

Compiled Accounting Standard

AAS 25

Financial Reporting by Superannuation Plans

This compiled Standard applies to annual reporting periods beginning on or after 1 January 2014 but before 1 July 2016. Early application is not permitted. It incorporates relevant amendments made up to and including 20 December 2013.

Prepared on 3 July 2014 by the staff of the Australian Accounting Standards Board.



Australian Government

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Australian Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans* (as amended) is set out in paragraphs 1 – 75. AAS 25 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

COMPILATION DETAILS

Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans* as amended

This compiled Standard applies to annual reporting periods beginning on or after 1 January 2014 but before 1 July 2016. It takes into account amendments up to and including 20 December 2013 and was prepared on 3 July 2014 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AAS 25 (March 1993) as amended by other Accounting Standards, which are listed in the Table below. AAS 25 was superseded by AASB 1056 *Superannuation Entities* for annual reporting periods beginning on or after 1 July 2016.

Table of Standards

Standard	Date made	Application date (annual reporting periods ... on or after ...)	Application, saving or transitional provisions
AAS 25	March 1993	(ending) 30 Jun 1993	
AASB 2005-13	19 Dec 2005	(ending) 31 Dec 2005	see (a) below
AASB 2013-9	20 Dec 2013	Pt B (beginning) 1 Jan 2014	see (b) below

- (a) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 that end before 31 December 2005.
- (b) Early application of Part B of this Standard is not permitted.

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
8-9 (and preceding heading)	deleted	AASB 2013-9B [43]
38	amended	AASB 2013-9B [44]
49 (and preceding heading)	amended	AASB 2005-13 [5, 6]
50A	added	AASB 2005-13 [7]
50B	added	AASB 2005-13 [7]
51	amended	AASB 2005-13 [8]
57	amended	AASB 2005-13 [9]

Paragraph affected	How affected	By ... [paragraph]
58	amended	AASB 2005-13 [10]
60	amended	AASB 2005-13 [11]
61	amended	AASB 2005-13 [12]

ACCOUNTING STANDARD AAS 25

The Australian Accounting Standards Board made Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans* in March 1993.

This compiled version of AAS 25 applies to annual reporting periods beginning on or after 1 January 2014 but before 1 July 2016. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 20 December 2013 (see Compilation Details).

AUSTRALIAN ACCOUNTING STANDARD AAS 25

FINANCIAL REPORTING BY SUPERANNUATION PLANS

Citation

- 1 This Standard may be cited as Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans".

Accounting Standards and Commentary

- 2 The accounting standards set out in this Standard are shown in bold print. Commentary is shown in normal print immediately after the accounting standard(s) to which it relates, as an aid to the interpretation of the accounting standard(s).

Application and Operative Date

STANDARDS

- 3 **This Standard:**
 - (a) **applies to general purpose financial reports of each superannuation plan in the private or public sector that is a reporting entity, in relation to its first reporting period that ends on or after 30 June 1993, and later reporting periods;**
[Note: For application dates of paragraphs changed or added by an amending Standard, see Compilation Details.]

- (b) **may be applied by an entity specified in paragraph 3(a) to a reporting period that ends before 30 June 1993;**
 - (c) **when operative, supersedes Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" as issued in May 1992.**
- 4 **A superannuation plan which is not a reporting entity shall, when it prepares a financial report which it purports to be a general purpose financial report, apply this Standard as if it is a reporting entity.**

Statement of Purpose

STANDARDS

- 5 **The purpose of this Standard is:**
- (a) **to specify the manner in which superannuation plans should account for particular transactions and events;**
 - (b) **to specify the format(s) of superannuation plan financial statements; and**
 - (c) **to require disclosure of certain information in the financial report of superannuation plans.**

COMMENTARY

- 6 Statement of Accounting Concepts SAC 2 "Objective of General Purpose Financial Reporting" states that general purpose financial reports shall provide information useful to users for making and evaluating decisions about the allocation of scarce resources. Financial reports which highlight investment performance and include disclosure of information about the assets and liabilities of the plan, the benefits generated by the plan during the period, its financing and investing activities and compliance with provisions of the trust deed will be relevant to plan members and other users for making and evaluating decisions on the allocation of scarce resources. In addition, such financial reports will be necessary if trustees and administrators are to discharge their responsibility to be accountable to plan members.
- 7 The Standard does not deal with accounting in an employer's financial reports for employee entitlements, including retirement benefits. This will be the subject of a separate Standard.

8 [Deleted by the AASB]

9 [Deleted by the AASB]

Definitions

STANDARDS

10 **For the purposes of this Standard:**

"accrued benefits" means benefits the plan is presently obliged to transfer in the future to members and beneficiaries as a result of membership of the plan up to the reporting date and, in the case of defined contribution plans, encompasses benefits which have been allocated to individual members' accounts and benefits not yet so allocated;

"beneficiaries" means those persons who are currently receiving, or are currently entitled to receive, benefits from the superannuation plan;

"defined benefit plan" means a superannuation plan where the amounts to be paid to one or more members, if they were to remain members until normal retirement age, are specified, or are determined, at least in part, by reference to a formula based on their years of membership and/or salary levels, and encompasses all plans other than defined contribution plans;

"defined contribution plan" means a superannuation plan where the amounts to be paid to members, if they were to remain members until normal retirement age, are determined by reference to accumulated contributions made to the plan, together with investment earnings thereon;

"entity" means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives;

"general purpose financial report" means a financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs;

"members" means those persons in respect of whom contributions are made, or have been made, under the terms of

a superannuation plan, and who, as a consequence, expect to receive benefits from the plan;

"net market value" means the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal;

"reporting date" means the end of the reporting period to which the financial report relates;

"reporting entity" means an entity (including an economic entity) in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources;

"superannuation plan" means an arrangement whereby it is agreed, between trustees and employers, employees or self-employed persons, that benefits be provided upon the retirement of plan members or upon their resignation, death, disablement or other specified event(s); and

"vested benefits" means benefits, the members' rights to which, under the terms of a superannuation plan, are not conditional upon continued plan membership or any factor other than resignation from the plan.

Superannuation plans

COMMENTARY

- 11 A superannuation plan may be constituted as either a separate entity or a number of separate entities established to administer aspects of the plan. Examples of the latter may exist where a superannuation plan operates through two separate administrative entities, one of which manages members' contributions and the other of which administers the payment of benefits. For the purposes of this Standard, a superannuation plan is regarded as a distinct entity whether it is constituted as either a separate entity or a number of separate but interconnected entities, and irrespective of the reporting obligations attaching to those entities and the strategy employed to fund the benefits. Where the superannuation plan includes a number of separate entities, this Standard requires the identity of those entities to be disclosed. This Standard, therefore, applies regardless of whether a separate pool of assets from which benefits are paid is created, whether benefits are to be met with the proceeds of

insurance contracts and whether there are trustees. It also applies where a nominee holds investments on behalf of the plan. However, the full provisions of this Standard do not apply to superannuation plans whose only assets (other than temporary deposits at call with a bank) are endowment, whole of life or other long-term insurance policies which match and fully guarantee the benefits to be paid to individual members.

Defined contribution and defined benefit plans

COMMENTARY

- 12 This Standard applies to general purpose financial reports of defined contribution plans and defined benefit plans. The characteristic which distinguishes defined contribution plans from defined benefit plans is the manner in which the benefits to be paid at normal retirement age are to be determined. In the case of defined contribution plans, the amounts to be paid to members at normal retirement age are determined by reference to the accumulated contributions made by, and/or on behalf of, members, together with investment earnings thereon. In the case of defined benefit plans, the amounts to be paid to one or more members at normal retirement age are specified or are determined, at least in part, by reference to members' years of membership and/or salary levels or, in the case of defined benefit unit plans, the number of units purchased. Defined benefit plans encompass all plans other than defined contribution plans. As such, for the purposes of this Standard, those plans which exhibit features of both defined contribution and defined benefit plans, are classified as defined benefit plans.

Reporting Entity

STANDARDS

- 13 **Each superannuation plan that is a reporting entity shall prepare, at least annually, a general purpose financial report and shall make it available to members. General purpose financial reports of superannuation plans shall be prepared in conformity with Statements of Accounting Concepts and Australian Accounting Standards, except to the extent that the standards set out in this Standard differ from the requirements set out in those Statements and Standards.**

COMMENTARY

- 14 Paragraphs 19 to 37 of Statement of Accounting Concepts SAC 1 "Definition of the Reporting Entity" provide guidance for

determining whether an entity is a reporting entity. An entity is not a reporting entity merely because it prepares a financial report pursuant to legislation or some other requirement.

- 15 Miscellaneous Professional Statement APS 1 "Conformity with Statements of Accounting Concepts and Accounting Standards" requires general purpose financial reports to be prepared in accordance with Accounting Standards and Statements of Accounting Concepts. APS 1 also requires that to the extent of any incompatibility between an Accounting Standard and a Statement of Accounting Concepts, the requirements of the Standard prevail.

Users of financial reports of superannuation plans

COMMENTARY

- 16 The primary purpose of a superannuation plan is to provide benefits on the retirement of plan members. In expectation of such benefits, contributions are made by, and/or on behalf of, members. Members will therefore have a particular interest in the performance of trustees and administrators in managing the resources under their control and in the ability of the plan to generate, and distribute when due, an adequate level of benefits.
- 17 Plan members are likely to be the primary users of financial reports of superannuation plans. Other users may include potential members and beneficiaries of the plan, employers, trustees and plan administrators, trade unions, investors (and financial analysts and other advisers) concerned with an entity's potential obligations in respect of the plan, regulators, and other members of the community.
- 18 The interests of these other users will also be related to the provision of information to assist in making and evaluating decisions about the allocation of scarce resources and in assessing the rendering of accountability by trustees and administrators. They are likely to require the disclosure of information similar to that required by members. For example, employers and, in respect of public sector plans, taxpayers and ratepayers are likely to have a particular interest in assessing the adequacy of assets currently available for distribution as benefits and the performance of the plan during the reporting period in accumulating assets for the benefit of members and beneficiaries. Taxpayers and ratepayers would also be likely to have a particular interest, in respect of public sector defined benefit plans, in the extent to which the plans' obligations to members and beneficiaries have been funded and in any undertakings that have been made in respect of future funding.

Financial reporting by superannuation plans

COMMENTARY

19 Members, or other users with a legitimate interest in financial information about a superannuation plan, may be unable to command the disclosure of financial information specific to their own needs. Such users must rely on any financial report(s) prepared in respect of the plan for the disclosure of financial information. In such cases the superannuation plan is a reporting entity and is required to prepare a general purpose financial report. This Standard requires that general purpose financial reports of superannuation plans be prepared in accordance with the accrual basis of accounting and establishes financial reporting requirements which will enhance the relevance and reliability, and therefore usefulness, of those reports.

20 While this Standard requires that general purpose financial reports be prepared by all superannuation plans that are reporting entities, it places no reporting requirements on plans which are not reporting entities. Consistent with the concept of a reporting entity as defined in paragraph 10, it is likely that:

- (a) single member plans; and
- (b) plans where plan members are employed by entities other than public companies, and the plan members and the owners of the employer entity are an identical group;

would not normally be identified as reporting entities, and therefore would not normally be required to prepare general purpose financial reports. This is because it is likely that members of these types of plans will have access to, or be able to command the disclosure of, the information they require.

General Purpose Financial Reports

STANDARDS

21 **The general purpose financial report of a defined contribution superannuation plan, except for those plans identified in paragraph 66 and unless the transitional provisions set out in paragraph 70 are applied, shall include a statement of financial position, an operating statement, a statement of cash flows and notes thereto.**

- 22 **The general purpose financial report of a defined benefit superannuation plan, except for those plans identified in paragraph 66, shall include either:**
- (a) **a statement of net assets, a statement of changes in net assets and notes thereto; or**
 - (b) **a statement of financial position, an operating statement, a statement of cash flows and notes thereto – this reporting format is available only if accrued benefits are measured as at the end of each reporting period.**
- 23 **The financial report of a superannuation plan shall, where financial reports have been prepared for more than one reporting period, include the corresponding amounts for the corresponding preceding reporting period.**

Liabilities

COMMENTARY

- 24 Liabilities arise when, as a result of past transactions or other past events, an entity has a present obligation to make a disposition of economic benefits to other entities in the future. Liabilities of a superannuation plan may include the liability for accrued benefits, income tax liabilities and sundry liabilities. Sundry liabilities may include accounts payable, borrowings, pre-paid contributions and, in the case of defined contribution plans, other liabilities arising from benefits which have been forfeited and which have not been designated for the benefit of existing plan members as at the reporting date. For defined contribution plans, benefits which have been forfeited and have not been designated for the benefit of existing plan members may encompass amounts held for the benefit of future members, amounts to be returned to employers and amounts held as an offset to future employer contributions.

Accrued benefits

COMMENTARY

- 25 The position adopted in this Standard is that benefits which have accrued to members and beneficiaries as a result of membership of the plan up to the reporting date constitute a liability of the superannuation plan. This is because a superannuation plan has a present obligation to transfer assets (pay benefits) to plan members

and beneficiaries at a future date as a result of past transactions or other past events.

- 26 The transactions or events which give rise to a superannuation plan's present obligation to pay benefits result from membership of the plan. In the case of defined contribution plans those transactions or events are the contributions made by, and/or on behalf of, members and employers. In the case of defined benefit plans, members have, during their period of membership of the plan, provided the services in respect of which the benefits are considered payable.

Assets

COMMENTARY

- 27 The assets of a superannuation plan may include the following:

- (a) contributions receivable, being amounts due to the plan at the reporting date from employer(s), members and any other contributors;
- (b) investments of the plan, which may include equity or debt securities and real estate;
- (c) cash and other monetary assets; and
- (d) other assets, including those which are used in the operation of the plan.

Employer undertakings or guarantees to fund benefit payments

COMMENTARY

- 28 Assets arise when, as a result of past transactions or events, the entity controls future economic benefits or service potential. A government or other employer may undertake, or guarantee, to provide funds to meet benefit payments as they fall due. Such undertakings or guarantees will ensure that the plan, whether or not fully funded, will be able to meet its obligations to pay benefits to members. However, the economic benefits represented by resources to be provided to the plan at some time in the future under the terms of any undertaking or guarantee are not controlled by the plan at the reporting date, and, therefore, cannot be treated as if they were assets of the plan as at that date.

Revenues

COMMENTARY

- 29 Revenues of a superannuation plan may include investment revenue, contributions revenue and other revenue. Investment revenue may include interest and dividends, the proceeds of insurance policies other than term insurance, property rentals and, consistent with the standards set out in paragraph 44, changes in the net market value of investments. Contributions revenue will include members' and employers' contributions, gross of any tax. Other revenue will include payments received in respect of term insurance policies and changes in the net market value of other assets.

Expenses

COMMENTARY

- 30 Expenses of a superannuation plan may include benefits accruing to plan members and beneficiaries as a result of membership of the plan during the period, general administration expenses, expenses directly related to investment activities, income tax expense (including capital gains tax) determined in accordance with the provisions of Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)" and other expenses. General administration expenses may include premiums paid or payable in respect of term insurance policies and insurance policies referred to in paragraph 43, salaries of administrators and others, and other operating expenses.

Defined contribution plans – reporting format

COMMENTARY

- 31 This Standard requires, unless the transitional provisions set out in paragraph 70 are applied, defined contribution plans to prepare a financial report similar to general purpose financial reports prepared and presented annually by other reporting entities. Those financial reports usually include a statement of financial position (balance sheet), operating (profit and loss) statement, statement of cash flows and notes thereto. An illustrative example is provided in Appendix 1 of this Standard.

Defined benefit plans – reporting format

COMMENTARY

- 32 Where accrued benefits of a defined benefit superannuation plan are measured as at the end of each reporting period, this Standard allows adoption of either of the two alternative reporting formats set out in paragraph 22. Where accrued benefits are not measured as at the end of each reporting period, the option in respect of reporting formats is removed and plans are required to adopt the reporting format outlined in paragraph 22(a). This Standard therefore requires that the financial report of a defined benefit plan comprise either:
- (a) a statement of net assets, a statement of changes in net assets and notes thereto, including a note which discloses the amount of accrued benefits, and, where accrued benefits have been remeasured during the reporting period, changes therein. The financial statements will therefore highlight assets available to meet accrued benefits and the changes in those assets as a result of investment and other activities of the plan during the reporting period, and accrued benefits, and any changes therein, will be reported in the notes thereto; or
 - (b) a statement of financial position (balance sheet) which includes the liability for accrued benefits on the face of that statement, an operating statement, a statement of cash flows and notes thereto. The financial statements will therefore highlight changes in assets as a result of investment and other activities of the plan during the reporting period, major categories of cash flows occurring during the reporting period, the benefits which have accrued to members and beneficiaries during the period and whether, at reporting date, the assets of the plan are greater or less than accrued benefits and other liabilities.
- 33 An illustrative example of the financial report of a defined benefit superannuation plan prepared in accordance with the standards set out in paragraph 22(a) is provided in Appendix 3 of this Standard. An illustrative example of the financial report of a defined benefit superannuation plan prepared in accordance with the standards set out in paragraph 22(b) is provided in Appendix 4 of this Standard.

Availability of financial reports and related information

COMMENTARY

- 34 The Occupational Superannuation Standards Regulations require superannuation plans to prepare and distribute to members financial information relating to individual benefit entitlements.
- 35 The provision of information about individual benefits is important. However, statements relating to an individual's benefits need to be read in conjunction with a financial report prepared for the plan as a whole and, in the case of defined benefit plans, a copy or summary of the latest actuarial report. A general purpose financial report will highlight the plan's performance in accumulating assets for the benefit of members and beneficiaries during the reporting period. The report will aid members and other users in assessing such matters as the plan's ability to generate an adequate level of benefits in the future and to pay benefits at the time members withdraw from the plan or on termination or liquidation of the plan. This Standard requires that the general purpose financial report be distributed, or otherwise be made readily available, to members.
- 36 Though not required by this Standard, it is recommended that the financial statements included in general purpose financial reports be supported by a report of the trustees of the plan. That report should include comment on the investment performance and policies of the plan, highlight significant features of the operations of the plan and confirm that requirements of the trust deed had been complied with, or identify those requirements which had not been complied with. The trustees' report should also include a formal statement as to the fairness of presentation of the financial report prepared in respect of the plan.

Measurement of Assets

STANDARDS

- 37 **Assets of a defined contribution plan and a defined benefit plan shall be measured at net market values as at the reporting date.**

COMMENTARY

- 38 This Standard requires that, in the preparation of the financial report, the assets of superannuation plans are to be measured at net market value, as defined in paragraph 10. Where a market does not exist for long-term monetary assets, the calculation of net market value will require the determination of a present value by application of a

current, market-determined, risk-adjusted discount rate. In establishing net market values of assets it may be necessary to exercise judgement in respect of determining such matters as:

- (a) the costs expected to be incurred in realising the proceeds of any disposals (where such costs are not expected to be material, assets can be measured at gross market value. In addition, as a practical measure, the expected cost of disposal may be estimated by application of an average rate over all assets);
- (b) the likely proceeds to be realised from the disposal of assets for which market prices are not publicly quoted or otherwise readily available; and
- (c) the appropriate discount factor to be applied to long-term monetary assets.

39 The primary function of superannuation plans is to act as a vehicle for the accumulation of assets to pay benefits to members and beneficiaries. Measuring assets at net market value as at the reporting date provides more relevant information to users about the resources available to pay benefits than does the cost basis of measurement. The net market value basis of measurement is therefore required by this Standard. Information about the assets available to pay benefits will be relevant to an assessment of, in the case of defined benefit plans, the plan's ability to meet its obligations to members and beneficiaries and, in the case of defined contribution plans, the plan's ability to provide an adequate level of benefits for members and beneficiaries.

40 It is sometimes argued that, when net market values of assets are used, averaging techniques to "smooth" the effects of fluctuations in the market values of assets should be employed. Such smoothing may be important in establishing the manner in which the plan is to be funded in the long term, however, for financial reporting purposes, assets are to be measured as at the reporting date. The measurement of assets on this basis is necessary to facilitate comparability of financial reports from one period to the next, and with the financial reports of other plans. It is also necessary to ensure that assets included in financial reports, and changes in the net market values of those assets, are measured on a basis which is both consistent and verifiable. Accordingly, for financial reporting purposes, smoothing techniques are not to be applied to the measurement of assets.

- 41 The requirement to measure all assets of a superannuation plan at net market value means that in the case of depreciable assets, such as fixtures and fittings, the provisions of Australian Accounting Standard AAS 4 "Depreciation of Non-Current Assets" do not apply.

Insurance of members' benefits

COMMENTARY

- 42 Where plans invest in insurance policies, other than term insurance or policies of the type referred to in paragraph 43, to meet members' benefits, those insurance policies are to be valued at net market value. In determining the net market value of insurance policies, reference should be made to the insurer's assessment of the present value of the insurance policy, or where relevant, the actuarially-determined assessment of the amount recoverable from the insurer. Where, at the reporting date, it is intended to surrender a policy, the policy should be valued at surrender value.
- 43 A plan may purchase long-term insurance policies which match, and fully guarantee, the benefits to be paid to individual members. Where those policies have been purchased in the name or names of individual members and the plan has no further obligations in respect of payment of benefits to those members, the acquisition costs of the policy should be treated as the cost of discharging the obligations at the time of purchase. Such policies should not be included in the statement of financial position. Where such policies constitute all the assets of a plan, the plan is relieved from all obligations in respect of payment of benefits to members. In such cases this Standard requires the plan to report only the information identified in paragraph 66.

Changes in the Net Market Value of Assets

STANDARDS

- 44 **For a defined contribution plan and a defined benefit plan, the change in the net market value of a plan's assets since the beginning of the reporting period shall be included as a component of revenue for the reporting period.**

COMMENTARY

- 45 Assets available to pay benefits are generated by the accumulation and investment of contributions made by, and/or on behalf of, members, and earnings thereon. Accordingly, an assessment of the performance of a superannuation plan involves consideration of the

overall change in the amount of assets available to pay benefits over the reporting period and the manner in which that change was achieved. To reflect the overall change in the amount of assets available to pay benefits, this Standard requires that periodic changes in the net market value of plan assets be recognised as revenue in the financial statements of the plan.

- 46 The requirement to include changes in the net market value of assets as a component of revenue means that where an operating (profit and loss) statement is prepared in respect of any superannuation plan, the provisions of Australian Accounting Standard AAS 10 "Accounting for the Revaluation of Non-Current Assets" and, if the plan holds inventories other than marketable securities, Australian Accounting Standard AAS 2 "Measurement and Presentation of Inventories in the Context of the Historical Cost System", do not apply.
- 47 Consistent with the standards set out in paragraph 44, revenue will include changes in net market values of investments and other assets held at the reporting date and, in respect of investments and other assets realised during the period, the difference between the carrying amount of the investment or other asset as at the beginning of the reporting period (or when acquired, if acquired after the beginning of the reporting period) and its net market value when realised.
- 48 The requirement to include changes in net market values of assets realised during the reporting period in revenue means that a gain or loss on the disposal of non-current assets will not result – in concept assets will be revalued to net market value immediately prior to their disposal, changes in net market value will be included in revenue and no gain or loss on disposal will result.

Measurement of Accrued Benefits and Financial Liabilities

STANDARDS

- 49 **Accrued benefits of a defined contribution plan shall be shown as an amount equivalent to the difference between the carrying amount of the assets and the sum of all other liabilities.**
- 50 **Accrued benefits of a defined benefit plan shall be measured, except where the transitional provisions set out in paragraph 74 are applied, using actuarial assumptions and valuations where appropriate, as the present value of expected future payments arising from membership of the plan up to the measurement date. The present value of expected future benefit payments shall be determined by discounting the gross benefit payments at**

a current, market-determined, risk-adjusted discount rate appropriate to the plan. Where comprehensive actuarial reviews are undertaken on a triennial or less frequent basis, accrued benefits shall be measured as part of each comprehensive actuarial review and may be, but are not required to be, measured in periods between those reviews. Where comprehensive actuarial reviews are undertaken on a triennial or more frequent basis, accrued benefits shall be measured on at least a triennial basis, and may be, but are not required to be, measured on a more frequent basis.

- 50A **Financial liabilities¹ of a defined contribution plan and a defined benefit plan shall be measured at net market values as at the reporting date.**
- 50B **For a defined contribution plan and a defined benefit plan, the change in net market values of the plan's financial liabilities since the beginning of the reporting period shall be included in the profit or loss for the reporting period.**

Defined contribution plans

COMMENTARY

- 51 The liability of a defined contribution plan for accrued benefits is to be shown as the difference between the carrying amount of plan assets and the sum of all other liabilities. All other liabilities may include income tax liabilities, financial liabilities including those liabilities arising from forfeited benefits, which have not been designated for the benefit of existing plan members as at the reporting date. Accrued benefits may encompass amounts which have been allocated to members' accounts at reporting date and amounts which have not yet been so allocated. This Standard therefore acknowledges that, at the reporting date, accrued benefits may encompass amounts allocated to individual members' accounts and the balances of income equalisation, or similar, accounts.

1 Financial liabilities, including credit balances of hedging instruments and derivatives, are the financial liabilities that would otherwise be included within the scope of AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. Some of the sundry liabilities, as referred to in paragraph 24 of this Standard, are financial liabilities.

Defined benefit plans

COMMENTARY

- 52 It is common practice for trustees of plans to obtain comprehensive actuarial valuations for funding purposes at least triennially. The Occupational Superannuation Standards Regulations require actuarial investigations to be carried out at least every three years. This Standard requires accrued benefits of a defined benefit superannuation plan to be measured as part of each comprehensive actuarial review where those reviews are undertaken on a triennial, or less frequent, basis, but does not require accrued benefits to be measured at more frequent intervals than the triennial comprehensive actuarial review. This Standard does not prohibit accrued benefits from being measured for financial reporting purposes in periods between the triennial comprehensive actuarial review. However, consistent with the requirements of this Standard, accrued benefits are required to be measured as at each reporting date if the reporting format outlined in paragraph 22(b) is adopted.
- 53 The liability of a defined benefit plan for accrued benefits is to be calculated on the basis of the present value of expected future benefit payments which arise from membership of the plan up to the measurement date. The expected benefit payments to be made in the future will need to be determined by application of a valuation method based upon certain actuarial assumptions. Those assumptions will incorporate consideration of such factors as future salary levels, mortality rates, membership turnover and the expected value of benefits to be paid as a result of early withdrawal from membership of the plan. The gross amount of the expected future benefit payments, in respect of membership up to the measurement date, will then be discounted to present value by a current, market-determined, risk-adjusted discount rate appropriate to the plan. Relevant actuarial assumptions used in the course of the actuarial review could be used in the measurement of accrued benefits for financial reporting purposes. However, actuarial valuation methods conventionally focus on the funding of benefits, irrespective of whether they stem from past or future membership, and employ long-term, average discount rates. However, for financial reporting purposes, the present value of expected future benefit payments should not include benefits which have not yet accrued and should be discounted at the rate of return that the plan anticipates it could achieve if, at the measurement date, sufficient funds were available to meet accrued benefits as they fall due. Therefore, this Standard specifies that for financial reporting purposes, the amount of benefit payments expected to be made in the future is to be based on membership of the plan up to the measurement date; and is to be

discounted at a rate determined by reference to a current, market-determined, risk-adjusted rate of return appropriate to the plan.

Measurement of Benefits Accrued During the Reporting Period –
Defined Contribution Plans

STANDARDS

- 54 **The amount of the benefits that has been accrued by a defined contribution plan during the reporting period shall be measured as the difference between revenues and direct investment, general administration, income tax and any other expenses incurred during the reporting period in generating benefits for plan members and beneficiaries.**

Measurement of Benefits Accrued During the Measurement Period –
Defined Benefit Plans

STANDARDS

- 55 **In respect of defined benefit plans, the amount of benefits accrued during the measurement period shall:**
- (a) **where accrued benefits are measured as at the end of each reporting period, be measured as the sum of the net change in the amount of accrued benefits between the beginning of the reporting period and the end of the reporting period and the amount of any benefits paid to plan beneficiaries during the reporting period; and**
 - (b) **where accrued benefits are not measured as at the end of each reporting period but have been measured during the reporting period, be measured as the sum of the net change in the amount of accrued benefits and the amount of any benefits paid to plan beneficiaries during the period between the current and immediately preceding measurement dates.**

COMMENTARY

- 56 Where accrued benefits of a defined benefit plan have not been measured during the reporting period, no amount will be reported as benefits accrued during the measurement period. The measurement period refers to the period between the two most recent dates as at which accrued benefits were measured.

Disclosure Requirements

Defined contribution plans

Statement of financial position

STANDARDS

- 57 **The statement of financial position of a defined contribution plan shall disclose:**
- (a) **the assets of the plan, showing separately investments and other assets by class of assets;**
 - (b) **the liabilities of the plan, showing separately the liability for accrued benefits and other liabilities by class of liabilities;**
 - (c) **separately, by way of note or otherwise, the amount of accrued benefits allocated to members' accounts and the amount not yet so allocated; and**
 - (d) **by way of note:**
 - (i) **changes in the liability for accrued benefits;**
 - (ii) **vested benefits;**
 - (iii) **any benefits which have been guaranteed, the identity of the guarantor(s), the nature of the guarantee(s) and any changes from the corresponding preceding reporting period;**
 - (iv) **the method adopted in determining net market value for each class of asset disclosed; and**
 - (v) **the method adopted in determining net market value for financial liabilities.**

Operating statement

STANDARDS

- 58 **The operating statement of a defined contribution plan shall disclose, by way of note or otherwise:**
- (a) **revenue of the superannuation plan, showing separately:**
 - (i) **investment revenue and its individual components, including changes in net market values for each class of investment;**
 - (ii) **amounts contributed by employers;**
 - (iii) **amounts contributed by members; and**
 - (iv) **other revenue, including proceeds from term insurance policies and changes in net market values of assets other than investments;**
 - (b) **direct investment, general administration and income tax expenses;**
 - (c) **the amount of benefits that has been accrued during the reporting period, measured in accordance with the standards set out in paragraph 54; and**
 - (d) **by way of note:**
 - (i) **separately, the change during the reporting period in net market values of investments held at the reporting date, other assets held at the reporting date, investments realised during the reporting period and other assets realised during the reporting period; and**
 - (ii) **the rate(s) or other basis of contributions by employers and members during the reporting period, and any change in the rate(s) or other basis of contributions from the corresponding preceding reporting period; and**
 - (e) **changes in net market values of financial liabilities that have been recognised in the profit or loss for the reporting period.**

Statement of cash flows

STANDARDS

- 59 **The statement of cash flows of a defined contribution plan shall be prepared in accordance with Australian Accounting Standard AAS 28 "Statement of Cash Flows", and shall include separate disclosure of the amount of benefits paid to members during the reporting period.**

Defined benefit plans

Statement of net assets

STANDARDS

- 60 **The statement of net assets of a defined benefit plan shall disclose:**
- (a) **the assets of the plan, showing separately investments and other assets by class of assets;**
 - (b) **the liabilities of the plan, showing separately each class of liability but excluding the liability for accrued benefits;**
 - (c) **net assets available to pay benefits; and**
 - (d) **by way of note:**
 - (i) **the liability for accrued benefits and the date as at which the liability was measured;**
 - (ii) **where accrued benefits have been measured during the reporting period, the benefits which have accrued since the last measurement date, measured in accordance with the standards set out in paragraph 55;**
 - (iii) **vested benefits;**
 - (iv) **any benefits which have been guaranteed, the identity of the guarantor(s), the nature of the guarantee(s) and any changes from the corresponding preceding reporting period;**

- (v) **the method adopted in determining net market value for each class of asset disclosed; and**
- (vi) **the method adopted in determining net market value for financial liabilities.**

Statement of changes in net assets

STANDARDS

- 61 **The statement of changes in net assets of a defined benefit plan shall disclose:**
- (a) **the amount of net assets available to pay benefits as at the beginning and end of the reporting period;**
 - (b) **amounts contributed by employers;**
 - (c) **amounts contributed by members;**
 - (d) **investment revenue, showing separately its individual components, including changes in net market value for each class of investment;**
 - (e) **changes in net market value of assets other than investments;**
 - (f) **other revenue, showing separately proceeds from term insurance policies;**
 - (g) **direct investment expense;**
 - (h) **general administration expense;**
 - (i) **benefits paid;**
 - (j) **income tax expense; and**
 - (k) **by way of note:**
 - (i) **separately, the change during the reporting period in net market values of investments held at the reporting date, other assets held at the reporting date, investments realised during the reporting period and other assets realised during the reporting period; and**

- (ii) **the rate(s) or other basis of contributions by employers and members during the reporting period, and any change in the rate(s) or other basis of contributions from the corresponding preceding reporting period; and**
- (l) **changes in net market values of financial liabilities.**

Alternative reporting format

STANDARDS

- 62 **Defined benefit plans which measure accrued benefits as at the end of each reporting period may elect to adopt a reporting format which includes a statement of financial position, an operating statement, a statement of cash flows and notes thereto. Defined benefit plans which elect to adopt this reporting format shall not comply with the standards set out in paragraphs 60 and 61, but shall prepare financial statements which comply with the standards set out in paragraphs 57(a), (b) and (d); 58(a), (b) and (d) and 59. In addition, such plans shall disclose:**
- (a) **the amount of benefits expense that has been accrued during the reporting period, measured in accordance with the standards set out in paragraph 55(a); and**
 - (b) **the operating result, measured as the difference between revenues and expenses.**

Actuarial information

STANDARDS

- 63 **The financial statements of a defined benefit plan shall have appended thereto a copy or summary of the most recent actuarial report prepared for the plan. That copy or summary shall include:**
- (a) **the effective date of the actuarial report;**
 - (b) **the name and qualifications of the actuary;**
 - (c) **the relationship of the market value of the net assets available to meet accrued benefits to the aggregate vested benefits of the plan at the date of valuation of the plan's assets; and**

- (d) **the opinion of the actuary as to the financial condition of the plan at the valuation date.**

COMMENTARY

- 64 While not required by this Standard, it is recommended that the copy or summary of the most recent actuarial report include disclosure of the actuarial assumptions which have had a significant effect on the measurement of accrued benefits, changes in those assumptions since the previous actuarial report and any relevant actuarial ratios.

Vested benefits

COMMENTARY

- 65 Users of the financial reports of both defined contribution plans and defined benefit plans are likely to be interested in assessing the ability of the plan to meet benefits which have vested as at the reporting date (and which, therefore, members would expect to receive in the event of resignation from membership of the plan at the reporting date) as well as those which have accrued and which may be expected to vest in the future. Therefore, this Standard requires that vested benefits as at the reporting date be separately disclosed by way of note in the financial report.

Plans Whose Only Assets are Endowment, Whole of Life or Other Long-term Insurance Policies which Match and Fully Guarantee the Benefits to be Paid to Individual Members

STANDARDS

- 66 **Superannuation plans whose only assets (other than temporary deposits at call with a bank) are endowment, whole of life or other long-term insurance policies which match and fully guarantee the benefits to be paid to individual members are not required to comply with the standards set out in paragraphs 37, 44, 49, 50, 54, 55, 57, 58, 59, 60, 61, 62 and 63 of this Standard. The general purpose financial report of such plans need only report:**
- (a) **that such policies are in place;**
 - (b) **whether those policies have been fully maintained as directed by the insurer(s);**
 - (c) **the identity of the insurer(s);**

- (d) **amounts contributed by employers and members during the reporting period;**
- (e) **where all amounts contributed by employers and members during the reporting period are not paid as premiums, the premiums paid to insurers during the reporting period; and**
- (f) **expenses of the plan incurred by the trustees during the reporting period.**

Other Information

STANDARDS

- 67 **Where a superannuation plan consists of more than one separate entity, the general purpose financial report for the plan shall include a statement identifying the separate entities which constitute the plan.**

Transitional Provisions – General

Initial adjustments

STANDARDS

- 68 **Where application of this Standard results in initial adjustments to the carrying amounts of assets and liabilities the net amount of those adjustments shall be adjusted against the balance of net assets available to pay benefits as at the beginning of the reporting period.**

Comparative amounts

STANDARDS

- 69 **On initial application of this Standard, comparative amounts need not be disclosed to the extent that:**
- (a) **the general purpose financial report has been prepared on a different basis to the report for the preceding corresponding reporting period;**
 - (b) **the Standard requires particular disclosures to be made for the first time; or**
 - (c) **obtaining the information is impracticable.**

Transitional Provisions – Defined Contribution Plans

Alternative reporting format

STANDARDS

- 70 **From the operative date of this Standard and for reporting periods ending no later than 30 June 1995, transitional provisions shall apply whereby defined contribution superannuation plans, while encouraged to apply the full provisions of this Standard, may elect to adopt an alternative reporting format comprising a statement of net assets, a statement of changes in net assets and notes thereto. Defined contribution plans which elect to adopt the alternative reporting format shall not comply with the standards set out in paragraphs 57, 58 and 59 but shall prepare financial statements which comply with the standards set out in paragraphs 72 and 73. Once a defined contribution plan elects to apply the full provisions of this Standard it shall no longer have access to the transitional provisions.**

COMMENTARY

- 71 The alternative reporting format for defined contribution plans during the transitional period comprises:
- (a) a statement of net assets, to highlight assets available to meet accrued benefits;
 - (b) a statement of changes in net assets, to highlight the major factors influencing changes in assets available to pay benefits as a result of investment and other activities of the plan during the reporting period; and
 - (c) notes thereto, which will include a schedule of changes in accrued benefits.

An illustrative example of the alternative reporting format for defined contribution plans is provided in Appendix 2.

Statement of net assets

STANDARDS

- 72 **The statement of net assets of a defined contribution plan shall disclose:**
- (a) **the assets of the plan, showing separately investments and other assets by class of assets;**
 - (b) **the liabilities of the plan, showing separately each class of liability but excluding the liability for accrued benefits;**
 - (c) **net assets available to pay benefits; and**
 - (d) **by way of note:**
 - (i) **the liability for accrued benefits, and the benefits accrued during the reporting period measured in accordance with the standards set out in paragraph 54;**
 - (ii) **vested benefits;**
 - (iii) **any benefits which have been guaranteed, the identity of the guarantor(s), the nature of the guarantee(s) and any changes from the corresponding preceding reporting period;**
 - (iv) **the method adopted in determining net market value for each class of asset disclosed; and**
 - (v) **the amount of accrued benefits allocated to members' accounts and the amount not yet so allocated.**

Statement of changes in net assets

STANDARDS

- 73 **The statement of changes in net assets of a defined contribution plan shall disclose:**
- (a) **the amount of net assets available to pay benefits as at the beginning and the end of the reporting period;**

- (b) amounts contributed by employers;
- (c) amounts contributed by members;
- (d) investment revenue, showing separately its individual components, including changes in net market values for each class of investment;
- (e) changes in net market value of assets other than investments;
- (f) other revenue, showing separately proceeds from term insurance policies;
- (g) direct investment expense;
- (h) general administration expense;
- (i) benefits paid;
- (j) income tax expense; and
- (k) by way of note:
 - (i) separately, the change during the reporting period in net market values of investments held at the reporting date, other assets held at the reporting date, investments realised during the reporting period and other assets realised during the reporting period; and
 - (ii) the rate(s) or other basis of contributions by employers and members during the reporting period, and any change in the rate(s) or other basis of contributions from the corresponding preceding reporting period.

Transitional Provisions – Defined Benefit Plans

Accrued benefits

STANDARDS

- 74 **From the operative date of this Standard and for reporting periods ending no later than 30 June 1995, transitional provisions shall apply whereby defined benefit superannuation plans are not required to report accrued benefits at an amount**

measured in accordance with the standards set out in paragraph 50. During this period, when a value for accrued benefits is determined as part of the comprehensive actuarial review, the plan shall report that value.

COMMENTARY

- 75 For a period of three years from the operative date for application of this Standard, defined benefit plans are encouraged but not required to report accrued benefits measured on the basis outlined in paragraph 50.

COMPATIBILITY WITH INTERNATIONAL ACCOUNTING STANDARD IAS 26

The accounting standards set out in this Standard are consistent with those set out in IAS 26 "Accounting and Reporting by Retirement Benefit Plans" except that IAS 26 allows changes in net market values to be recognised as an item of revenue only in certain specified circumstances.

The following Appendices form part of the commentary and are provided for illustrative purposes only. Other methods of presentation may equally comply with the accounting standards set out in this Standard.

APPENDIX 1

*EXAMPLE OF A FINANCIAL REPORT
FOR A DEFINED CONTRIBUTION SUPERANNUATION PLAN
(Prepared in Conformity with the Full Provisions of this Standard)*

DEFINED CONTRIBUTION PLAN

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 19X1

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investments				
Government Securities	210		25	
Other Fixed Interest Securities	182		150	
Mortgage Loans	22		22	
Shares in Listed Companies	124		310	
Real Estate Properties	187		97	
Insurance Policies	77	802	65	669
	<hr/>		<hr/>	
Other Assets				
Cash	113		82	
Contributions Receivable	25		30	
Interest Receivable	72		64	
Fixtures and Fittings	73	283	85	261
	<hr/>		<hr/>	
Total Assets		1,085		930
Less: Income Tax Payable (Note 7)	13		7	
Provision for Deferred				
Income Tax (Note 7)	9		6	
Sundry Liabilities				
Accounts Payable	15	37	17	30
	<hr/>		<hr/>	
Net Assets Available to Pay Benefits		<u>1,048</u>		<u>900</u>
Represented by:				
Liability for				
Accrued Benefits (Notes 2, 3, 4)				
Allocated to members' accounts		1,030		875
Not yet allocated		18		25
		<hr/>		<hr/>
		<u>1,048</u>		<u>900</u>

APPENDIX 1 (continued)

DEFINED CONTRIBUTION PLAN
OPERATING STATEMENT
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investment Revenue				
Interest	55		48	
Dividends	12		14	
Property Rentals	22		20	
Changes in Net Market Values (Note 5)	38	127	25	107
Direct Investment Expense		(30)		(25)
Net Investment Revenue		97		82
Contributions Revenue (Note 6)				
Employer Contributions	95		90	
Members' Contributions	80	175	74	164
Other Revenue				
Proceeds from Term Insurance Policies	8		-	
Changes in Net Market Values of Other Assets (Note 5)	(12)	(4)	(10)	(10)
General Administration Expense				
Term Insurance Expense	(16)		(13)	
Other General Administration Expenses	(8)	(24)	(7)	(20)
Income Tax Expense (Note 7)		(16)		(13)
Benefits Accrued as a Result of Operations		228		203

APPENDIX 1 (continued)

DEFINED CONTRIBUTION PLAN**STATEMENT OF CASH FLOWS
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1**

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
	Inflows		Inflows	
	(Outflows)		(Outflows)	
Cash Flows from Operating Activities				
Contributions Received				
Employee	98		91	
Member	<u>82</u>	180	<u>77</u>	168
Interest Received	47		28	
Dividends Received	12		14	
Rents Received	22		20	
Proceeds from Term Assurance	<u>8</u>	89	<u>-</u>	62
Benefits Paid		(80)		(74)
Term Insurance Premiums Paid	(16)		(13)	
General Expenses Paid	<u>(10)</u>	(26)	<u>(7)</u>	(20)
Tax Paid		<u>(7)</u>		<u>(5)</u>
Net Cash Flow from Operating Activities (Note 8)		156		131
Cash Flows from Investing Activities				
Proceeds from Sale of Shares	210		-	
Government Securities Purchased	(190)		-	
Other Securities Purchased	(25)		(58)	
Insurance Policies Purchased	(10)		(3)	
Real Estate Purchased	(80)		(40)	
Investment Expenses Paid	<u>(30)</u>		<u>(25)</u>	
Net Cash Used in Investing Activities		<u>(125)</u>		<u>(126)</u>
Net Increase in Cash Held		31		5
Cash at the Beginning of the Reporting Period		<u>82</u>		<u>77</u>
Cash at the End of the Reporting Period (Note 9)		<u>113</u>		<u>82</u>

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APPENDICES

APPENDIX 1 (continued)

DEFINED CONTRIBUTION PLAN

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1**

1. Summary of Significant Accounting Policies

The following explains the significant accounting policies which have been adopted in the preparation of the financial statements. Unless otherwise stated, such accounting policies were also adopted in the corresponding preceding reporting period.

- (a) Compliance with Statements of Accounting Concepts, Australian Accounting Standards, the trust deed and legislative requirements

The financial statements have been drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" and with the provisions of the trust deed and relevant legislative requirements.

- (b) Assets

Assets of the plan are recorded at net market value as at the reporting date and changes in the net market value of assets are recognised in the operating statement in the periods in which they occur. Net market values have been determined as follows: in the case of shares in listed companies and government and other fixed interest securities, by reference to relevant middle-market quotations; in the case of real estate properties and fixtures and fittings, on the basis of Trustees' assessments; in the case of mortgage loans, by reference to the outstanding principal of the loans; and, in the case of insurance policies, by reference to an actuarial assessment of the amount recoverable from the insurer in respect of the policy.

APPENDIX 1 (continued)

DEFINED CONTRIBUTION PLAN

2. Liability for Accrued Benefits

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

Changes in the Liability for Accrued Benefits

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Liability for Accrued Benefits at beginning of period		900		771
Plus: Increase in Accrued Benefits	228		203	
Less: Benefits Paid	80	148	74	129
Liability for Accrued Benefits at end of period		<u>1,048</u>		<u>900</u>

3. Vested Benefits

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

	19X1	19X0
	\$'000	\$'000
Vested Benefits	<u>868</u>	<u>652</u>

4. Guaranteed Benefits

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

APPENDIX 1 (continued)

DEFINED CONTRIBUTION PLAN

5. Changes in Net Market Values

(a) Changes in Net Market Value of Investments

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investments Held at the Reporting Date				
Government Securities	(5)		4	
Other Fixed Interest Securities	7		6	
Mortgage Loans	–		–	
Shares in Listed Companies	4		2	
Real Estate Properties	10		12	
Insurance Policies	2	18	1	25
Investments Realised During the Period				
Shares in Listed Companies		20		–
Total		38		25

(b) Changes in Net Market Value of Other Assets

	19X1	19X0
	\$'000	\$'000
Other Assets Held at the Reporting Date		
Fixtures and Fittings	(12)	(10)
Other Assets Realised During the Period	–	–
Total	(12)	(10)

6. Funding Arrangements

In 19X1 the employer contributed to the plan at a rate of approximately 7.3% (19X0 – 7.3%) of the gross salaries of those employees who were members of the plan. Employees contributed to the plan during 19X1 at the rate of 6% (19X0 – 6%) of gross salary.

APPENDIX 1 (continued)

DEFINED CONTRIBUTION PLAN

7. Income Tax

Income tax expense, assets and liabilities arising from the levying of income tax (including capital gains tax) on superannuation plans have been determined in accordance with the provisions of Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)".

8. Reconciliation of Net Cash provided by Operating Activities to Benefits Accrued from Operations after Income Tax

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Benefits Accrued as a Result of Operations		228		203
Direct Investment Expenses		30		25
Changes in Net Market Values:				
Investments	(38)		(25)	
Other Assets	<u>12</u>	(26)	<u>10</u>	(15)
Benefits Paid		(80)		(74)
Decrease in Contributions Receivable		5		4
Decrease in Accounts Payable		(2)		—
Increase in Interest Receivable		(8)		(20)
Increase in:				
Income Tax Payable	6		3	
Provision for Deferred Income Tax	<u>3</u>	9	<u>5</u>	8
Net Cash Provided by Operating Activities		<u>156</u>		<u>131</u>

9. Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related item in the statement of financial position as follows.

	19X1	19X0
	\$'000	\$'000
Cash	<u>113</u>	<u>82</u>

APPENDIX 2

EXAMPLE OF A FINANCIAL REPORT
FOR A DEFINED CONTRIBUTION SUPERANNUATION PLAN
(Prepared in Conformity with the Transitional Provisions
set out in Paragraphs 70 to 73)

DEFINED CONTRIBUTION PLAN

STATEMENT OF NET ASSETS AS AT 30 JUNE 19X1

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investments				
Government Securities	210		25	
Other Fixed Interest Securities	182		150	
Mortgage Loans	22		22	
Shares in Listed Companies	124		310	
Real Estate Properties	187		97	
Insurance Policies	77	802	65	669
Other Assets				
Cash	113		82	
Contributions Receivable	25		30	
Interest Receivable	72		64	
Fixtures and Fittings	73	283	85	261
Total Assets		1,085		930
Less: Income Tax Payable (Note 7)		13		7
Provision for Deferred Income Tax (Note 7)		9		6
Sundry Liabilities Accounts Payable		15		17
Net Assets Available to Pay Benefits (Notes 2, 3)		<u>1,048</u>		<u>900</u>

APPENDIX 2 (continued)

DEFINED CONTRIBUTION PLAN

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1**

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Net Assets Available to Pay Benefits (beginning of period)		900		771
Investment Revenue				
Interest	55		48	
Dividends	12		14	
Property Rentals	22		20	
Changes in Net Market Values (Note 5)	38		25	
Direct Investment Expense	<u>(30)</u>	97	<u>(25)</u>	82
Changes in Net Market Values of Other Assets (Note 5)		(12)		(10)
General Administration Expense		(24)		(20)
Contributions (Note 6)				
Employer	95		90	
Members	<u>80</u>	175	<u>74</u>	164
Proceeds from Term Insurance Policies		8		–
Benefits Paid		(80)		(74)
Income Tax Expense (Note 7)				
Changes in Tax Assets (Liabilities)				
Income Tax Payable	(13)		(7)	
Provision for Deferred Income Tax	<u>(3)</u>	(16)	<u>(6)</u>	(13)
Net Assets Available to Pay Benefits (end of period)		<u>1,048</u>		<u>900</u>

DEFINED CONTRIBUTION PLAN

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1**

1. Summary of Significant Accounting Policies

The following explains the significant accounting policies which have been adopted in the preparation of the financial statements. Unless otherwise stated, such accounting policies were also adopted in the corresponding preceding reporting period.

- (a) Compliance with Statements of Accounting Concepts, Australian Accounting Standards, the trust deed and legislative requirements

The financial statements have been drawn up in accordance with Statements of Accounting Concepts, the Transitional Provisions set out in Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" and with the provisions of the trust deed and relevant legislative requirements.

- (b) Assets

Assets of the plan are recorded at net market value as at the reporting date and changes in the net market value of assets are recognised in the statement of changes in net assets in the periods in which they occur. Net market values have been determined as follows: in the case of shares in listed companies and government and other fixed interest securities, by reference to relevant middle-market quotations; in the case of real estate properties and fixtures and fittings, on the basis of Trustees' assessments; in the case of mortgage loans, by reference to the outstanding principal of the loans; and, in the case of insurance policies, by reference to an actuarial assessment of the amount recoverable from the insurer in respect of the policy.

APPENDIX 2 (continued)

DEFINED CONTRIBUTION PLAN

2. Liability for Accrued Benefits

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

(a) Changes in Accrued Benefits

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Accrued Benefits at beginning of period		900		771
Plus: Benefits accruing during period	228		203	
Less: Benefits Paid	<u>80</u>	<u>148</u>	<u>74</u>	<u>129</u>
Accrued Benefits at end of period		<u>1,048</u>		<u>900</u>

(b) Allocation of Benefits

Members' accounts Not yet allocated	1,030	875
	<u>18</u>	<u>25</u>
Accrued Benefits	<u>1,048</u>	<u>900</u>

3. Vested Benefits

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

	19X1	19X0
	\$'000	\$'000
Vested Benefits	<u>868</u>	<u>652</u>

APPENDIX 2 (continued)

DEFINED CONTRIBUTION PLAN

4. Guaranteed Benefits

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

5. Changes in Net Market Values

(a) Changes in Net Market Value of Investments

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investments Held at the Reporting Date				
Government Securities	(5)		4	
Other Fixed Interest Securities	7		6	
Mortgage Loans	–		–	
Shares in Listed Companies	4		2	
Real Estate Properties	10		12	
Insurance Policies	2	18	1	25
	<u>2</u>		<u>1</u>	
Investments Realised During the Period				
Shares in Listed Companies		20		–
		<u>20</u>		<u>–</u>
Total		<u>38</u>		<u>25</u>

(b) Changes in Net Market Value of Other Assets

	19X1	19X0
	\$'000	\$'000
Other Assets Held at the Reporting Date		
Fixtures and Fittings	(12)	(10)
Other Assets Realised During the Period	<u>–</u>	<u>–</u>
Total	<u>(12)</u>	<u>(10)</u>

APPENDIX 2 (continued)

DEFINED CONTRIBUTION PLAN

6. Funding Arrangements

In 19X1 the employer contributed to the plan at a rate of approximately 7.3% (19X0 – 7.3%) of the gross salaries of those employees who were members of the plan. Employees contributed to the plan during 19X1 at the rate of 6% (19X0 – 6%) of gross salary.

7. Income Tax

Income tax expense, assets and liabilities arising from the levying of income tax (including capital gains tax) on superannuation plans have been determined in accordance with the provisions of Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)".

Income tax paid during 19X1 amounted to \$7,000 (19X0 – nil).

APPENDIX 3

*EXAMPLE OF A FINANCIAL REPORT
FOR A DEFINED BENEFIT SUPERANNUATION PLAN
WHICH ELECTS TO PREPARE A STATEMENT OF NET ASSETS AND
A STATEMENT OF CHANGES IN NET ASSETS*

DEFINED BENEFIT PLAN

STATEMENT OF NET ASSETS AS AT 30 JUNE 19X1

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investments				
Government Securities	210		25	
Other Fixed Interest Securities	182		150	
Mortgage Loans	22		22	
Shares in Listed Companies	124		310	
Real Estate Properties	187		97	
Insurance Policies	77	802	65	669
Other Assets				
Cash	113		82	
Contributions Receivable	25		30	
Interest Receivable	72		64	
Fixtures and Fittings	73	283	85	261
Total Assets		1,085		930
Less: Income Tax Payable (Note 7)		13		7
Provision for Deferred Income Tax (Note 7)		9		6
Sundry Liabilities Accounts Payable		15		17
Net Assets Available to Pay Benefits (Notes 2, 3)		<u>1,048</u>		<u>900</u>

APPENDIX 3 (continued)

DEFINED BENEFIT PLAN**STATEMENT OF CHANGES IN NET ASSETS
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1**

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Net Assets Available to Pay Benefits (beginning of period)		900		771
Investment Revenue				
Interest	55		48	
Dividends	12		14	
Property Rentals	22		20	
Changes in Net Market Values (Note 6)	38		25	
Direct Investment Expense	<u>(30)</u>	97	<u>(25)</u>	82
Changes in Net Market Values of Other Assets (Note 6)		(12)		(10)
General Administration Expense		(24)		(20)
Contributions (Note 5)				
Employer	95		90	
Members	<u>80</u>	175	<u>74</u>	164
Proceeds from Term Insurance Policies		8		–
Benefits Paid		(80)		(74)
Income Tax Expense (Note 7)				
Changes in Tax Assets (Liabilities)				
Income Tax Payable	(13)		(7)	
Provision for Deferred Income Tax	<u>(3)</u>	(16)	<u>(6)</u>	(13)
Net Assets Available to Pay Benefits (end of period)		<u>1,048</u>		<u>900</u>

DEFINED BENEFIT PLAN

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1**

1. Summary of Significant Accounting Policies

The following explains the significant accounting policies which have been adopted in the preparation of the financial statements. Unless otherwise stated, such accounting policies were also adopted in the corresponding preceding reporting period.

- (a) Compliance with Statements of Accounting Concepts, Australian Accounting Standards, the trust deed and legislative requirements

The financial statements have been drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" and with the provisions of the trust deed and relevant legislative requirements.

- (b) Assets

Assets of the plan are recorded at net market value as at the reporting date and changes in the net market value of assets are recognised in the statement of changes in net assets in the periods in which they occur. Net market values have been determined as follows: in the case of shares in listed companies and government and other fixed interest securities, by reference to relevant middle-market quotations; in the case of real estate properties and fixtures and fittings, on the basis of Trustees' assessments; in the case of mortgage loans, by reference to the outstanding principal of the loans; and, in the case of insurance policies, by reference to an actuarial assessment of the amount recoverable from the insurer in respect of the policy.

APPENDIX 3 (continued)

DEFINED BENEFIT PLAN

2. Liability for Accrued Benefits

The amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the plan up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of accrued benefits was undertaken by the actuary as part of a comprehensive actuarial review undertaken during 19X0. Accrued benefits were previously valued as part of a comprehensive actuarial review undertaken during 19X(-3).

Accrued Benefits

	19X0 \$'000	19X(-3) \$'000
Accrued Benefits as at the end of 19X0 (19X(-3))	<u>972</u>	<u>600</u>

[If accrued benefits are measured as at each reporting date, the detail set out in Appendix 4, Note 2 should be provided.]

3. Vested Benefits

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

	19X1 \$'000	19X0 \$'000
Vested Benefits	<u>868</u>	<u>652</u>

APPENDIX 3 (continued)

DEFINED BENEFIT PLAN

4. Guaranteed Benefits

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

5. Funding Arrangements

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

In the past the employer has contributed to the plan at the rate recommended by the actuary. (In 19X1 that rate was approximately 7.3% (19X0 – 7.3%) of the gross salaries of those employees who were members of the plan. Employees contributed to the plan during 19X1 at the rate of 6% (19X0 – 6%) of gross salary.) Thus, any difference between net assets available to pay benefits and accrued benefits reported by the plan each period has been anticipated, except for the effects of the following factors:

- (a) some short-term variations in the experience of the plan from that anticipated when framing contribution rates; and
- (b) valuing assets at net market values as at the reporting date (necessary to display the financial position of the plan at that date) rather than adopting average asset values (as is typically done by an actuary when framing contribution rates).

As noted above, the funding policy adopted in respect of the plan will overcome these effects in the long term.

The actuarial report attached to these financial statements includes the actuary's opinion as to the financial condition of the plan as at the last valuation date.

[Where a superannuation plan is only intended to be partly funded, for example, a public sector plan where employee contributions are

APPENDIX 3 (continued)

DEFINED BENEFIT PLAN

made on a continuing basis, but the employer contribution is only made as benefits become payable (that is, on a pay-as-you-go basis), the following note may be appropriate:

"It is Government policy that employer contributions to the plan be made only when benefits become payable, that is, on a pay-as-you-go basis. This policy is reflected in the difference between net assets available to pay benefits and the amount of accrued benefits as at the reporting date." (Where appropriate, the following comment could be added: "The Government has, however, given the Trustees an undertaking that it will fund its share of all benefits as they fall due.")]

6. Changes in Net Market Values

(a) Changes in Net Market Value of Investments

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investments Held at the Reporting Date				
Government Securities	(5)		4	
Other Fixed Interest Securities	7		6	
Mortgage Loans	–		–	
Shares in Listed Companies	4		2	
Real Estate Properties	10		12	
Insurance Policies	2	18	1	25
	<u>2</u>		<u>1</u>	
Investments Realised During the Period				
Shares in Listed Companies		20		–
		<u>20</u>		<u>–</u>
Total		<u>38</u>		<u>25</u>

APPENDIX 3 (continued)

DEFINED BENEFIT PLAN

(b) Changes in Net Market Value of Other Assets

	19X1 \$'000	19X0 \$'000
Other Assets Held at the Reporting Date		
Fixtures and Fittings	(12)	(10)
Other Assets Realised During the Period	<u>—</u>	<u>—</u>
Total	<u>(12)</u>	<u>(10)</u>

7. Income Tax

Income tax expense, assets and liabilities arising from the levying of income tax (including capital gains tax) on superannuation plans have been determined in accordance with the provisions of Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)".

Income tax paid during 19X1 amounted to \$7,000 (19X0 – nil).

APPENDIX 4

*EXAMPLE OF A FINANCIAL REPORT
FOR A DEFINED BENEFIT SUPERANNUATION PLAN
WHICH ELECTS TO PREPARE AN OPERATING STATEMENT, A STATEMENT OF
FINANCIAL POSITION AND A STATEMENT OF CASH FLOWS*

This reporting format is only available to plans which measure accrued benefits as at each reporting date – refer paragraph 62 of this Standard.

DEFINED BENEFIT PLAN

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 19X1

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investments				
Government Securities	210		25	
Other Fixed Interest Securities	182		150	
Mortgage Loans	22		22	
Shares in Listed Companies	124		310	
Real Estate Properties	187		97	
Insurance Policies	77	802	65	669
Other Assets				
Cash	113		82	
Contributions Receivable	25		30	
Interest Receivable	72		64	
Fixtures and Fittings	73	283	85	261
Total Assets		1,085		930
Less: Income Tax Payable (Note 7)		13		7
Provision for Deferred Income Tax (Note 7)		9		6
Sundry Liabilities Accounts Payable		15		17
Net Assets Available to Pay Benefits		1,048		900
*Less: Liability for Accrued Benefits (Notes 2, 3, 4)		1,277		972
Excess of Assets over Liabilities (Liabilities over Assets) (Note 5)		(229)		(72)

[* The plan's liability for accrued benefits is set out in Note 2. Note 5 should be read for information concerning the plan's ability to meet benefits accrued to members, and the underlying assumptions concerning future contributions by employers and employees.]

APPENDIX 4 (continued)

**DEFINED BENEFIT PLAN
OPERATING STATEMENT
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1**

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investment Revenue				
Interest	55		48	
Dividends	12		14	
Property Rentals	22		20	
Changes in Net Market Values (Note 6)	<u>38</u>	127	<u>25</u>	107
Direct Investment Expense		<u>(30)</u>		<u>(25)</u>
Net Investment Revenue		97		82
Contributions Revenue (Note 5)				
Employer Contributions	95		90	
Members' Contributions	<u>80</u>	175	<u>74</u>	164
Other Revenue				
Proceeds from Term Insurance Policies	8		-	
Changes in Net Market Values of Other Assets (Note 6)	<u>(12)</u>	(4)	<u>(10)</u>	(10)
General Administration Expense				
Term Insurance Expense	(16)		(13)	
Other General Administration Expenses	<u>(8)</u>	(24)	<u>(7)</u>	(20)
Benefits Expense		<u>(385)</u>		<u>(200)</u>
Operating Result before Income Tax		(141)		16
Income Tax Expense (Note 7)		<u>(16)</u>		<u>(13)</u>
Operating Result for Period		<u><u>(157)</u></u>		<u><u>3</u></u>

APPENDIX 4 (continued)

DEFINED BENEFIT PLAN

**STATEMENT OF CASH FLOWS
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1**

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
	Inflows		Inflows	
	(Outflows)		(Outflows)	
Cash Flows from Operating Activities				
Contributions Received				
Employee	98		91	
Member	<u>82</u>	180	<u>77</u>	168
Interest Received	47		28	
Dividends Received	12		14	
Rents Received	22		20	
Proceeds from Term Assurance	<u>8</u>	89	<u>-</u>	62
Benefits Paid		(80)		(74)
Term Insurance Premiums Paid	(16)		(13)	
General Expenses Paid	<u>(10)</u>	(26)	<u>(7)</u>	(20)
Tax Paid		<u>(7)</u>		<u>(5)</u>
Net Cash Flow from Operating Activities (Note 8)		156		131
Cash Flows from Investing Activities				
Proceeds from Sale of Shares	210		-	
Government Securities Purchased	(190)		-	
Other Securities Purchased	(25)		(58)	
Insurance Policies Purchased	(10)		(3)	
Real Estate Purchased	(80)		(40)	
Investment Expenses Paid	<u>(30)</u>		<u>(25)</u>	
Net Cash Used in Investing Activities		<u>(125)</u>		<u>(126)</u>
Net Increase in Cash Held		31		5
Cash at the Beginning of the Reporting Period		<u>82</u>		<u>77</u>
Cash at the End of the Reporting Period (Note 9)		<u>113</u>		<u>82</u>

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APPENDICES

DEFINED BENEFIT PLAN

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE REPORTING PERIOD ENDED 30 JUNE 19X1**

1. Summary of Significant Accounting Policies

The following explains the significant accounting policies which have been adopted in the preparation of the financial statements. Unless otherwise stated, such accounting policies were also adopted in the corresponding preceding reporting period.

- (a) Compliance with Statements of Accounting Concepts, Australian Accounting Standards, the trust deed and legislative requirements

The financial statements have been drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" and with the provisions of the trust deed and relevant legislative requirements.

- (b) Assets

Assets of the plan are recorded at net market value as at the reporting date and changes in the net market value of assets are recognised in the operating statement in the periods in which they occur. Net market values have been determined as follows: in the case of shares in listed companies and government and other fixed interest securities, by reference to relevant middle-market quotations; in the case of real estate properties and fixtures and fittings, on the basis of Trustees' assessments; in the case of mortgage loans, by reference to the outstanding principal of the loans; and, in the case of insurance policies, by reference to an actuarial assessment of the amount recoverable from the insurer in respect of the policy.

APPENDIX 4 (continued)

DEFINED BENEFIT PLAN

2. Liability for Accrued Benefits

The liability for accrued benefits represents the plan's present obligation to pay benefits to members and beneficiaries and has been determined on the basis of the present value of expected future payments which arise from membership of the plan up to the reporting date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of accrued benefits as at the reporting date was undertaken by the actuary as part of a comprehensive actuarial review undertaken during 19X1.

Changes in the Liability for Accrued Benefits

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Liability for Accrued Benefits at beginning of period		972		846
Plus: Benefits Expense	385		200	
Less: Benefits Paid	<u>80</u>	<u>305</u>	<u>74</u>	<u>126</u>
Liability for Accrued Benefits at end of period		<u><u>1,277</u></u>		<u><u>972</u></u>

3. Vested Benefits

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

	19X1	19X0
	\$'000	\$'000
Vested Benefits	<u><u>868</u></u>	<u><u>652</u></u>

APPENDIX 4 (continued)

DEFINED BENEFIT PLAN

4. Guaranteed Benefits

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

5. Funding Arrangements

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

In the past the employer has contributed to the plan at the rate recommended by the actuary. (In 19X1 that rate was approximately 7.3% (19X0 – 7.3%) of the gross salaries of those employees who were members of the plan. Employees contributed to the plan during 19X1 at the rate of 6% (19X0 – 6%) of gross salary.) Thus, any difference between the assets and liabilities of the plan as reported each period has been anticipated, except for the effects of the following factors:

- (a) some short-term variations in the experience of the plan from that anticipated when framing contribution rates; and
- (b) valuing assets at net market values as at the reporting date (necessary to display the financial position of the plan at that date) rather than adopting average asset values (as is typically done by an actuary when framing contribution rates).

As noted above, the funding policy adopted in respect of the plan has been structured to accommodate any short-term experience variation and to eliminate any difference between the assets and liabilities of the plan over the long term.

During the period ended 30 June 19X1, members' benefits were significantly improved. That improvement generated a significant increase in the benefits expense for the period and resulted in the

APPENDIX 4 (continued)

DEFINED BENEFIT PLAN

excess of liabilities over assets of the plan at the end of the period being significantly greater than at 30 June 19X0.

A review of the plan's funding policy has been undertaken and the actuary has recommended an increase in the employer contribution rate as necessary to ensure that the plan is fully funded in the long term. The employer has agreed to contribute to the plan at the increased rate as recommended by the actuary. If the employer continues to contribute to the plan at the recommended rate, benefits are not further improved and the plan continues to perform as expected, the funding policy adopted in respect of the plan is such that the difference between the assets and liabilities of the plan will be eliminated in the long term. The actuarial report attached to these financial statements includes the actuary's opinion as to the financial condition of the plan as at the last valuation date.

[Where a superannuation plan is only intended to be partly funded, for example, a public sector plan where employee contributions are made on a continuing basis, but the employer contribution is only made as benefits become payable (that is, on a pay-as-you-go basis), the following note may be appropriate:

"It is Government policy that employer contributions to the plan be made only when benefits become payable, that is, on a pay-as-you-go basis. This policy is reflected by the excess of liabilities over assets reported in the statement of financial position and in the current period's operating result, reported in the operating statement." (Where appropriate, the following comment could be added: "The Government has, however, given the Trustees an undertaking that it will fund its share of all benefits as they fall due.")]

APPENDIX 4 (continued)

DEFINED BENEFIT PLAN

6. Changes in Net Market Values

(a) Changes in Net Market Value of Investments

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Investments Held at the Reporting Date				
Government Securities	(5)		4	
Other Fixed Interest Securities	7		6	
Mortgage Loans	–		–	
Shares in Listed Companies	4		2	
Real Estate Properties	10		12	
Insurance Policies	2	18	1	25
Investments Realised During the Period				
Shares in Listed Companies		20		–
Total		38		25

(b) Changes in Net Market Value of Other Assets

	19X1	19X0
	\$'000	\$'000
Other Assets Held at the Reporting Date		
Fixtures and Fittings	(12)	(10)
Other Assets Realised During the Period	–	–
Total	(12)	(10)

7. Income Tax

Income tax expense, assets and liabilities arising from the levying of income tax (including capital gains tax) on superannuation plans have been determined in accordance with the provisions of Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)".

APPENDIX 4 (continued)

DEFINED BENEFIT PLAN

8. Reconciliation of Net Cash provided by Operating Activities to Operating Result after Income Tax

	19X1		19X0	
	\$'000	\$'000	\$'000	\$'000
Operating Result		(157)		3
Benefit Expenses		385		200
Direct Investment Expenses		30		25
Changes in Net Market Values:				
Investments	(38)		(25)	
Other Assets	<u>12</u>	(26)	<u>10</u>	(15)
Benefits Paid		(80)		(74)
Decrease in Contributions Receivable		5		4
Decrease in Accounts Payable		(2)		-
Increase in Interest Receivable		(8)		(20)
Increase in:				
Income Tax Payable	6		3	
Provision for Deferred Income Tax	<u>3</u>	9	<u>5</u>	8
Net Cash Provided by Operating Activities		<u>156</u>		<u>131</u>

9. Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related item in the statement of financial position as follows.

	19X1	19X0
	\$'000	\$'000
Cash	<u>113</u>	<u>82</u>