act 1997*, and are a general purpose financial report.

The statements have been prepared in accordance with:

- the Financial Management and Accountability Orders (Financial Statements for periods ended on or after 1 July 2005);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Urgent Issues Group Interpretations.

The Income Statement and Balance Sheet have been prepared on an accruals basis and are in accordance with historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the financial performance or the financial position.

Assets and liabilities are recognised in the Balance Sheet when it is probable that future economic benefits will flow, and the amounts of the assets and liabilities can be reliably measured. Possible liabilities and assets that arise from past events but whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events outside the control of the Trustee are reported in the note on Contingent Liabilities and Contingent Assets.

Revenues and expenses are recognised in the Income Statement when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 1: Summary of Significant Accounting Policies (continued)

##### 1.3 Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

Australian Accounting Standards require the PSS Board to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

The AASB has issued amendments to existing standards. These amendments are denoted by year and then number, for example 2005-1 indicates amendment number 1 in 2005.

The table below illustrates standards and amendments that will become effective for the PSS Board in the future. The nature of the impending change in the table has been abbreviated out of necessity, and users should consult the full version on the AASB's website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on the PSS Board's initial assessment at this date, but may change. The PSS Board intends to adopt all of the standards upon their application date.

Title	Standard affected	Application date	Nature of impending change	Impact expected on financial report
2005-1	AASB 139	1 January 2006	Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.	No expected impact
2005-4	AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038	1 January 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact
2005-5	AASB 1 and AASB 139	1 January 2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease. Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact
2005-6	AASB 3	1 January 2006	Amends the scope to exclude business combinations involving entities or businesses under common control.	No expected impact
2005-9	AASB 4, AASB 1023, AASB 139 and AASB 132	1 January 2006	Amended standards in regards to financial guarantee contracts.	No expected impact
2005-10	AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038	1 January 2007	Amended requirements subsequent to the issuing of AASB 7.	No expected impact
2006-1	AASB 121	31 December 2006	Changes in requirements for net investments in foreign subsidiaries depending on denominated currency.	No expected impact
	AASB7 Financial Instruments: Disclosures	1 January 2007	Revise the disclosure requirements for financial instruments from AASB132 requirements.	No expected impact, changes disclosure requirements

##### 1.4 Revenue

###### Goods and Services

The PSS Board recharges actual expenses incurred (on an accruals basis) in respect of the administration and management of the PSS Fund. From 1 July 2005, all rebills are to the PSS Investments Trust. Rebills of prior years were to PSS.

The PSS Board receives a share of the quarterly administration fees charged by ComSuper to participating employers of PSS and Public Sector Superannuation Accumulation Plan. Any revenue not received by balance date is reflected in the Balance Sheet as a receivable.

###### Resources Received Free of Charge

Services received free of charge are recognised as revenue when a fair value can be reliably determined, and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 1: Summary of Significant Accounting Policies (continued)

##### 1.5 Transactions With the Government as Owner

###### *Restructuring of Administrative Arrangements*

Net assets received from or relinquished to another Commonwealth agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

##### 1.6 Employee Benefits

###### (a) Benefits

As required by the Finance Minister's Orders, the Trustee has early adopted AASB 119 Employee Benefits as issued in December 2004. Liabilities for services rendered by employees are recognised at the balance date to the extent that they have not been settled.

Liabilities for short-term employee benefits (as defined in AASB 119) and termination benefits due within 12 months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefits liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the balance date.

###### (b) Leave

The liability for employee benefits includes provisions for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the PSS Board is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including employer superannuation rates.

The liability for long service leave has been calculated by reference to the shorthand measurement technique prescribed by the Finance Minister's Orders i.e. as the present value of the probability-weighted long service leave liability.

###### (c) Separation and Redundancy

Separation and redundancy costs are recognised when the PSS Board has formally identified positions as excess to requirements and no suitable alternative position within the PSS Board is available.

###### (d) Superannuation

The directors and employees of the PSS Board are eligible to participate in Commonwealth Superannuation Scheme, Public Sector Superannuation Scheme and Public Sector Superannuation Accumulation Plan on terms identical to all other members. The liability for their unfunded superannuation benefits is recognised in the financial statements of the Commonwealth Government and is settled by the Commonwealth Government as and when the obligations fall due.

The PSS Board makes employer contributions to the Commonwealth Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Board's directors and employees.

The liability for superannuation recognised as at 30 June 2006 represents outstanding contributions for the final fortnight of the year.

##### 1.7 Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased asset.

A lease incentive has been received from the lessor of the Johnsons Building in Sydney and is recognised as a liability in the Balance Sheet. This incentive is released on a straight-line basis over the period of the lease as a credit against the rent expense.

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 1: Summary of Significant Accounting Policies (continued)

##### 1.8 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution.

##### 1.9 Financial Instruments

Accounting policies for financial instruments are stated at Note 17.

##### 1.10 Acquisition of Assets

Assets are recorded at cost on acquisition, except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor entity's accounts immediately prior to the restructuring.

##### 1.11 Property, Plant and Equipment

###### Asset Recognition Threshold

Purchases of property (including leasehold improvements), plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2 000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

###### Revaluations

###### *Basis*

Property, plant and equipment for the year ended 30 June 2006 is carried at fair value on the basis of a valuation conducted by the Australian Valuation Office as at 30 June 2006.

Assets which are surplus to requirements are measured at depreciated replacement cost. At 30 June 2006 and 30 June 2005, the PSS Board did not have assets surplus to its requirements.

###### *Frequency*

The Finance Minister's Orders require that all plant and equipment assets be measured at up-to-date fair values for the financial year ending 30 June 2006 and subsequent years.

###### *Conduct*

All valuations are conducted by an independent qualified valuer.

###### Depreciation/amortisation Policy

Depreciable plant and equipment assets are written-off to their estimated residual values over their useful lives to the PSS Board using the straight-line method of depreciation.

Depreciation/amortisation rates (useful lives) and methods are reviewed each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in price only when assets are revalued.

Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation and amortisation rates applying to each class of depreciable assets are based on the following useful lives:

Asset Type	No of years
Computer hardware	3
Office equipment	5
Furniture and fittings	7-15

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5C.

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 1: Summary of Significant Accounting Policies (continued)

##### 1.11 Property, Plant and Equipment (continued)

###### Impairment of Non-current Assets

Non-current assets carried at up-to-date fair value at the balance date are not subject to impairment testing.

Non-current assets carried at cost and held to generate net cash inflows have been tested for their recoverable amount at the balance date. The test compared the carrying amounts against the net present value of future net cash inflows.

Non-current assets carried at cost and not held to generate net cash inflows have been assessed for indications of impairment. Where indications of impairment exist, the asset is written down to the higher of its net selling price and, if the entity would replace the asset's service potential, its depreciated replacement cost.

###### Disposal of Non-Current Assets

The proceeds from disposal of non-current assets are recognised when control of the assets has passed to the buyer.

##### 1.12 Intangibles

The PSS Board's intangibles comprise purchased software. These assets are carried at cost which approximates their fair value.

The carrying amount of each non-current intangible asset is reviewed to determine whether the asset has been impaired. The carrying amount of impaired assets must be written down to the higher of its net market selling price or depreciated replacement cost.

Software is amortised on a straight-line basis over its anticipated useful life.

The useful life of the PSS Board's purchased software is 3 years.

##### 1.13 Taxation

The PSS Board, in respect of its administration monies, is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- in the Statement of Cash Flows;
- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

##### 1.14 Insurance

The PSS Board has insured for trustee indemnity risks through insurance policies with American Home Assurance Company; public liability, fire/perils, accidental damage, business interruption and burglary risks through insurance policies with QBEMM Insurance; and business travel and group personal injury risks through insurance policies held with Accident & Health Underwriting (security with Allianz Australia). Workers compensation risks are insured through ComCare.

##### 1.15 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at the balance date. Associated currency gains and losses are not material.

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 2: Impact of the transition to AIFRS from previous AGAAP

PSS Board changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian equivalents to International Financial Reporting Standards' with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to AIFRS has affected the PSS Board's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

#### Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	As at 1 July 2004	As at 30 June 2005
Total equity under previous AGAAP	789 107	202 371
Adjustment to retained earnings:	-	-
Total equity translated to AIFRS	789 107	202 371

#### Reconciliation of profit or loss as presented under previous AGAAP to AIFRS

		12 months ended 30 June 2005
Prior year loss as previously reported		615 407
Adjustments:		-
Prior year loss translated to AIFRS		615 407

The cash flow statement presented under previous AGAAP is equivalent to that prepared under AIFRS.

#### Note 3: Events Occurring after Balance Date

On 1 July 2006 the PSS Board merged with the CSS Board, and the resulting entity was renamed Australian Reward Investment Alliance (ARIA), pursuant to the Superannuation Legislation Amendments (Trustee Board and Other Measures) Act 2006.

ARIA is not aware of any events after balance date that would give rise to any adjustments to the values of assets and/or liabilities included in the Balance Sheet as at the balance date, or to the revenues and expenses included in the Income Statement for the reporting period then ended.

#### Note 4: Income

<i>Note 4A: Goods and Services</i>	2006	2005
PSS Board's share of agency fees collected by ComSuper	2 351 861	1 449 536
Administration fees from the PSS Investments Trust	4 478 286	-
Administration fees from the PSS Fund	-	3 159 898
<b>Total sales of goods and services</b>	<b>6 830 147</b>	<b>4 609 434</b>

#### *Note 4B: Resources received free of charge from Government*

Resources received free of charge - audit services	29 840	4 500
<b>Total resources received free of charge from government</b>	<b>29 840</b>	<b>4 500</b>

#### *Note 4C: Net Loss from Disposal of Assets*

Plant and equipment		
Proceeds from disposal	-	176
Net book value of assets disposed	(938)	(4 154)
Net (loss) from disposal of plant and equipment	<b>(938)</b>	<b>(3 978)</b>

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 5: Expenses from Ordinary Activities

##### Note 5A: Employee

Wages and salaries	1 965 534	1 450 255
Superannuation	280 563	173 788
Leave and other entitlements	90 929	67 038
Other	18 563	14 113
<b>Total employee expenses</b>	<b>2 355 589</b>	<b>1 705 194</b>

##### Note 5B: Supplier

Goods and services from related entities	614 457	464 083
Goods and services from external entities	3 029 885	2 666 449
Operating lease rentals - accommodation	157 124	158 248
Workers compensation premiums	9 847	10 693
<b>Total supplier expenses</b>	<b>3 811 313</b>	<b>3 299 473</b>

##### Note 5C: Depreciation and amortisation

Depreciation - plant and equipment	45 583	62 731
Amortisation of software	21 835	19 576
Amortisation of leasehold improvements	54 527	76 939
<b>Total depreciation and amortisation</b>	<b>121 945</b>	<b>159 246</b>

No depreciation or amortisation was allocated to the carrying amount of other assets.

##### Note 5D: Write-down of Assets

Plant and equipment - revaluation to fair value (increment)/decrement	(6 194)	61 450
<b>Total revaluation of assets</b>	<b>(6 194)</b>	<b>61 450</b>

#### Note 6: Financial Assets

##### Note 6A: Cash

Cash on hand and at bank: PSS Special Account	986 315	93 096
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##### Note 6B: Receivables

Goods and services	764 659	433 212
GST receivable from the Australian Taxation Office	219 866	175 960
Accrued income	255 242	150 187
<b>Total receivables</b>	<b>1 239 767</b>	<b>759 359</b>

All receivables are current assets.

Receivables (gross) are aged as follows:

Not Overdue	1 239 767	759 359
Overdue by:		
Less than 30 days	-	-
30 to 60 days	-	-
60 to 90 days	-	-
Over 90 days	-	-
<b>Total receivables</b>	<b>1 239 767</b>	<b>759 359</b>

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 7: Non-Financial Assets

	2006	2005
	\$	\$

##### Note 7A: Plant and equipment

At valuation (fair value)	104 865	123 333
<b>Total plant and equipment</b>	<b>104 865</b>	<b>123 333</b>

##### Note 7B: Intangibles - computer software purchased

At cost	108 939	108 939
Accumulated amortisation	(82 126)	(60 291)
<b>Total intangibles - computer software</b>	<b>26 813</b>	<b>48 648</b>

##### Note 7C: Leasehold Improvements

At valuation (fair value)	172 500	162 750
<b>Total leasehold improvements</b>	<b>172 500</b>	<b>162 750</b>

All valuations are independent and are conducted in accordance with the revaluation policy stated at Note 1. The most recent valuation was conducted as at 30 June 2006 by an independent valuer, the Australian Valuation Office.

Movement in Asset Revaluation Reserve: Increment for leasehold improvements	44 737	28 671
Increment/(Decrement) for Plant and Equipment included in Income Statement:	6 194	(61 450)

##### Note 7D: Analysis of property, plant, equipment and intangibles

**Table A: Reconciliation of the opening and closing balances of property, plant, equipment and intangibles**

	Other Plant & Equipment	Intangibles	Leasehold Improvements	Total
	At Valuation	At Cost	At Valuation	
	\$	\$	\$	\$
As at 1 July 2005				
Gross book value	123 333	108 939	162 750	395 022
Accumulated depreciation/amortisation	-	(60 291)	-	(60 291)
Net book value	123 333	48 648	162 750	334 731
Assets purchased	21 860	-	19 540	41 400
Depreciation/amortisation expense	(45 584)	(21 835)	(54 527)	(121 946)
Revaluation through operating result	6 194	-	-	6 194
Revaluation through equity	-	-	44 737	44 737
Disposals	(938)	-	-	(938)
<b>As at 30 June 2006</b>				
Gross book value	104 865	108 939	172 500	386 304
Accumulated depreciation/amortisation	-	(82 126)	-	(82 126)
<b>Net book value as at 30 June 2006</b>	<b>104 865</b>	<b>26 813</b>	<b>172 500</b>	<b>304 178</b>

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 8: Provisions and Payables

	2006	2005
	\$	\$
<i>Note 8A: Employee provisions</i>		
Wages and salaries	26 252	5 658
Leave	313 244	222 315
Superannuation	2 196	686
<b>Total employee provisions</b>	<b>341 692</b>	<b>228 659</b>

Employee provisions are classified as:

Current liabilities	210 412	139 429
Non-current liabilities	131 280	89 230
	<b>341 692</b>	<b>228 659</b>

#### *Note 8B: Trade suppliers*

Trade creditors - unpaid invoices	1 209 644	630 741
<b>Total trade suppliers</b>	<b>1 209 644</b>	<b>630 741</b>

Trade suppliers are classified as:

Current liabilities	1 209 644	630 741
Non-current liabilities	-	-
	<b>1 209 644</b>	<b>630 741</b>

#### *Note 8C: Other Payables*

Lease incentive - non interest bearing	11 840	17 761
Goods and services tax payable to ATO	143 580	107 653
<b>Total other payables</b>	<b>155 420</b>	<b>125 414</b>

Other payables are classified as:

Current liabilities	143 580	107 653
Non-current liabilities	11 840	17 761
	<b>155 420</b>	<b>125 414</b>

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 9: Cash Flow Reconciliation

	2006	2005
	\$	\$
<b>Reconciliation of cash per Balance Sheet to Statement of Cash Flows</b>		
Cash at end of financial year per Statement of Cash Flows	<u>986 315</u>	<u>93 096</u>
Balance Sheet items comprising above cash:		
Financial asset - Cash	<u>986 315</u>	<u>93 096</u>
<b>Reconciliation of net surplus to net cash from operating activities:</b>		
Net surplus/(deficit)	576 396	(615 407)
Depreciation/amortisation	121 945	159 246
(Write-up)/write down of non-current assets	(6 194)	61 450
Net loss from sale of assets	938	3 978
(Decrease) in net receivables	(480 409)	(158 350)
Increase in employee provisions	113 033	14 850
Increase/(Decrease) in supplier payables	578 904	(23 296)
Increase in other payables	<u>30 006</u>	<u>34 303</u>
<b>Net cash from/(used by) operating activities</b>	<u>934 619</u>	<u>(523 226)</u>

#### Note 10: Contingent Liabilities and Contingent Assets

The PSS Board had no contingent liabilities or contingent assets (quantifiable or unquantifiable) as at 30 June 2006 or 30 June 2005.

#### Note 11: Remuneration of Trustees

The trustees of the PSS Board also act as trustees of the CSS Board. A fixed remuneration is paid to each trustee for acting in respect of both boards. The number of trustees (and their alternates) who received remuneration during the financial year fell within the following bands:

	2006	2005
\$0 to \$14 999	2	4
\$15 000 to \$29 999	-	2
\$30 000 to \$44 999	3	2
\$45 000 to \$59 999	1	-
\$60 000 to \$74 999	1	1

The aggregate remuneration paid to trustees during the financial year was \$232 638 (2005: \$207 104) of which \$116 319 (2005: \$103 552) was borne by the PSS Board.

#### Note 12: Executive Remuneration

Staff are employed jointly by the PSS Board and CSS Board. The number of executives who received or who were due to receive total remuneration of \$130 000 or more from the PSS & CSS Boards are as follows:

	2006	2005
\$130 000 to \$144 999	1	-
\$160 000 to \$174 999	3	1
\$205 000 to \$219 999	-	1
\$220 000 to \$234 999	-	1
\$235 000 to \$249 999	2	-
\$250 000 to \$264 999	1	-
\$280 000 to \$294 999	1	-
\$295 000 to \$309 999	-	1
\$325 000 to \$339 999	-	1
\$355 000 to \$369 999	1	-
\$385 000 to \$399 999	1	-
\$430 000 to \$444 999	-	1
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Aggregate amount of remuneration of executives shown above	<b>2 422 361</b>	<b>1 658 078</b>

There were no separation and redundancy / termination benefit payments during the year to executives shown above.

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

**Note 13: Remuneration of Auditors**

	2006	2005
	\$	\$
Audit services in respect of the PSS Board financial statements are provided free of charge to the PSS Board. The fair value of the services provided was:	<b>25 340</b>	4 500

Amounts received or due and receivable by the Australian National Audit Office as auditor of entities in respect of which the PSS Board acts as Trustee or Joint Trustee	204 865	58 776
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Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on behalf of the Auditor General. Fees for these services are included above. Deloitte Touche Tohmatsu provided no other services to the PSS Board.

**Note 14: Average Staffing Levels**

	2006	2005
The average staffing levels for the PSS Board and CSS Board during the year were:	<b>25.4</b>	20.4

**Note 15: Compensation and Debt Relief**

No 'Act of Grace' payments were made under subsection 33(1) of the *Financial Management and Accountability Act 1997* during the reporting period, and there are no amounts owing at balance date.

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997* or any other legislation.

No payments were made under the scheme for Commonwealth Compensation for Detriment caused by Defective Administration during the reporting period.

**Note 16: Registered Office and Principal Place of Business:**

10th Floor  
12 Moore Street  
CANBERRA ACT 2601

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 17: Financial Instruments

*Note 17A: Terms, Conditions and Accounting Policies*

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms & conditions affecting amount, timing and certainty of cash flows)
<b>FINANCIAL ASSETS</b>		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	6A	Cash is recognised at its nominal amount.	The PSS Board does not earn interest on its operational bank account.
Receivables for goods and services	6B	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 3 days.
<b>FINANCIAL LIABILITIES</b>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	8B	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods and services have been received (and irrespective of having been invoiced).	Normal trading terms of settlement are within 30 days.

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 17: Financial Instruments (continued)

Note 17B: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate Maturing In						Non Interest Bearing		Total		Weighted Average Effective Interest Rate		
		2006	2005	1 Year or Less	1 to 5 Years	> 5 Years	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>																
Cash	6A	-	-	-	-	-	-	-	-	-	986 315	93 096	986 315	93 096	n/a	n/a
Receivables for goods and services	6B	-	-	-	-	-	-	-	-	-	1 239 767	759 359	1 239 767	759 359	n/a	n/a
<b>Total</b>		-	-	-	-	-	-	-	-	-	<b>2 226 082</b>	<b>852 455</b>	<b>2 226 082</b>	<b>852 455</b>		
<b>Total Assets</b>											<b>2 530 260</b>	<b>1 187 186</b>	<b>2 530 260</b>	<b>1 187 186</b>		
<b>Financial Liabilities</b>																
Trade Creditors	8B	-	-	-	-	-	-	-	-	-	1 209 644	630 741	1 209 644	630 741	n/a	n/a
Other	8B	-	-	-	-	-	-	-	-	-	155 420	125 414	155 420	125 414	n/a	n/a
<b>Total</b>		-	-	-	-	-	-	-	-	-	<b>1 365 064</b>	<b>756 155</b>	<b>1 365 064</b>	<b>756 155</b>		
<b>Total Liabilities</b>											<b>1 706 756</b>	<b>984 814</b>	<b>1 706 756</b>	<b>984 814</b>		

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 17: Financial Instruments (continued)

*Note 17C: Fair Values of Financial Assets and Liabilities*

		2006	2006	2005	2005
		\$	\$	\$	\$
		Total	Total		Aggregate
		Carrying	Aggregate	Carrying	Fair Value
		Amount	Fair Value	Amount	
<b>Departmental Financial Assets</b>	<b>Notes</b>				
Cash	6A	986 315	986 315	93 096	93 096
Receivables for goods and services	6B	1 239 767	1 239 767	759 359	759 359
<b>Total financial assets</b>		<b>2 226 082</b>	<b>2 226 082</b>	852 455	852 455
<b>Financial Liabilities</b>					
Trade suppliers	8B	1 209 644	1 209 644	630 741	630 741
Other	8B	155 420	155 420	125 414	125 414
<b>Total financial liabilities</b>		<b>1 365 064</b>	<b>1 365 064</b>	756 155	756 155

The fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts.

The fair values for trade suppliers and lease incentives are approximated by their carrying amounts.

No restatement of comparative information is required, or is allowed under Policy 8A.1 of the Finance Minister's Orders, in order for these financial instrument disclosures to comply with AIFRS.

*Note 17D: Credit Risk Exposures*

The PSS Board's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as disclosed in the Balance Sheet. These values do not take account of the value of any collateral or other security.

The PSS Board has no significant exposures to any concentrations of credit risk.

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

**Note 18: Special Accounts**

**2006**                      2005  
\$                                      \$

**PSS Special Account (Departmental)**

*Legal Authority: Financial Management and Accountability Act 1997, s20*

*Purpose: For expenditure relating to:*

- the administration of the PSS Scheme by the PSS Board;
- the performance of any other function conferred on the PSS Board under legislation; or
- the management and investment of the PSS Fund by the PSS Board, where a corresponding amount has been or is to be credited to the PSS Special Account from the PSS Fund in respect of such expenditure.

Balance carried forward from previous year	93 096	861 911
Costs recovered from non-government sector		
Services - Rendering of services to external entities	6 830 967	4 828 473
Sale of assets	-	176
GST refunds received	565 364	457 374
Amount available for expenditure	7 489 427	6 147 934
Expenditure	(6 503 112)	(6 054 838)
<b>Balance carried to next year</b>	<b>986 315</b>	<b>93 096</b>

Represented by

Cash held by the PSS Board	986 315	93 096
<b>Total balance carried to next year</b>	<b>986 315</b>	<b>93 096</b>

## PSS Board

### Notes to and forming part of the financial statements for the financial year ended 30 June 2006

#### Note 19: Reporting of Outcomes

Note 19A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2006	2005	2006	2005
	\$	\$	\$	\$
Departmental Expenses	6 283 591	5 229 341	6 283 591	5 229 341
<i>Costs recovered from provision of goods and services to the non-government sector</i>				
Departmental	4 478 286	3 159 898	4 478 286	3 159 898
<b>Total costs recovered</b>	<b>4 478 286</b>	<b>3 159 898</b>	<b>4 478 286</b>	<b>3 159 898</b>
<i>Other external revenues</i>				
Departmental				
Goods and services revenue from related entities	2 351 861	1 449 536	2 351 861	1 449 536
Other	29 840	4 500	29 840	4 500
<b>Total other external revenues</b>	<b>2 381 701</b>	<b>1 454 036</b>	<b>2 381 701</b>	<b>1 454 036</b>
<b>Net (contribution)/cost of outcome</b>	<b>(576 396)</b>	<b>615 407</b>	<b>(576 396)</b>	<b>615 407</b>

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

Note 19B: Major Classes of Departmental Revenues and Expenses by Outputs

	Output Group 1.1		Outcome 1 Total	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Departmental expenses</b>				
Employees	2 355 589	1 705 194	2 355 589	1 705 194
Suppliers	3 811 313	3 299 473	3 811 313	3 299 473
Depreciation and amortisation	121 945	159 246	121 945	159 246
Other expenses	(5 257)	65 428	(5 257)	65 428
<b>Total departmental expenses</b>	<b>6 283 591</b>	<b>5 229 341</b>	<b>6 283 591</b>	<b>5 229 341</b>
<b>Funded by:</b>				
Revenues from Government	29 840	4 500	29 840	4 500
Sale of goods and services	6 830 147	4 609 434	6 830 147	4 609 434
<b>Total departmental revenues</b>	<b>6 859 987</b>	<b>4 613 934</b>	<b>6 859 987</b>	<b>4 613 934</b>

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.