



Fire & Emergency Services
Superannuation Fund

FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

**ANNUAL REPORT
2013**

ABN 55 476 454 384
AFS Licence No. 259671
APRA Licence No. L0001700
APRA Registration No. R1055917

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To the Honourable Joe Francis MLA

Minister for Emergency Services; Corrective Services; Small Business; Veterans

In accordance with Section 63 of the Financial Management Act 2006, we hereby submit for your information and presentation to Parliament, the Annual Report of the Fire and Emergency Services Superannuation Board for the financial year ended 30 June 2013.

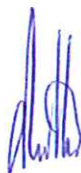
The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006.



F SCIARRONE

CHAIRMAN

19 September 2013



A B RUTTER

CHIEF FINANCE OFFICER

19 September 2013

FIRE AND EMERGENCY SERVICES

SUPERANNUATION BOARD

REPORT ON OPERATIONS FOR YEAR ENDING 30 JUNE 2013

CONSTITUTION

The Fire and Emergency Services Superannuation Board was constituted on 3 November 1986 to administer the Fire and Emergency Services Superannuation Fund.

MINISTER

The responsible Minister is the Minister for Emergency Services; Corrective Services; Small Business; Veterans who, at 30 June 2013 was:

The Hon. Joe Francis MLA
Minister for Emergency Services; Corrective Services; Small Business; Veterans
10th Floor London House
216 St Georges Terrace
PERTH WA 6000 Phone: (08) 6552 6500

ENABLING LEGISLATION

The administration of the Superannuation Fund is established under the Fire and Emergency Services Superannuation Act 1985 and Fire and Emergency Services (Superannuation Fund) Regulations 1986.

LEGISLATION ADMINISTERED

The Board is responsible for the administration of the enabling legislation.

LEGISLATION IMPACTING ON THE BOARD'S ACTIVITIES

State

The Board is responsible for complying with a wide range of State legislation, which primarily sets minimum prudential standards of conduct. These include:

Anti-Corruption Commission Act 1988
Auditor General Act 2006
Corporations (Western Australia) Act 1990
Electoral Act 1907
Equal Opportunity Act 1984
Financial Management Act 2006
Fire and Emergency Services Superannuation Act 1985
Freedom of Information Act 1992
Industrial Relations Act 1979
Interpretation Act 1984
Minimum Conditions of Employment Act 1993
Occupational Safety and Health Act 1984
Public Sector Management Act 1994
Stamp Act 1921
State Records Act 2000
State Supply Commission Act 1991
Trustees Act 1962
Workers' Compensation and Injury Management Act 1981

Federal

The Commonwealth legislative compliance requirements are comprised of the following:

Anti-Money Laundering and Counter-Terrorism Financing Act 2006
Australian Prudential Regulation Authority Act 1998
Corporations Act 2001
Family Law Act 1975
Financial Sector (Collection of Data) Act 2001
Financial Services Reform Act 2001
Income Tax Assessment Act 1936
Privacy Act 1988
Sex Discrimination Act 1984
Superannuation Contributions Tax (Assessment and Collection) Act 1997
Superannuation Guarantee (Administration) Act 1992
Superannuation Guarantee Charge Act 1992
Superannuation Industry (Supervision) Act 1993
Superannuation (Resolution of Complaints) Act 1993

OBJECTIVES AND FUNCTIONS OF THE BOARD

The objectives and functions of the Board are to administer, invest and manage the Fire and Emergency Services Superannuation Fund in the best interests of members at all times.

ACCOUNTABLE AUTHORITY

The Accountable Authority is the Fire and Emergency Services Superannuation Board.

OPERATIONAL STRUCTURE

The Board is responsible for the management of the Fund and in accordance with the provisions of the Act, a Secretary to the Board is appointed. The Secretary is nominated as the Chief Finance Officer under the provisions of the Financial Management Act 2006. The administration of the Fund is carried out by the staff of the Superannuation Board, who are:

Secretary: Mr A B Rutter - appointed 8 May 2001
Administration Officer: Mrs S L Handley
Administration Assistant: Mrs E Baz Bosch

MEMBER ENQUIRIES

Members should address correspondence and enquiries to:

The Secretary
Fire and Emergency Services Superannuation Board
242 Rokeby Road
SUBIACO WA 6008

Telephone: – (08) 9382 8444 Facsimile: – (08) 9382 8464
Email: – admin@fessuper.com.au

PERSONS OR SECTIONS OF COMMUNITY SERVED BY THE BOARD

Membership of the Fire and Emergency Services Superannuation Fund, which primarily is a lump sum defined benefit fund, is compulsory for all permanent employees of the:

- Department of Fire and Emergency Services; (**unless the employee is eligible to become or remain a member of the Government Employees Superannuation Scheme:**)
- Fire and Emergency Services Superannuation Board;
- United Firefighters Union of Western Australia; and
- Western Australian Volunteer Fire and Rescue Services Association (Inc).

BOARD MEMBERS

The three members appointed by the Department of Fire and Emergency Services as at 30 June 2013 are:

MR D BARTON	(Chairman) – Actuary and Investment Consultant – has been a member since 3 November 1986 and his current appointment expires on 18 August 2013.
MR D FULCHER	Employee of the Department of Fire and Emergency Services – has been a member since 19 August 2008 and his current appointment expires on 18 August 2015.
MR F SCIARRONE	Investment Advisor – has been a member since 4 April 2011 and his current appointment expires on 18 August 2016.

The three members elected by the members of the Fund as at 30 June 2013 are:

MR G CLIFFORD	Retired Station Officer – has been a member since 19 August 1993 and his current appointment expires on 18 August 2014.
MR B LONGMAN	Station Officer – has been a member since 19 August 2009 and his current appointment expires on 18 August 2015.
MRS T LONGMAN	Retained Benefit Member – has been a member since 23 January 2013 and her current appointment expires on 18 August 2013.

ALTERNATE MEMBERS

The two alternate members appointed by the Department of Fire and Emergency Services as at 30 June 2013 are:

MR F PASQUALE	Employee of the Department of Fire and Emergency Services – appointed from 27 August 2007 and his current appointment expires on 18 August 2015.
MR D WATKINS	Employee of the Department of Fire and Emergency Services – appointed from 19 August 2008 and his current appointment expires on 18 August 2015.

The one alternate member elected by the members of the Fund as at 30 June 2013 is:

MR G MAUND	Station Officer – was elected for the year ended 18 August 2013.
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During the year Mr Brynn Weir resigned as a Board Member. An election was held, and Mrs Tania Longman was appointed to the Board. Prior to this appointment, Mrs Longman was an alternate Board Member elected by the members of the Fund.

CONSULTANTS TO THE BOARD

The Board retains the following consultants to provide advice as and when required:

Savills Australia – Direct Property Advice.
PricewaterhouseCoopers – Actuarial and General Investment Advice.
Sharyn Long Chartered Accountants – Accounting and Taxation Advice.

TAXATION & COMPLIANCE

The Superannuation Industry (Supervision) Act 1993 and Regulations (SIS) came into effect on 1 July 1994. The Board has made an irrevocable election for the Fund to be regulated under the SIS legislation. The Fund's auditors have not identified any breaches to the requirements and thus the concessional taxation treatment of the Fund remains in place.

AUDIT

The Office of the Auditor General audits the Fund's Accounts and Performance Indicators under the provisions of the Financial Management Act 2006.

TRUSTEE INDEMNITY INSURANCE

The Directors and Employees of the Board are covered by an indemnity insurance policy to cover possible claims made against them as Directors and Employees.

ELECTORAL ACT

In accordance with Section 175ZE of the Electoral Act 1907 and Treasurer's Instruction 903, the Superannuation Board is required to disclose details of expenditure incurred during the year in relation to the following items:

Advertising Agencies	Nil
Market Research Organisations	Nil
Polling Organisations	Nil
Direct Mail Organisations	Nil
Media Advertising Organisations	Nil

PUBLICATIONS

The Board produces and makes available to members the following publications. They are provided to assist members in understanding their options and entitlements, and to encourage consolidation of superannuation accounts into the Fire and Emergency Services Superannuation Fund.

- Product Disclosure Statement (Member Booklet)
- Member Newsletter
- Report to Members
- Annual Report
- Member Statements
- Fire and Emergency Services Superannuation Act and Regulations
- Actuarial Statements

FREEDOM OF INFORMATION (FOI)

Under section 96 of the Freedom of Information Act 1992, the Superannuation Board is required to publish an information statement that provides background on the operations of the Board, describes the documents held and the way in which the public can access information. It is the aim of the Board to make information available promptly and at the least possible cost.

There were no applications received during the year.

MEMBER COMPLAINTS

The Board has procedures in place to deal with any query or complaint a member may raise in relation to their superannuation. All complaints must be in writing and addressed to the Secretary.

There was one complaint received during the year.

The complaint was in regards to the distribution of a death benefit. The complaint was subsequently withdrawn.

EXTERNAL COMPLAINTS TRIBUNAL

If a member is not satisfied with the handling of a complaint or the Board's decision, they may be able to make a complaint to the Superannuation Complaints Tribunal.

The Tribunal is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of complaints with fund trustees.

The Tribunal may be able to assist the member to resolve their complaint, but only if the member has made use of the Board's own inquiries and complaints procedures. If the Tribunal accepts the member's complaint, it will attempt to resolve the matter through conciliation, which involves assisting the parties to come to a mutual agreement. If conciliation is unsuccessful, the complaint may be referred to the Tribunal for a determination which is binding.

For more information on the Tribunal and the type of information that must be provided, the Tribunal can be contacted on 1300 884 114 for the cost of a local call anywhere in Australia.

If assistance is required to make a complaint, please contact the Fund Secretary.

RECORDKEEPING PLAN

The Board is currently developing its formal Recordkeeping Policy.

OCCUPATIONAL SAFETY, HEALTH AND INJURY MANAGEMENT

The Board is committed to occupational, safety, health and injury management. All employees are regularly consulted on occupational safety and health matters.

Indicator	2012-13
Number of fatalities	Zero (0)
Lost time injury/disease (LTI/I) incidence rate	Zero (0)
Lost time injury severity rate	Zero (0)
Percentage of injured workers returned to work within 28 weeks	Zero (0) workers injured.

INVESTMENTS

Full details of the investments of the Fund are provided in the attached accounts.

INVESTMENT POLICY

In accordance with the requirements of the Superannuation Industry (Supervision) Act 1993 (section 52(6)), the Board has formulated the following investment policy:

Objective

To achieve investment returns of at least 2.0% per annum above increases in final average salaries over a rolling 10 year period

Strategy

To invest predominantly with external fund managers, with a proportion of the Fund being invested by the Board.

Constraints

1. The long term strategic asset allocation and ranges for the Fund's defined benefit assets is:

Asset class	Strategic Asset Allocation and ranges (%)
Australian shares	25 (5-45)
Overseas shares	15 (0-30)
Total equity	40 (20-60)
Target Return assets	30 (10-50)
Total equity and Target Return assets	70 (40-90)
Fixed interest	25 (0-50)
Cash	5 (0-50)
Total income assets	30 (10-60)
Total	100

2. The Board has set the long term strategic asset allocations and ranges for each investment option for Accumulation members in accordance with the table below:

Asset class	Growth/ Smoothed (%)	Capital Stable (%)	Australian Share (%)	Share (%)	Cash (%)
Australian shares	30 (10-50)	34 (24-44)	100 (90-100)	50 (40-60)	-
Overseas shares	20 (0-40)	-	-	50 (40-60)	-
Total equity	50 (30-70)	34 (24-44)	100 (90-100)	100 (90-100)	-
Target Return assets	15 (0-35)	-	-	-	-
Fixed interest	30 (10-50)	33 (13-53)	-	-	-
Cash	5 (0-30)	33 (13-53)	- (0-10)	- (0-10)	100
Total income assets	35 (15-55)	66 (56-76)	- (0-10)	- (0-10)	100
Total	100	100	100	100	100

3. The account based pension options are invested with the same asset allocations as the accumulation benefit section outlined above.
4. The Target Return portfolio comprises of asset classes which the Board expects to give a meaningful return (typically around CPI+5% pa), but not highly correlated to equity markets.
5. Target return investments include:
- Directly held property;
 - Infrastructure;
 - Hedge funds;
 - Real Return funds; any
 - Any other investments that the Board believes to have similar characteristics to the above.
6. The Board's benchmark approach to currency management in overseas equities is to leave currency exposure unhedged in order to achieve diversification benefits and to reduce hedging costs. The Board can allow the Fund's overseas equity investment managers to hedge currency exposure if those managers believe it will improve risk-adjusted returns.
7. The Board's benchmark approach to currency management in overseas fixed interest assets is to hedge currency exposure in order to reduce currency risks. The Board can allow the Fund's overseas fixed interest managers to gain exposure to overseas currencies if those managers believe it will improve risk-adjusted returns.
8. The Board will delegate the management of the majority of Fund assets to external investment managers.
9. Investments with external investment managers will be made via:
- Australian-domiciled unit trusts;

- b. Pooled superannuation trusts (PSTs);
 - c. Shares (listed or unlisted); or
 - d. Separately managed accounts.
10. The Board acknowledges that PSTs pay tax within the trust and therefore no further tax is payable, while other investments (eg fully distributing trusts) have not paid tax on their investment earnings.
11. The Board may only directly manage investments in:
- a. Directly held property; and/or
 - b. Cash.
12. The Board must receive independent advice prior to making any investment in directly held property.
13. Cash investments made by the Board are restricted to:
- a. Bank accounts and term deposits with a maximum term to maturity of 12 months
 - b. Banks with short term credit ratings of at least A2 (or equivalent)
 - c. Ensuring total exposure to A2 rated banks (or equivalent) is no more than 40% of the Board's cash holdings and
 - d. Ensuring that no single bank comprises more than 60% of the Board's cash holdings.
14. Unless otherwise approved by the Board, the Board will observe the following restrictions with respect to the Fund's investments:
- a. The level of funds allocated to any individual external Fund Manager is to be limited to a maximum of 30% of the Fund's Total Assets; and
 - b. No single directly held asset or security of any nature is to exceed 10% of any option or section of the Fund. Should exposure increase above 10% as a result of market movements, the Board will review the exposure to determine the most appropriate course of action taking into account the circumstances at the time.
15. If any of the above restrictions are breached, the Board will take appropriate action to address the breach.

Rebalancing of Assets

Some of the Board's investment managers have discretion to vary asset allocation based on their views of risk/adjusted returns. Further, the Board may take a view as to the expected risk/return attributes of particular asset classes.

As a result, asset allocation will not be re-balanced to benchmark on a regular basis but will reflect the views of the Board and underlying investment managers (within the ranges specified).

If asset allocation falls outside the specified ranges or does not meet the Board's agreed position, the Board will:

- a. Allocate future cash flow to bring asset allocation closer to the desired position; or

- b. If cash flow is not expected to rectify this situation within a reasonable timeframe (eg within six months) then the Board will transfer assets to rectify the situation.

The Board monitors the asset allocation and manager allocation for each option on a monthly basis.

Monitoring Investments and Reviewing the Investment Strategy

1. The monitoring and review of the investment performance of the Fund is considered at three levels.

Monthly

2. Based on information provided by the managers, the Fund Secretary will report to the Board on the manager's and the Fund's performance compared to the various indices and performance targets agreed to with the managers.
3. Each investment option's performance will be monitored separately. The principal goals in monitoring the investment portfolio's performance are to determine:
 - a. The return that the passive investment would have yielded from the benchmark portfolio;
 - b. The margin of additional return earned by adopting the particular investment approach;
 - c. The performance of each of the Fund's investment managers against their relevant benchmark; and
 - d. The performance of each Fund's investment managers against other similarly managed investment products.
4. Each investment manager's performance over a number of timeframes will be monitored against their objectives. The benchmarks and performance targets are outlined later in this section.
5. If managers consistently fail to achieve the long term objectives set, the Board will review their appointment.
6. Investment managers will make presentations to the Board at least once per year.
7. An external advisor will report on directly held property investments twice yearly.

Quarterly reviews

8. On a quarterly basis, in conjunction with the Fund's investment consultant, the performance of each of the Fund's investment options will be reviewed against its investment objectives. This review includes:
 - a. Review of performance of each option over the short term and longer term against benchmarks and investment objectives;
 - b. Recommendations of changes to strategy;
 - c. Notable investment manager developments; and
 - d. Check of compliance against this Policy.

Triennial reviews

9. Every three years the total investment strategy and the performance of all fund managers are to be formally reviewed by the Board:
- To take into account the nature of the benefits and the liability profile of the Fund;
 - To determine future growth requirements;
 - To re-examine all fund manager appointments on the basis of:
 - Changes to corporate structures or ownership
 - Significant personnel changes
 - Changes to underlying investment style or investment philosophy
 - The process used by the manager in application of the style;
 - A detailed analysis of past performance based on:
 - overall returns (net) against targets;
 - sector returns compared to targets; and
 - volatility.
 - Establishing Strategic Asset Allocations and ranges going forward.
10. If the Fund's circumstances change materially, then an out of cycle review of investment strategy will be conducted. Material changes that may trigger such a review include:
- A material change in the membership profile;
 - A significant change in the solvency of the Defined Benefit section; or
 - A significant change in investment market or economic conditions.
11. Any changes to investment strategy will be supported by sufficient justification and analysis for the amendment.

Benchmarks and targets

12. The benchmarks to be used and sector performance targets above the index which the Fund's managers are expected to achieve are:

Sector	Benchmark Index	Target
Australian Shares	S&P/ASX 300 Accumulation Index	+2.0%
Overseas Shares	MSCI World (Ex Aust) Index in \$A	+2.0%
Listed Property	S&P/ASX 300 Listed Property Index	+1.0%
Target Return Assets (Incl Directly Held Property)	Consumer Price Index (CPI)	+5.0%
Australian Fixed Interest	UBS Composite Bond Index	+0.5%
Overseas Fixed Interest	Citigroup World Government Bond Index – hedged to \$A	+0.5%
Cash	UBS Bank Bill Index	0.0%

13. Performance targets for multi-asset funds are based on the benchmark asset allocation for the fund and the above targets for each asset class.
14. The Board will document the reasons for any change in investment strategy or appointment/replacement of an external investment manager.

Implementation

The Board's Investment Policy was first implemented in 1992.

2014 ESTIMATES (not subject to audit)

	ACTUAL 2013 \$	ESTIMATE 2014 \$
Net Assets Beginning of period	394,090,294	453,079,410
INVESTMENT REVENUE		
Trust Distributions	8,556,140	8,000,000
Interest	2,665,339	3,000,000
Dividends	288,871	0
Changes in Net Market Value	53,151,146	30,000,000
Net Rental Income	1,986,175	2,000,000
Investment Fee Rebate	205,840	200,000
Direct Investment Expenses	(532,923)	(500,000)
CONTRIBUTION REVENUE		
Employer Contributions	14,252,115	15,000,000
Employee Contributions	307,123	300,000
Salary Sacrifice Contributions	9,634,016	10,000,000
Voluntary Contributions	1,474,309	1,500,000
Spouse Contributions	1,155,420	1,500,000
Transfers In	2,951,693	3,000,000
ATO Co-contribution	11,311	10,000
OTHER REVENUE		
Insurance Proceeds	1,188,960	800,000
Other	0	30,000
TOTAL REVENUE	97,295,535	74,840,000
EXPENSES		
Group Life Premiums	(1,594,526)	(1,600,000)
Administration	(1,504,676)	(1,412,000)
New Administration System	(1,508,302)	(150,000)
Excess Contributions Tax	0	0
Benefits paid	(27,636,181)	(26,000,000)
Capital	(173,911)	(120,000)
Net Surplus Before Tax	64,877,939	45,543,000
Income Tax Expense	5,888,823	4,000,000
Net Assets End of period	453,079,410	494,637,410

OUTPUT SUMMARY (not subject to audit)

Outcome: To provide superannuation and related benefits to members of the Fund in accordance with legislative requirements.

Output: Provision of Superannuation service to members.

Description: This output involves the induction of new members, receipt of contributions, investment of funds, reporting to members and payment of benefits.

Output Measures:

	2012/13 Actual	2013/14 Target
Quantity		
Number of members serviced	2,008	2,050
Total net assets under management	\$453M	\$495M
Quality		
Number of Audit Exceptions	nil	nil
Rate of return above the increase in 3 year average salaries over rolling 10 year periods	0.3%	2.0%
Timeliness		
Average time within which to satisfy member queries	24 hours	24 hours
Cost		
Management Expense Ratio (MER)	0.52%	0.40%

(MER is a ratio expressing the administration and direct investment expenses as a proportion of the average net asset value of the Fund.)

The above MER does not include the 'one-off' cost for the new administration system.

**FIRE AND EMERGENCY SERVICES
SUPERANNUATION BOARD**

**STATEMENT OF CERTIFICATION OF
PERFORMANCE INDICATORS**

We hereby certify that the performance indicators:

- (i) are based on proper records;**
- (ii) are relevant and appropriate for assisting users to assess the performance of the Fire and Emergency Services Superannuation Board; and**
- (iii) fairly represent the performance of the Fire and Emergency Services Superannuation Board for the financial year ended 30 June 2013.**



F SCIARRONE

CHAIRMAN

19 September 2013



B D LONGMAN

BOARD MEMBER

19 September 2013

FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

PERFORMANCE INDICATORS

The Fire and Emergency Services Superannuation Board's primary outcome is:

To provide superannuation and related benefits to members of the Fund in accordance with legislative requirements. This includes:

- maintaining the long term viability of the Fund; and
- ensuring that the Fund does not breach any of the requirements prescribed for a Regulated Fund under the Superannuation Industry (Supervision) Act 1993 and Regulations (SIS), and the Corporations Act 2001 and Regulations.

EFFECTIVENESS INDICATORS

Viability of the Fund

The extent to which (as identified in an annual Actuarial Review):-

- 1.1. The Board's investment objective is to achieve investment returns of at least 2.0% per annum above the increase in three-year final average salaries over a rolling ten-year period.

Over the ten-year period to 30 June 2013, the Fund's performance against the benchmark has been as follows:

(a)	Investment Returns (unadjusted):	6.9% per annum
(b)	Final Average Salary Increases:	6.6% per annum
(c)	Real Return:	0.3% per annum
(d)	Target Return:	2.0% per annum

For the ten years to 30 June 2013, the Fund fell short of its investment objective, as investment returns on an unadjusted basis were 0.3% (rather than 2.0%) over and above three-year final average salaries increases.

- 1.2. The target Asset Backing Index recommended by the Actuary is to maintain an Asset Backing Index of "85" over the next ten years.

The Actuarial report for the year ending 30 June 2013 reported the actual Asset Backing Index to be 81.

Compliance under SIS Legislation

- 1.3. The Fund meets the prescribed compliance requirements under the Superannuation Industry (Supervision) Legislation (SIS).

The auditor of the fund tested compliance with the Superannuation Industry (Supervision) Act and Regulations.

The audit conclusions did not indicate that there were any breaches of the provisions of the legislation tested by the auditor.

EFFICIENCY INDICATORS

2.1. The extent to which the average benefit payment delay to members is minimised.

A total of 99 members exited from the Fund during 2012/13, and payments were made as follows:

Retained in the Fund	
Account Based Pensions	5
Retained Benefits	70
Paid/Transferred out of the Fund	
Cash	1
Rollover to another Fund	7
Transfer to Eligible Rollover Fund *	16
Total Payments Processed	5,431
(Includes pension payments and commutations from Pension accounts and withdrawals from Retained Benefits.)	
Payments Outstanding	0

* All members who have small inactive accounts are transferred to the Australian Eligible Rollover Fund if no advice is received within 30 days of request.

The following table reflects the time taken to process payments to the members.

	2012/13	2011/12	2010/11	2009/10	2008/09
0 – 1 day	5,220 (96%)	5,809 (98%)	6,130 (98%)	5,587 (99%)	5,630 (99%)
2 – 5 days	175 (3%)	130 (2%)	98 (2%)	78 (1%)	79 (1%)
over 5 days	36 (1%)	13 (0%)	12 (0%)	4 (0%)	7 (0%)

2.2 The extent to which the cost of administering the Fund is minimised.

	2012/13	2011/12	2010/11	2009/10	2008/09
Administration Expenses	\$1,678,587	\$1,274,401	\$984,964	\$925,220	\$917,386
As a percentage of Contributions received	5.64%	4.18%	3.46%	3.34%	3.41%
As a percentage of Total Net Assets	0.37%	0.32%	0.25%	0.26%	0.28%



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

Report on the Financial Statements

I have audited the accounts and financial statements of the Fire and Emergency Services Superannuation Board.

The financial statements comprise the Statement of Net Assets as at 30 June 2013, the Statement of Changes in Net Assets for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Fire and Emergency Services Superannuation Board at 30 June 2013 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Fire and Emergency Services Superannuation Board during the year ended 30 June 2013.

Controls exercised by the Fire and Emergency Services Superannuation Board are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Board's Responsibility for Controls

The Board is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Fire and Emergency Services Superannuation Board based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Board complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion

In my opinion, the controls exercised by the Fire and Emergency Services Superannuation Board are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2013.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Fire and Emergency Services Superannuation Board for the year ended 30 June 2013.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Board's Responsibility for the Key Performance Indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Board determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Board's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Opinion

In my opinion, the key performance indicators of the Fire and Emergency Services Superannuation Board are relevant and appropriate to assist users to assess the Board's performance and fairly represent indicated performance for the year ended 30 June 2013.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Fire and Emergency Services Superannuation Board for the year ended 30 June 2013 included on the Board's website. The Board's management is responsible for the integrity of the Board's website. This audit does not provide assurance on the integrity of the Board's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
20 September 2013

FIRE AND EMERGENCY SERVICES

SUPERANNUATION FUND

STATEMENT OF CERTIFICATION

FINANCIAL STATEMENTS

The accompanying financial statements of the Fire and Emergency Services Superannuation Fund have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the period 1 July 2012 to 30 June 2013 and the financial position as at 30 June 2013.

At the date of signing we are not aware of any circumstances that would render the particulars included in the financial statements misleading or inaccurate.



F SCIARRONE

CHAIRMAN

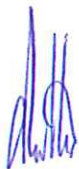
19 September 2013



B D LONGMAN

BOARD MEMBER

19 September 2013



A B RUTTER

CHIEF FINANCE OFFICER

19 September 2013

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 \$	2012 \$
INVESTMENT REVENUE			
Interest		2,665,339	2,932,217
Dividends		288,871	404,419
Trust distributions		8,556,140	8,309,110
Net rental income		1,986,175	2,022,814
Changes in net market values of investments	8(a)	53,172,257	(11,363,593)
Direct investment expenses		(327,083)	(250,486)
		<hr/> 66,341,699	<hr/> 2,054,481
CONTRIBUTION REVENUE			
Employer contributions		23,886,131	24,522,905
Member contributions		318,434	324,266
Member voluntary contributions		1,474,309	1,560,642
Spouse contributions		1,155,420	2,051,991
Transfers in		2,951,693	2,015,923
		<hr/> 29,785,987	<hr/> 30,475,727
OTHER REVENUE			
Changes in net market values of other assets	8(b)	(21,111)	(16,745)
Insurance proceeds		1,188,960	1,292,412
Family law fee		-	165
		<hr/> 1,167,849	<hr/> 1,275,832
TOTAL REVENUE		<hr/> 97,295,535	<hr/> 33,806,040
EXPENSES			
General administration expenses	9	1,678,587	1,274,401
Expenses for new administration system		1,508,302	-
Group life premiums		1,594,526	1,423,449
ATO excess contributions tax		-	11,319
Benefits paid		27,636,181	22,598,074
		<hr/> 32,417,596	<hr/> 25,307,243
TOTAL EXPENSES		<hr/> 32,417,596	<hr/> 25,307,243
CHANGES IN NET ASSETS BEFORE TAX		<hr/> 64,877,939	<hr/> 8,498,797
INCOME TAX EXPENSE	10(a)(b)	<hr/> 5,888,823	<hr/> 2,974,510
CHANGES IN NET ASSETS AFTER TAX		<hr/> 58,989,116	<hr/> 5,524,287
NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the period		<hr/> 394,090,294	<hr/> 388,566,007
NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the period		<hr/> 453,079,410	<hr/> 394,090,294

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

STATEMENT OF NET ASSETS AS AT 30 JUNE 2013

	Notes	2013 \$	2012 \$
ASSETS			
Cash Assets			
Cash and cash equivalents		12,637,397	3,598,215
Receivables			
Distributions receivable		3,259,253	2,134,701
Other receivables		610,100	348,134
Accrued interest		362,342	524,792
Investments			
Interest bearing investments	11	53,853,511	43,662,896
Fixed interest securities	12	6,837,185	6,641,610
Securities in listed entities	13	4,667,894	9,725,542
Units in unlisted unit trusts	14	228,619,272	200,203,181
Insurance policies	15	17,869,254	16,003,326
Pooled superannuation trusts	16	92,621,477	79,840,735
Land and buildings	17	32,275,921	28,957,500
Other Assets			
Prepayments		204,994	-
Furniture, office equipment and motor vehicle		225,800	73,000
Deferred tax assets	10(e)	1,266,550	4,853,766
TOTAL ASSETS		455,310,950	396,567,398
LIABILITIES			
Creditors and accruals	18	1,206,173	400,099
Employee entitlements		73,444	64,716
Current tax liabilities	10(c)	951,923	2,010,246
Deferred tax liabilities	10(d)	-	2,043
TOTAL LIABILITIES		2,231,540	2,477,104
NET ASSETS AVAILABLE TO PAY BENEFITS	5,6	453,079,410	394,090,294

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. REPORTING ENTITY

Fire and Emergency Services Superannuation Fund (Fund) is a predominately a defined benefit fund and the objective of the Trustees is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable the Fund is domiciled in Australia. The registered office of Fire and Emergency Services Superannuation Fund is:

242 Rokeby Road
Subiaco WA 6008

The Fund was established under the Fire and Emergency Services Superannuation Act 1985 as amended.

The Fund primarily is involved in providing retirement benefits to its members. The Fund was established under the Fire and Emergency Services Superannuation Act 1985 as amended.

The Trustee of the Fund is Fire and Emergency Services Superannuation Board (RSE No L0001700).

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements are general purpose statements which have been drawn up in accordance with Australian accounting standards including AAS25 "Financial Reporting by Superannuation Plans" ("AAS25") as amended by AASB 2005-13 (December 2005), other applicable Accounting Standards and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations ("SIS") and the provisions of the Trust Deed.

International Financial reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB. Certain requirements of AAS25 however differ from the equivalent requirements that would be applied under IFRS.

For the purposes of preparing the financial statements, the Fund is a not for profit entity.

The financial statements were approved by the Board of the Trustee, Fire and Emergency Services Superannuation Board on 19 September 2013.

(b) Basis of Measurement

The financial statements have been measured on a Net Market Value basis.

(c) Functional and Presentation Currency

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

Amounts have been rounded to the nearest thousand dollars except where otherwise noted.

(d) Use of Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting assumptions and estimates. It also requires the Trustee and management to exercise judgement in the process of applying the entity's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for accrued benefits, which are not brought to account but disclosed by way of note.

(e) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year information and other disclosures.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Investments

Investments of the Fund are initially recognised using trade date accounting. From this date any gains and losses arising from changes in net market value are recorded.

Estimated costs of disposal are deducted in the determination of net market value. As disposal costs are generally immaterial, unless otherwise stated, net market value approximates fair value.

Net Market Values have been determined as follows:

Market quoted investments

The net market value of an investment for which there is a readily available market quotation is determined as the last quoted sale price at the close of business on reporting date, less an appropriate allowance for costs expected to be incurred in realising the investments.

Non-market quoted investments

Investments for which market quotations are not readily available are valued at the net fair value determined by the Trustee as follows:

- Unlisted securities – recorded with reference to recent arm's length transactions, current market value of another instrument substantially the same or discounted cash flows, less estimated realisation costs.
- Where discounted cash flow techniques are used, estimated future cash flows are based on Trustee's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms, condition and risk.
- Where other pricing models are used, inputs are based on market data at the reporting date.
- Private equity investments are valued according to the most recent valuation obtained from the underlying manager at net market value adjusted for subsequent investments, redemptions and significant changes in underlying market conditions through to balance date.

Units in pooled superannuation trusts and unlisted managed investment schemes

These are valued at the redemption price at reporting date quoted by the investment managers which are based on the net market value of the underlying investments. Unit values denominated in foreign currency are translated to Australian dollars at the current exchange rates.

Insurance policies

These are valued at the surrender value of insurance policies or the quoted redemption price at balance date as advised by the Insurer or investment manager.

Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant & equipment). Investment properties are initially recorded at cost of acquisition, less any disposal costs, at the date of acquisition.

The carrying amount of an investment property is the net market value of the property which is determined using the capitalisation of net rental income and the discounted cash flow methods and also having regard to recent market transactions for similar properties in the same location as the Fund's investment property. Generally, the market value is determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Derivative Financial Instruments

Derivative financial instruments including financial futures and forward exchange contracts, interest rate swaps, exchange traded and other options and forward rate agreements are recorded at mark to market basis at balance date using the most recent verifiable sources of market prices or generally accepted valuation principles.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits

Cash equivalents are short term, highly liquid investments that are readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value.

(c) Foreign Currency

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences are recognised in the statement of changes in net assets.

(d) Receivables

Interest receivable represents accrued interest revenue from government securities, other fixed interest securities, money market securities and derivatives.

Receivables are carried at nominal amounts accrued or due at reporting date, which approximate fair value.

(e) Financial Liabilities

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

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time. Members who subsequently advise the Fund that they have ceased employment and were not included in benefits payable are included in vested benefits at year end.

Other payables are payable on demand or over short time frames of less than 60 days.

The Fund recognises financial liabilities at net market value as at reporting date with any change in net market values since the beginning of the reporting period included in the statement of changes in net assets.

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

(f) Revenue Recognition

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

Changes in net market value of investments

Changes in net market value of investments are recognised as income in the statement of changes in net assets the periods in which they occur. Changes in net market values are determined as the difference between the net market value at balance date or consideration received (if sold during the year) and the net market value at the previous balance date or the cost (if the investment was acquired during the year).

Interest revenue

Interest revenue is recognised in the statement of changes in net assets as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend revenue

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

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue Recognition (continued)

Trust distribution revenue

Distributions from managed investment schemes are recognised on the date the unit value is quoted ex-distribution and the Fund is entitled to receive the distribution. If not received at reporting date, the distribution receivable is reflected in the statement of net assets as a receivable at net market value.

Contributions revenue and transfers in

Contributions revenue and transfers in are recognised when the control and the benefits from the revenue have transferred to the Fund and is recognised gross of any taxes in the period to which they relate.

Property revenue

Rental revenue from investment property is recognised on an accrual basis over the term of the lease and if not received at reporting date is reflected in the statement of net assets as a receivable at net market value. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

(g) Income Tax

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act and accordingly the concessional tax rate of 15% has been applied.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(h) Contribution Surcharge

The contribution surcharge is recorded as an expense in the Statement of Changes in Net Assets if an amount has been paid or an assessment has been received during the period irrespective of the period to which the surcharge related. A liability for future payments is only recognised if an assessment has been issued by the Australian Taxation Office (ATO) and was unpaid at balance date.

The Superannuation Laws Amendment (Abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Goods and Services Tax

GST incurred that is not recoverable from the ATO has been recognised as part of the cost of acquisition of the asset or as part of the expense to which it relates.

Receivables and payables are stated with the amount of GST included in the value.

The amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Net Assets.

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

(j) Excess Contributions Tax

The ATO may issue release authorities to members of the Fund relating to the relevant member's excess contributions tax that is payable in respect of the member's concessional and/or non-concessional contributions for a particular year.

The liability for excess contributions tax will be recognised when the relevant release authorities are received from members, as the Trustee considers this is when it can be reliably measured.

The excess contributions tax liability recognised by the Fund will be charged to the relevant members' accounts.

(k) No-TFN Contributions Tax

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

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

(l) Financial Instruments

(a) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial assets are recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or liabilities are recorded. Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempt from the scope of AASB139.

(b) Measurement

Financial instruments are initially measured at cost, being the fair value of the consideration given. Subsequent to initial recognition all financial instruments are valued at net market value.

(c) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Fund transfers substantially all the risks and rewards of ownership of the asset.

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

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 30 June 2013, and have not been applied in preparing these financial statements. Those which may be relevant for the Fund are set out below. The Fund does not plan to adopt these standards early.

AASB 10 Consolidated Financial Statements

AASB 10 introduces a single control model to determine whether the investee should be consolidated. As a result the Fund may need to consider whether an investee should be consolidated. The Fund may need to change its consolidation conclusion in respect to its investees, which may lead to changes in the current accounting for its investees. The standard is effective for annual periods beginning on or after 1 January 2013.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments to IFRS define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value. As a result, the Fund may qualify as an investment entity under the amendments and need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for its investees.

The AASB has issued ED 233 *Australian Additional disclosures – Investment Entities*, which proposes in addition to require additional disclosures of consolidated financial information where the exception applies. ED 233 and the Investment Entities Amendments, if adopted as final standards by the AASB are proposed to be effective for annual periods beginning on or after 1 January 2014.

4. FUNDING ARRANGEMENTS

The funding policy adopted in respect of the Fund 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 Fund membership, salary growth and average market value of Fund's assets.

The employer has contributed to the Fund in 2013 at a standard rate of 11.75% (2012: 11.75%) of the salaries of those permanent employees who elected to be defined benefit members of the Fund. The employer has also made additional contributions at the rate of 1% (2012: 1%) to fund the supplementary disablement benefits. Employees contributed to the Fund at the rate of 6.25% of salary for 2013 (2012: 6.25%).

For those members of the Fund who have not elected, or are unable, to become defined benefit members, the employer contributed at the rate of 9% salaries for 2013 (2012: 9%).

The Fund also received salary sacrifice contributions during the year ended 30 June 2013.

Members make additional voluntary contributions at variable rates.

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

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5. LIABILITY FOR ACCRUED BENEFITS

The liability for accrued benefits represents the fund's present obligation to pay benefits to members and beneficiaries. The liability for accrued benefits is measured annually by a qualified actuary and has been determined on the basis of the present value of expected future payments which arise from membership of the fund up to the reporting date.

The figure reported has been determined by reference to expected salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The liability for accrued benefits includes the allocated benefits. The valuation of accrued benefits at the reporting date was undertaken by the actuary as part of a comprehensive review undertaken during 2013.

	2013 \$	2012 \$
Liability for accrued benefits at end of period	437,929,840	403,512,467

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of investment return earned on the Fund's investments would be 6.5%
- The future rate of salary increases would be 3.5% for basic salary increases plus promotional increases which average 1.5% pa

6. VESTED BENEFITS

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

	2013 \$	2012 \$
Accumulation Account Benefits		
Bonus Account Balances	11,302,180	10,984,748
Other Account Balances		
Defined Benefit Members	35,748,002	31,055,703
Accumulation Benefit Members	21,170,283	18,748,318
Non-Member Spouse Benefits	2,114,308	1,742,776
Spouse Accounts	11,340,170	9,969,284
Allocated Pensioners	51,444,381	47,962,417
Term Allocated Pensioners	729,394	697,952
Retained Benefits	57,453,276	52,231,063
	191,301,994	173,392,261
Defined Benefits	239,012,948	222,785,200
Supplementary Pension Liabilities	1,195,456	1,429,890
	431,510,398	397,607,351
Net assets	453,079,410	394,090,294
Surplus/(Deficit)	21,569,012	(3,517,057)

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7. GUARANTEED BENEFITS

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

8. CHANGES IN NET MARKET VALUES

	2013 \$	2012 \$
(a) Changes in net market value of investments		
Investments realised during the period		
Fixed Interest Securities	4,883	(18,865)
Insurance Policies	8,595	8,465
Pooled Superannuation Trusts	716,821	-
Securities in Listed Entities	2,628,441	44,780
Units in Unlisted Unit Trusts	5,038,296	(5,276)
	<hr/> 8,397,036	<hr/> 29,104
Investments held at reporting date		
Fixed Interest Securities	196,210	61,015
Insurance Policies	1,241,570	1,165,012
Securities in Listed Entities	-	(4,063,351)
Units in Unlisted Unit Trusts	26,752,415	(8,756,282)
Pooled Superannuation Trusts	16,063,921	(652,426)
Land and Buildings	521,105	853,335
	<hr/> 44,775,221	<hr/> (11,392,697)
	<hr/> 53,172,257	<hr/> (11,363,593)
(b) Changes in net market value of other assets		
Assets held at reporting date		
Furniture, Office Equipment and Motor Vehicle	(21,111)	(16,745)
	<hr/> (21,111)	<hr/> (16,745)

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9. GENERAL ADMINISTRATION EXPENSES

	2013 \$	2012 \$
Accounting and tax agent fees	54,252	52,991
Actuarial fees	94,618	71,995
APRA fees	115,639	138,789
Audit fees – external	67,180	64,570
Audit fees – internal	50,561	1,127
Board fees & allowances	28,359	48,418
Conference & seminars	35,189	22,687
Consulting fees	288,341	152,483
Data processing expenses	343,443	162,138
Data processing – new admin system	-	76,013
Fringe benefits tax	7,189	11,809
Insurance other	9,983	9,015
Journals & publications	6,995	6,411
Legal fees	105,419	54,600
Medical expenses	2,245	-
Miscellaneous costs	13,054	13,513
Motor vehicle expenses	8,869	7,359
Office expenses	11,801	6,726
Postage & couriers	4,557	6,394
Printing & stationery	33,494	33,880
Rent & outgoings	17,629	17,420
Salaries	229,306	170,663
Subscriptions & licenses	5,124	15,785
Superannuation	86,482	73,727
Telephone	6,379	3,812
Temporary staff costs	-	12,072
Travel & accommodation	27,728	24,087
Trustee Indemnity Insurance	24,751	15,917
	<u>1,678,587</u>	<u>1,274,401</u>

10. TAXATION

	2013 \$	2012 \$
(a) Major components of tax expense		
Current income tax		
- Current tax charge	3,219,774	4,289,089
- Adjustment to current tax for prior period	(916,124)	(188,020)
Deferred income tax		
- Relating to the origination and reversal of temporary differences	3,585,173	(1,126,559)
Income tax expense	<u>5,888,823</u>	<u>2,974,510</u>

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10. TAXATION (CONTINUED)

	2013 \$	2012 \$
(b) Income tax expense		
Changes in net assets before tax	64,877,939	8,498,797
Tax applicable at the rate of 15% (2012 15%)	9,731,691	1,274,820
Tax effect of income/(losses) that are not assessable/(deductible) in determining taxable income		
- Investment income	(3,278,431)	(145,660)
- Discount capital gains	(1,757,905)	570,285
- Member contributions & transfers In	(884,978)	(892,923)
- Insurance proceeds	(174,344)	(193,862)
- Non assessable pension income	(353,757)	(340,873)
Tax effect of expenses that are not deductible in determining taxable income		
- Benefits paid	4,145,427	3,389,711
- ATO excess contributions tax	-	1,698
- Non-deductible expenses	508	489
Tax effect of other adjustments		
- Imputation & foreign tax credits	(1,369,910)	(504,636)
- Self insurance	(63,000)	(54,000)
- Over provision prior periods	(106,478)	(130,539)
Income tax expense	5,888,823	2,974,510
(c) Current tax liabilities		
<u>Provision for current income tax</u>		
Balance at beginning of year	2,010,246	2,099,245
Income tax paid – current period	(2,267,851)	(2,278,842)
Income tax paid – prior periods	(1,099,167)	(1,911,226)
Current years income tax expense	3,219,774	4,289,089
Over provision prior year	(911,079)	(188,020)
	951,923	2,010,246
(d) Deferred tax liabilities		
The amount of deferred tax liability recognised in the Statement of Net Assets:		
Accrued income	-	2,043

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10. TAXATION (CONTINUED)

	2013	2012
	\$	\$
e) Deferred tax assets		
The amount of deferred tax asset recognised in the Statement of Net Assets:		
Accrued expenses	51,705	51,644
Accrued income	(4,980)	-
Contributions received in advance	440	-
Unrealised losses on investments	1,219,385	4,802,122
	<hr/> 1,266,550	<hr/> 4,853,766

11. INTEREST BEARING INVESTMENTS

	2013	2012
	\$	\$
Adelaide Bank Term Deposit	3,000,000	2,000,000
AMP Term Deposit	1,000,000	-
ANZ Bank Term Deposit	1,500,000	2,000,000
Bank of Queensland Term Deposits	9,500,000	10,000,000
ING Term Deposit	1,250,000	1,500,000
Macquarie Bank Term Deposits	5,000,000	5,000,000
Macquarie Cash Management Trust	1,318,500	1,950,518
Members Equity Term Deposits	12,049,093	3,500,000
National Australia Bank Term Deposits	7,000,000	6,000,000
Rabobank Term Deposit	1,000,000	1,000,000
SGB Term Deposit	1,000,000	-
SUN Term Deposit	500,000	-
Suncorp Metway Term Deposit	-	4,000,000
Westpac Term Deposits	9,735,918	6,712,378
	<hr/> 53,853,511	<hr/> 43,662,896

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12. FIXED INTEREST SECURITIES

	2013 \$	2012 \$
AMP Bank Sub Debt	527,930	-
ANZ FR Sub Debt	1,020,810	-
Bank of Queensland FRN	504,075	-
Bank of Queensland Sub Debt (Jun 13)	-	500,535
Bank of Queensland Sub Debt (Nov 13)	502,760	501,740
Bank of Queensland Sub Debt (Nov 13)	1,052,090	-
Barclays Bank FRN	-	489,885
Beryl (AAA Global Bank Note 2)	125,000	109,000
Beryl (AAA Global Bank Note)	-	114,000
Colonial Finance FRN	-	505,730
Deutsche Bank CG Yield Curve Note	1,002,610	964,290
Morgan Stanley Sub Debt	-	1,004,740
NAB FR Sub Debt	1,041,630	-
Royal Bank of Scotland Sub Debt	-	998,070
SMHL 2012-1 B	1,060,280	-
St George Bank Sub Debt	-	529,620
Zircon (Coolangatta AA)	-	500,000
Zircon (Miami AA)	-	424,000
	<hr/> 6,837,185 <hr/>	<hr/> 6,641,610 <hr/>

13. SECURITIES IN LISTED ENTITIES

	2013 \$	2012 \$
ANZ CPS	-	987,538
ANZ Subordinated Notes	659,685	500,734
Australand ASSETS	872,904	265,665
Heritage Building Society Notes	-	547,250
Heritage Retail Bonds	313,425	481,211
Linq Resources Fund	-	5,691,047
Multiplex SITES Trust	937,648	544,762
NAB Subordinated Notes	892,217	-
Nexus Bonds	-	358,091
Suncorp Subordinated Notes	992,015	-
Westpac Trust Preferred Securities	-	349,244
	<hr/> 4,667,894 <hr/>	<hr/> 9,725,542 <hr/>

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. UNITS IN UNLISTED UNIT TRUSTS

	2013	2012
	\$	\$
APN National Storage Property Trust	472,700	484,700
Ausbil Australian Active Equity Fund	21,942,966	26,583,709
Blackrock Scientific Div Growth Fund	86,436,157	72,761,263
CNA Capital International Global Equity Fund	2,462,763	11,719,480
Fremantle Esplanade Hotel Trust	13,153,361	-
Schroder Balanced Fund	103,494,946	87,857,901
Super Loans Trust	656,379	796,128
	<hr/>	<hr/>
	228,619,272	200,203,181
	<hr/>	<hr/>

15. INSURANCE POLICIES

	2013	2012
	\$	\$
AMP Diversified Property	17,869,254	16,003,326
	<hr/>	<hr/>

16. POOLED SUPERANNUATION TRUSTS

	2013	2012
	\$	\$
Maple Brown Abbott Pooled Superannuation Trust	92,621,477	79,840,735
	<hr/>	<hr/>

17. LAND AND BUILDINGS

	2013	2012
	\$	\$
Howe Street	7,634,250	7,507,500
Kings Park Road	22,425,000	21,450,000
Rokeby Road, Subiaco	2,216,671	-
	<hr/>	<hr/>
	32,275,921	28,957,500
	<hr/>	<hr/>

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18. CREDITORS AND ACCRUALS

	2013 \$	2012 \$
Accounting fees	30,619	32,728
Actuarial fees	48,355	121,709
APRA fees	105,771	78,841
Audit fees	91,520	51,601
Contributions received in advance	2,923	-
GST payable	-	51,236
PAYG withholding tax	53,122	39,555
Sundry creditors	421,685	24,429
Unsettled investment transactions	452,178	-
	<u>1,206,173</u>	<u>400,099</u>

19. GENERAL DISCLOSURE

	2013	2012
In accordance with Treasurer's Instruction 952 the following general disclosure is made:		

(a) Remuneration and allowances paid to Senior Officers:

Total remuneration to Senior Officers	\$215,298	\$207,968
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(b) The number of Senior Officers, other than members of the Accountable Authority, whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, fall within the following bands are:

\$150,000 - \$159,999	1	1
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(c) Remuneration and allowances paid to Members of the Accountable Authority:

Total remuneration to Members of the Accountable Authority	\$59,768	\$48,418
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(d) The number of Members of the Accountable Authority whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, fall within the following bands are:

\$0 - \$9,999	3	3
\$10,000 - \$19,999	2	2
\$20,000 - \$29,999	1	1

The Trustee of the Fund throughout the year was Fire and Emergency Services Superannuation Board. The members of the Board are considered to be the Key Management Personnel of the Fund.

The members of the Board at 30 June 2013 are:

- Dale Fulcher
- Dennis Barton
- Gary Clifford
- Brian Longman
- Frank Sciarrone
- Tania Longman

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

19. GENERAL DISCLOSURE (CONTINUED)

(e) Compensation of Related Parties

Vantage Wealth Management is a related party of the Fund as Frank Sciarrone is both a member of the Board and a director of Vantage Wealth Management. Vantage Wealth Management received management fees of \$66,404 during the financial year (2012: \$53,298).

The Fund held an investment portfolio managed by Vantage Wealth Management totalling \$20,046,279 at 30 June 2013 (2012: \$18,111,325).

Apart from these details already disclosed, no related parties have entered into a contract for services with the fund since the end of the previous financial year and there were no contracts involving related parties existing at year end.

20. EXPLANATORY STATEMENT

(a) Comparison 2013 results to 2012 results

	Actual 2013 \$	Actual 2012 \$	Variance \$
INVESTMENT REVENUE			
Interest	2,665,339	2,932,217	(266,878)
Dividends	288,871	404,419	(115,548)
Trust Distributions	8,556,140	8,309,110	247,030
Net Rental Income	1,986,175	2,022,814	(36,639)
Changes Net Market Value	53,172,257	(11,363,593)	64,535,850
Direct Investment Expenses	(327,083)	(250,486)	(76,597)
Contributions	29,785,987	30,475,727	(689,740)
Other Revenue	1,167,849	1,275,832	(107,983)
TOTAL REVENUE	97,295,535	33,806,040	63,489,495
EXPENSES			
Administration	1,678,587	1,274,401	404,186
Expenses for new administration system	1,508,302	-	1,508,302
Group Life Premiums	1,594,526	1,423,449	171,077
ATO excess contributions tax	-	11,319	(11,319)
Benefits paid	27,636,181	22,598,074	5,038,107
TOTAL EXPENSES	32,417,596	25,307,243	7,110,353
CHANGES IN NET ASSETS BEFORE TAX	64,877,939	8,498,797	56,379,142
INCOME TAX EXPENSE	5,888,823	2,974,510	2,914,313
CHANGES IN NET ASSETS AFTER TAX	58,989,116	5,524,287	53,464,829
NET ASSETS BEGINNING OF PERIOD	394,090,294	388,566,007	5,524,287
NET ASSETS END OF PERIOD	453,079,410	394,090,294	58,989,116

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

20. EXPLANATORY STATEMENT (CONTINUED)

Explanation of Significant Variances

Changes in Net Market Value

Investment values increased during the financial year due to an improvement in investment markets.

Administration Expenses

The administration expenses are higher for the 2013 year due to the costs of installing a new administration system during the year.

Benefits Paid

Benefit payments are higher than the previous year due to more members leaving the Fund.

Income Tax Expense

Income tax expense was higher in the current year mainly due the increase in investment revenue.

(b) Comparison Actual to Estimates

	Actual 2013 \$	Budget 2013 \$	Variance Unaudited \$
INVESTMENT REVENUE			
Interest	2,665,339	3,000,000	(334,661)
Dividends	288,871	400,000	(111,129)
Trust Distributions	8,556,140	10,000,000	(1,443,860)
Net Rental Income	1,986,175	1,500,000	486,175
Changes Net Market Value	53,172,257	15,000,000	38,172,257
Direct Investment Expenses	(327,083)	(100,000)	(227,083)
Contributions	29,785,987	30,000,000	(214,013)
Other Revenue	1,167,849	830,000	337,849
TOTAL REVENUE	97,295,535	60,630,000	36,665,535
EXPENSES			
Administration	1,678,587	1,516,000	162,587
Capital	1,508,302	260,000	1,248,302
Group Life Premiums	1,594,526	1,400,000	194,526
Contributions surcharge	-	15,000	(15,000)
Benefits paid	27,636,181	23,600,000	4,036,181
TOTAL EXPENSES	32,417,596	26,791,000	5,626,596
CHANGES IN NET ASSETS BEFORE TAX	64,877,939	33,839,000	31,038,939
INCOME TAX EXPENSE	5,888,823	4,500,000	1,388,823
CHANGES IN NET ASSETS AFTER TAX	58,989,116	29,339,000	29,650,116
NET ASSETS BEGINNING OF PERIOD	394,090,294	394,090,294	-
NET ASSETS END OF PERIOD	453,079,410	423,429,294	29,650,116

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

20. EXPLANATORY STATEMENT (CONTINUED)

Explanation of significant variances

Trust Distributions

Trust distributions were lower than anticipated. Distributions vary from year to year, and are dependent on the performance of the trusts.

Changes in Net Market Values

Changes in the net market value of investments are largely determined by investment market conditions prevailing during and at the reporting date

Administration Expenses

The administration expenses are higher than estimated due to the costs of installing a new administration system that was not factored into the estimates.

Benefits Paid

The Fund paid more benefits than was anticipated.

Income Tax Expense

Income tax expense was higher than anticipated due to higher investment revenue for the year.

21. AUDITOR'S REMUNERATION

	2013 \$	2012 \$
Amounts paid or due and payable to Auditor General for the following services:		
• Audit services – external	66,631	64,570
• Other services	-	-
Amounts paid or due and payable to Ernst & Young for the following services:		
• Audit services – internal	50,561	1,127
• Other services	-	-
	<hr/> 117,192	<hr/> 65,697

22. FINANCIAL INSTRUMENTS

The Fund's assets principally consist of financial instruments which comprise units in pooled superannuation trusts, insurance policies and unlisted trusts, interest bearing investments, fixed interest securities, securities in listed and unlisted entities, managed investment portfolios and land and buildings. It holds these investment assets in accordance with the Trustee's published investment policy statement.

The allocation of assets between the various types of financial instruments is determined by the Trustee who manages the Fund's portfolio of assets to achieve the Fund's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund on at least a monthly basis.

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

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Trustee of the Fund has overall responsibility for the establishment and oversight of the Fund's risk management framework.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL INSTRUMENTS (CONTINUED)

The Trustee is responsible for developing and monitoring the Fund's risk management policies, including those related to its investment activities. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

In managing and monitoring the risks the Trustee on a monthly basis monitors compliance with the Fund's investment policy statement. The Fund's investment consultant provides occasional recommendations in relation to the review or retention of investments. The Trustee appoints the Investment Consultant to complete independent reviews of the Fund's investments when it considers it necessary.

The Fund's Trustee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

Categories of financial instruments

The assets and liabilities of the Fund are recognised at net market value as at reporting date. Net market value approximates fair value less costs of realisation for investments. The cost of realisation is minimal and therefore net market value that is carrying value approximates fair value. Changes in net market value are recognised through the Statement of Changes in Net Assets.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency Risk

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

The Fund invests in Australian domiciled investments where the underlying investments may include overseas equities. These investments are all denominated in Australian dollars.

Interest rate risk

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

The majority of the Fund's financial assets comprise non-interest-bearing and interest rate financial instruments. Interest-bearing financial assets and interest-bearing financial liabilities mature or re-price due to market changes. As a result, the Fund is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Fund are invested in cash management trusts. Investments in debt securities are fixed rate instruments with various terms to maturity. The Fund also invests in Australian domiciled unit trusts where the underlying investments are in fixed interest securities.

At the reporting date, the interest rate profile of the Fund's interest-bearing financial instruments was:

	Fair Value 2013 \$	Fair Value 2012 \$
Fixed rate instruments		
Financial assets - Australian	6,837,185	6,641,610

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

The Fund accounts for fixed rate financial assets at fair value as determined by the investment manager through the Statement of Changes in Net Assets.

The investment manager advised that the fair value of the fixed rate instruments owned by the Fund are not significantly affected by movements in interest rates as they are "floating rate notes" whose coupon is re-set every three months in line with prevailing market interest rates. Their value is determined primarily by the credit margins of the underlying securities together with other market factors such as liquidity. Should there be a positive or negative movement in interest rates by 75 basis points the changes in net assets before tax would have increased/decreased by \$354,456 (2012: \$289,653).

Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are valued at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect investment revenue.

Sensitivity analysis

The Trustee has determined that the standard deviation of the rate of return for each asset class will provide a reasonably possible change in the prices of the investments that comprise each asset class. The five year average standard deviation of rates of return for each asset class, were provided by the Fund's asset manager. The following table illustrates the effect on change in net assets after tax and net assets available to pay benefits from possible changes in market price risk.

2013

Investment Option	Sensitivity variable	Standard Deviation	Change in net assets after tax \$	Net assets available to pay benefits \$
Cash	Average 5 year standard deviation	0.4%	±103,118	±103,118
Australian Bonds	Average 5 year standard deviation	3.3%	±1,823,433	±1,823,433
Australian Shares	Average 5 year standard deviation	15.8%	±19,779,212	±19,779,212
Property – Direct	Average 5 year standard deviation	4.0%	±2,518,685	±2,518,685
Property – Listed	Average 5 year standard deviation	21.5%	±1,891,794	±1,891,794
International Shares	Average 5 year standard deviation	17.9%	±14,025,023	±14,025,023
International Bonds	Average 5 year standard deviation	3.0%	±538,370	±538,370
Alternative	Average 5 year standard deviation	0.4%	±58,963	±58,963
Total			±40,738,598	±40,738,598

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL INSTRUMENTS (CONTINUED)

2012

Investment Option	Sensitivity variable	Standard Deviation	Change in net assets after tax \$	Net assets available to pay benefits \$
Cash	Average 5 year standard deviation	0.4%	±96,990	±96,990
Australian Bonds	Average 5 year standard deviation	3.3%	±1,627,331	±1,627,331
Australian Shares	Average 5 year standard deviation	16.6%	±19,958,690	±19,958,690
Property – Direct	Average 5 year standard deviation	23.3%	±1,767,275	±1,767,275
Property – Listed	Average 5 year standard deviation	4.1%	±1,829,268	±1,829,268
International Shares	Average 5 year standard deviation	18.4%	±14,007,345	±14,007,345
International Bonds	Average 5 year standard deviation	3.3%	±1,627,331	±1,627,331
Alternative	Average 5 year standard deviation	0.4%	±54,919	±54,919
Total			±40,969,149	±40,969,149

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment option's expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The net market value of financial assets, included in the Statement of Net Assets represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by the Trustee by monthly reporting from its investment manager.

The Fund does not have any assets, with the exception of some underlying assets held in its Vantage Wealth Portfolio, which are past due or impaired.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity position is monitored on a daily basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, Fund expenses plus investing activities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2013	Less than 3 months \$	3 Months to 1 year \$	Total Contractual Cash Flows \$	Carrying Amount (Asset)/Liabilities \$
Creditors & accruals	1,206,173	-	1,203,173	1,206,173
Employee entitlements	73,444	-	73,444	73,444
Current tax liabilities	1,175,073	(223,150)	951,923	951,923
Vested benefits	431,510,398	-	431,510,398	431,510,398
Total	433,965,088	(223,150)	433,741,938	433,741,938

30 June 2012	Less than 3 months \$	3 Months to 1 year \$	Total Contractual Cash Flows \$	Carrying Amount (Asset)/Liabilities \$
Creditors & accruals	400,099	-	400,099	400,099
Employee entitlements	64,716	-	64,716	64,716
Current tax liabilities	1,156,559	853,687	2,010,246	2,010,246
Vested benefits	397,607,351	-	397,607,351	397,607,351
Total	399,228,725	853,687	400,082,412	400,082,412

Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at year-end. This is the earliest date on which the fund can be required to pay members' vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

Fair Value Estimation

The carrying amounts of all the Fund's financial instruments at the balance date approximated their fair values.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value of Financial Instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
<i>(i) Listed equities and managed investment schemes</i>				
- Listed equity securities	4,667,894	-	-	4,667,894
- Unlisted managed investment schemes	-	228,619,272	-	228,619,272
- Insurance policies	-	17,869,254	-	17,869,254
- Pooled superannuation trusts	-	92,621,477	-	92,621,477
<i>(ii) Interest bearing securities</i>				
- Unlisted debt securities	-	6,712,185	125,000	6,837,185
- Cash deposits	53,853,511	-	-	53,853,511
	<u>58,521,405</u>	<u>345,822,188</u>	<u>125,000</u>	<u>404,468,593</u>

30 June 2012	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
<i>(i) Listed equities and managed investment schemes</i>				
- Listed equity securities	9,725,542	-	-	9,725,542
- Unlisted managed investment schemes	-	200,203,181	-	200,203,181
- Insurance policies	-	16,003,326	-	16,003,326
- Pooled superannuation trusts	-	79,840,735	-	79,840,735
<i>(ii) Interest bearing securities</i>				
- Unlisted debt securities	-	5,494,610	1,147,000	6,641,610
- Cash deposits	43,662,896	-	-	43,662,896
	<u>53,388,438</u>	<u>301,541,852</u>	<u>1,147,000</u>	<u>356,077,290</u>

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL INSTRUMENTS (CONTINUED)

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

30 June 2013	Unlisted debt securities	Unlisted managed investment schemes	Asset backed securities	Total
	\$	\$	\$	\$
Opening balance	1,147,000	-	-	1,147,000
Total gains and losses				
- In profit or loss	13,242	-	-	13,242
Purchases	-	-	-	-
Sales	(1,035,242)	-	-	(1,035,242)
Closing balance	125,000	-	-	125,000

Gains or losses included in profit or loss are presented in change in fair value of financial assets and liabilities at fair value through profit or loss as follows:

Total gains included in profit and loss for the period	13,242
Total gains included in profit or loss for the period for assets held at the end of the reporting period	13,242

30 June 2012	Unlisted debt securities	Unlisted managed investment schemes	Asset backed securities	Total
	\$	\$	\$	\$
Opening balance	1,087,595	-	-	1,087,595
Total gains and losses				
- In profit or loss	59,405	-	-	59,405
Purchases	-	-	-	-
Sales	-	-	-	-
Closing balance	1,147,000	-	-	1,147,000

Gains or losses included in profit or loss are presented in change in fair value of financial assets and liabilities at fair value through profit or loss as follows:

Total gains included in profit and loss for the period	59,405
Total gains included in profit or loss for the period for assets held at the end of the reporting period	59,405

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

23. OPERATIONAL RISK FINANCIAL RESERVE

The Board has determined that the Operational Risk Financial Requirement (ORFR) target amount for the Fund with effect from 30 June 2013 shall be 0.3% of fund assets under management.

24. SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the Fund's financial statements at 30 June 2013.