**Commonwealth Superannuation Scheme (ABN 19 415 776 361)**

**Statement by the Trustee of the Commonwealth Superannuation Scheme ('Scheme')**

The Board of Directors hereby states that in its opinion:

(a) the accompanying financial statements of the Commonwealth Superannuation Scheme are properly drawn up so as to present fairly the financial position of the Scheme as at 30 June 2018 and the financial performance, changes in equity, changes in member benefits and cash flows of the Scheme for the year ended on that date;

(b) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;

(c) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with subsection 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(d) the financial statements have been prepared based on properly maintained financial records; and

(e) the operations of the CSS Fund were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011,* the *Superannuation Act 1976* and the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the relevant requirements of the *Corporations Act 2001* and regulations (to the extent applicable).

Signed this 24th day of September 2018 in accordance with a resolution of directors of the Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Patricia Cross
Chair

Margaret Staib
Director

**Commonwealth Superannuation Scheme**
**Statement of Financial Position**
**As at 30 June 2018**

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | **45 103** | 43 870 |
| Employer sponsor receivable | | **62 212 895** | 62 213 695 |
| Other receivables | 4 | **246** | 461 |
| Investments in pooled superannuation trust | 5 | **2 743 005** | 2 981 552 |
| **Total assets** | | **65 001 249** | 65 239 578 |
| | | | |
| **Liabilities** | | | |
| Benefits payable | | **(7 257)** | (9 712) |
| Income tax payable | | **(2 061)** | (2 422) |
| Deferred tax liabilities | 8c | **(9)** | (9) |
| **Total liabilities excluding member benefits** | | **(9 327)** | (12 143) |
| | | | |
| **Net assets available for member benefits** | | **64 991 922** | 65 227 435 |
| Defined benefit member liabilities | 9 | **(64 981 935)** | (65 216 133) |
| **Net assets** | | **9 987** | 11 302 |
| | | | |
| **Equity** | | | |
| Operational risk reserve | | **(9 987)** | (11 302) |
| **Total equity** | | **(9 987)** | (11 302) |

*The attached notes form part of these financial statements.*

**Commonwealth Superannuation Scheme**
**Income Statement**
**For the Financial Year Ended 30 June 2018**

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Investment revenue** | | | |
| Interest | | **631** | 684 |
| Changes in fair value of investments | 6c | **233 942** | 260 019 |
| **Total revenue** | | **234 573** | 260 703 |
| | | | |
| **Total expenses** | | **-** | - |
| **Operating results** | | **234 573** | 260 703 |
| | | | |
| Net change in member benefits from investing activities | | **(234 321)** | (260 413) |
| **Operating result before income tax expense** | | **252** | 290 |
| | | | |
| **Income tax expense** | 8a | **(95)** | (103) |
| | | | |
| **Operating result after income tax** | | **157** | 187 |

*The attached notes form part of these financial statements.*

**Commonwealth Superannuation Scheme**
**Statement of Changes in Member Benefits**
**For the Financial Year Ended 30 June 2018**

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Opening balance of member benefits at the beginning of the financial year** | | **65 216 133** | 65 225 473 |
| Contributions: | | | |
| Member contributions | 7a | **43 736** | 66 114 |
| Employer contributions | 7a | **13 556** | 16 022 |
| Government co-contributions | 7a | **24** | 29 |
| Low income superannuation tax offset | 7a | **4** | 4 |
| Income tax on contributions | 8b | **(2 034)** | (2 408) |
| Net after tax contributions | | **55 286** | 79 761 |
| Net appropriation from Consolidated Revenue Fund | 7b | **3 825 229** | 3 720 097 |
| Benefits to members | 7b | **(4 349 707)** | (4 377 291) |
| Net change in member benefits from investing activities | | **234 321** | 260 413 |
| Net change in member benefits to be funded by employers | | **673** | 307 680 |
| **Closing balance of member benefits at the end of the financial year** | | **64 981 935** | 65 216 133 |

*The attached notes form part of these financial statements.*

**Commonwealth Superannuation Scheme**
**Statement of Changes in Equity**
**For the Financial Year Ended 30 June 2018**

| | Operational risk reserve $'000 | Total equity $'000 |
|---|---|---|
| **Opening balance as at 1 July 2016** | 11 636 | 11 636 |
| Operating result | 187 | 187 |
| Net transfers to / (from) reserves | (521) | (521) |
| **Closing balance as at 30 June 2017** | 11 302 | 11 302 |
| | | |
| **Opening balance as at 1 July 2017** | **11 302** | **11 302** |
| Operating result | 157 | 157 |
| Net transfers to / (from) reserves | (1 472) | (1 472) |
| **Closing balance as at 30 June 2018** | **9 987** | **9 987** |

*The attached notes form part of these financial statements.*

**Commonwealth Superannuation Scheme**
**Statement of Cash Flows**
**For the Financial Year Ended 30 June 2018**

| | | 2018 | 2017 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from operating activities** | | | |
| Interest received | | **629** | 695 |
| Superannuation surcharge (paid) / received | | **127** | (97) |
| Income tax paid | | **(105)** | (664) |
| **Net cash inflows / (outflows) from operating activities** | 10b | **651** | (66) |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of investments | | **472 490** | 578 072 |
| **Net cash inflows from investing activities** | | **472 490** | 578 072 |
| | | | |
| **Cash flows from financing activities** | | | |
| Contributions received | | | |
| Employer contributions | | **13 556** | 16 022 |
| Member contributions | | **43 736** | 66 114 |
| Government co-contributions | | **24** | 29 |
| Low income superannuation tax offset | | **4** | 4 |
| Income tax paid on contributions | | **(2 385)** | (2 408) |
| Benefits paid | | **(4 352 162)** | (4 376 166) |
| Transfers to the Public Sector Superannuation Scheme | | **-** | (861) |
| Net appropriation from Consolidated Revenue Fund | | **3 825 319** | 3 720 020 |
| **Net cash (outflows) from financing activities** | | **(471 908)** | (577 246) |
| | | | |
| **Net increase in cash held** | | **1 233** | 760 |
| | | | |
| Cash at the beginning of the financial year | | **43 870** | 43 110 |
| | | | |
| **Cash at the end of the financial year** | 10a | **45 103** | 43 870 |

*The attached notes form part of these financial statements.*

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
For the year ended 30 June 2018

## 1. DESCRIPTION OF THE SCHEME

The Commonwealth Superannuation Scheme ('Scheme') is a hybrid accumulation-defined benefits scheme which provides benefits to its members under the *Superannuation Act 1976* (as subsequently amended). The Trustee of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243).

Monies paid to the Trustee for the purposes of the Scheme are held in the Commonwealth Superannuation Fund (CSS Fund). The CSS Fund comprises contributions made by members and employers, income arising from investments, and unrealised and realised changes in market value of investments held within the CSS Fund. The Trustee pays member benefits and taxes relating to the CSS Fund out of the CSS Fund. The Trustee pays the direct and incidental costs of management of the CSS Fund and the investment of its money from the assets of the ARIA Investments Trust (AIT) that are referable to the CSS Fund (Note 7(c)).

The principal place of business and registered office of the Trustee is 7 London Circuit, Canberra, ACT 2601.

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

The financial report of the Scheme is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations and the *Superannuation Industry (Supervision) Act 1993* . For the purposes of preparing financial statements, the Scheme is a not-for-profit entity.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011.*

The financial statements of the Scheme were authorised for issue by the Directors of the Trustee on 24 September 2018.

## 2. BASIS OF PREPARATION (continued)

### (a) Statement of Compliance (continued)

<u>Standards adopted with no significant impact on the financial statements</u>

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the disclosures or amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

| **Standard / Interpretation** | **Effective for annual reporting periods** |
|---|---|
| **AASB 1048** 'Interpretation of Standards' | ending on or after 31 December 2017 |
| **AASB 2016-2** 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107' | beginning on or after 1 January 2017 |
| **AASB 2016-7** 'Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities' | beginning on or after 1 January 2017 |

## 2. BASIS OF PREPARATION (continued)

### (a) Statement of Compliance (continued)

Standards in issue but not yet effective

At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Scheme were in issue but not yet effective. The directors anticipate the adoption of these Standards will have no material financial impact on the financial report of the Scheme.

| Standard / Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| **AASB 9** 'Financial Instruments', and the relevant amending standards | 1 January 2018 | 30 June 2019 |
| **AASB 15** 'Revenue from Contracts with Customers', **AASB 2014-5** 'Amendments to Australian Accounting Standards arising from AASB 15', **AASB 2015-8** 'Amendments to Australian Accounting Standards - Effective Date of AASB 15', and **AASB 2016-3** 'Amendments to Australian Accounting Standards - Clarifications to AASB 15' | 1 January 2019 | 30 June 2020 |
| **AASB 1058** 'Income of Not-for-Profit Entities' | 1 January 2019 | 30 June 2020 |
| **AASB 2016-8** 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities' | 1 January 2019 | 30 June 2020 |
| **AASB 2017-4** 'Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments' | 1 January 2019 | 30 June 2020 |
| **AASB 2017-6** 'Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation' | 1 January 2019 | 30 June 2020 |
| **AASB 2014-10** 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', **AASB 2015-10** 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128', **AASB 2017-5** 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.' | 1 January 2019 | 30 June 2020 |

## 2. BASIS OF PREPARATION (continued)

### (b) Functional and presentation currency

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

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

### (c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements, and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

## 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018 and the comparative information presented in these financial statements for the year ended 30 June 2017.

### (a) Cash and Cash Equivalents

Cash and cash equivalents include cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

### (b) Financial assets

Financial assets (being investments in a pooled superannuation trust, cash at bank and other receivables) are recognised on the date the Scheme becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date, any gains and losses from changes in fair value are recognised in the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the fair value of the underlying investments.

(ii) Other receivables are recognised at nominal amounts due which approximate fair value. All amounts are unsecured and are subject to normal credit terms.

### (c) Employer Sponsor Receivable

The Commonwealth Government is obliged under the *Superannuation Act 1976* (as amended) to meet any funding shortfall for the defined benefit member liabilities of the Scheme. The asset is measured at its 'intrinsic value' (i.e. the amount of the difference between the defined benefit member liability and the fair value of assets available to meet that liability). The value of the employer sponsor receivable will not necessarily be the same as the value of the corresponding liability in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions from those set out in Note 9.

## 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### (d) Foreign Currency Transactions

The Scheme does not undertake transactions denominated in foreign currencies.

### (e) Payables

Payables (being benefits payable and amounts due to other superannuation schemes) are recognised at their nominal value which is equivalent to fair value.

**Benefits payable**
Benefits payable to a member are recognised where a valid withdrawal notice has been received from the employer sponsor, and approved, but payment has not been made by reporting date.

### (f) Defined benefit member liabilities

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due (Note 9).

The impact of the Scheme's default death and invalidity insurance arrangements have been considered in determining member liabilities. Balances and transactions in respect of these arrangements are presented in aggregate as part of member liabilities and the benefits paid/payable balances presented in the Statement of Financial Position and Statement of Changes in Member Benefits.

### (g) Contribution Revenue

Employer and member contributions, superannuation co-contributions and low income superannuation tax offsets from the Commonwealth Government are recognised when there is a right to receive the contribution.

## 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### (h) Operational risk reserve

The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Fund. The transferred assets underlying the ORR are held in a separate cash option of the ARIA Investments Trust ('AIT') and income earned on these assets is recognised in the reserve.

### (i) Derivatives

The Scheme does not enter into derivative financial instruments.

### (j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

**Investment revenue**
Interest revenue is recognised on an accrual basis.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

### (k) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Financial Position as an accrual or payable depending upon whether or not the expense has been billed.

### (l) Income Tax

Income tax is recognised in the Income Statement and the Statement of Changes in Member Benefits. As the Scheme invests in the AIT, which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

**Current tax**
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss 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 the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

## 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

### (l) Income Tax (continued)

**Deferred tax**

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary 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 (other than as a result of a business combination) which affects 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 reflects the tax consequences that would follow from the manner in which the Scheme 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 Scheme intends to settle its current tax assets and liabilities on a net basis.

**Current and deferred tax for the period**

Current and deferred tax for the period is recognised as an expense or benefit in the Income Statement, except for tax on contributions, which is recognised in the Statement of Changes in Member Benefits.

### (m) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

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

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

## 4. OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | $'000 | $'000 |
| Interest receivable | **63** | 61 |
| Surcharge tax | **93** | 220 |
| Amount to be appropriated from Consolidated Revenue Fund | **90** | 180 |
| **Total** | **246** | 461 |

There are no receivables that are past due or impaired (2017: nil).

## 5. INVESTMENTS

| | 2018 | 2017 |
|---|---|---|
| | $'000 | $'000 |
| Pooled Superannuation Trust - ARIA Investments Trust | **2 743 005** | 2 981 552 |
| | **2 743 005** | 2 981 552 |

## 6. CHANGES IN FAIR VALUE OF INVESTMENTS

| | | 2018 | 2017 |
|---|---|---|---|
| | | $'000 | $'000 |
| **(a)** | **Investments held at 30 June:** | | |
| | Pooled Superannuation Trust - ARIA Investments Trust | **213 839** | 232 698 |
| | | **213 839** | 232 698 |
| **(b)** | **Investments realised during the year:** | | |
| | Pooled Superannuation Trust - ARIA Investments Trust | **20 103** | 27 321 |
| | | **20 103** | 27 321 |
| **(c)** | **Total changes in fair value of investments** | **233 942** | 260 019 |

## 7. FUNDING ARRANGEMENTS

### (a) Contributions

**Member Contributions**
Members contribute to the Scheme at optional rates from 5% of salary, or they may opt to make nil contributions. The contribution rates were the same in the prior year.

**Employer Contributions**
Employers who do not operate their own productivity schemes contribute employer (productivity) contributions to the Scheme on a sliding scale averaging 3% of salaries paid to members. The contribution rates were the same in the prior year.

**Transferring Superannuation Benefits From Other Funds**
Money invested in other superannuation funds can be transferred to the Scheme.

**Government Co-Contributions**
For the financial years ended 30 June 2018 and 30 June 2017, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $500 per member.

**Low Income Superannuation Tax Offset**
The low income superannuation tax offset (LISTO) is a Commonwealth Government superannuation payment of up to $500 for the financial years 2017-18 onwards. LISTO payments are recognised as revenue when received.

### (b) Benefits

Where a benefit that becomes payable in respect of a member can be fully met from Scheme assets attributable to that member, the benefit is paid to the beneficiary from the CSS Fund. Where a benefit becomes payable that cannot be fully met from Scheme assets attributable to the member, all moneys held in the CSS Fund in respect of the member are paid to the Consolidated Revenue Fund, and the Commonwealth Government then assumes responsibility for funding the whole benefit.

Of the total benefits payable at 30 June 2018, $0.090 million (2017: $0.180 million) is payable by the Consolidated Revenue Fund. The Commonwealth Government is the corresponding debtor for this amount in accordance with the funding arrangements described above.

## 7. FUNDING ARRANGEMENTS (continued)

### (b) Benefits (continued)

Benefits paid and payable by the CSS Fund and the Consolidated Revenue Fund during the year are as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Gross appropriation from Consolidated Revenue Fund | **4 347 660** | 4 375 522 |
| less: Transfers from CSS Fund to Consolidated Revenue Fund | **(522 431)** | (655 425) |
| **Net appropriation from Consolidated Revenue Fund** | **3 825 229** | 3 720 097 |

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Consolidated Revenue Fund** | | |
| Lump-sum benefits | **235 914** | 293 927 |
| Pensions | **4 111 746** | 4 081 595 |
| | **4 347 660** | 4 375 522 |
| **CSS Fund** | | |
| Lump-sum benefits | **2 047** | 1 769 |
| **Total benefits paid and payable** | **4 349 707** | 4 377 291 |

### (c) Costs of Managing, Investing and Administering the Scheme

Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of AIT that are referable to the Scheme. Transactions in respect of these costs have been brought to account in the financial statements of AIT.

## 7. FUNDING ARRANGEMENTS (continued)

### (c) Costs of Managing, Investing and Administering the Scheme (continued)

Expenses met by the AIT and referable to the Scheme are as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Investment** | | |
| Investment manager fees | **3 604** | 5 850 |
| Custodian fees | **415** | 476 |
| Investment consultant and other service provider fees | **506** | 439 |
| Other investment expenses | **177** | 242 |
| **Total direct investment expenses** | **4 702** | 7 007 |
| Regulatory fees | **312** | 404 |
| Other operating expenses | **2 971** | 2 676 |
| **Total costs** | **7 985** | 10 087 |

Costs other than those incurred in managing and investing Scheme assets are met by CSC. Administrative fees are paid to CSC by employing agencies to meet these costs. Sponsoring employers have contributed further administration funding of $13.46 million (2017: $14.23 million). Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee.

## 8. INCOME TAX

### (a) Income tax recognised in the Income Statement

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Income tax expense comprises:** | | |
| Current tax expense | **95** | 105 |
| Deferred tax expense relating to the origination and reversal of temporary differences | **-** | (2) |
| **Total income tax expense** | **95** | 103 |

The prima facie income tax expense on the operating result before income tax reconciles to the income tax expense in the Income Statement as follows:

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Operating result before income tax expense** | **252** | 290 |
| Income tax expense / (benefit) calculated at 15% | **38** | 44 |
| Net change in member benefits from investing activities | **35 148** | 39 062 |
| Investment revenue already taxed | **(35 091)** | (39 003) |
| **Total income tax expense** | **95** | 103 |

### (b) Income tax on contributions recognised in Statement of Changes in Member Benefits

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Contributions received:** | | |
| Member contributions | **43 736** | 66 114 |
| Employer contributions | **13 556** | 16 022 |
| Government co-contributions | **24** | 29 |
| Low income superannuation tax offset | **4** | 4 |
| **Total contributions received** | **57 320** | 82 169 |
| Contributions tax calculated at 15% | **8 598** | 12 325 |
| Member contributions not subject to tax | **(6 560)** | (9 916) |
| Government co-contributions not subject to tax | **(4)** | (4) |
| Low income super tax offset not subject to tax | **(1)** | (1) |
| Rollovers in subject to tax | **1** | 4 |
| **Total income tax on contributions** | **2 034** | 2 408 |

## 8. INCOME TAX (continued)

### (c) Recognised deferred tax assets and liabilities

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Deferred tax liabilities comprise:** | | |
| Temporary differences | **9** | 9 |
| | **9** | 9 |

Taxable and deductible temporary differences arise from the following:

| **2018** | **Opening balance $'000** | **Charged to income $'000** | **Closing balance $'000** |
|---|---|---|---|
| **Gross deferred tax liabilities:** | | | |
| Interest receivable | **9** | **-** | **9** |
| | **9** | **-** | **9** |
| **Net deferred tax liabilities** | **9** | **-** | **9** |

| 2017 | Opening balance $'000 | Charged to income $'000 | Closing balance $'000 |
|---|---|---|---|
| **Gross deferred tax liabilities:** | | | |
| Interest receivable | 11 | (2) | 9 |
| | 11 | (2) | 9 |
| **Net deferred tax liabilities** | 11 | (2) | 9 |

## 9. DEFINED BENEFIT MEMBER LIABILITIES

The Scheme engages qualified actuaries on an annual basis to measure defined benefit liabilities. The value of the member liabilities will not necessarily be the same as the value presented in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions. The liabilities change from year to year as a result of contributions, benefit payments, interest costs and investment returns relative to the actuarial assumptions adopted.

The Scheme uses sensitivity analysis to monitor the potential impact of key changes to key variables about which the assumptions need to be made. The Scheme has identified four assumptions (being the mortality rates, the discount rate/investment returns, the rate of salary adjustment and the inflation rate) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities:

- The current mortality assumptions adopted are Scheme specific based on the experience observed. The actuaries have updated these assumptions from the prior year based on analysis of the Scheme's actual experience.

- The assumed discount rate of 6% has been determined by reference to the target investment returns expected on the investment portfolio, which reflect the opportunities reasonably available to the Scheme in the investment markets. There has been no change to this assumption from the prior year.

- The assumed annual salary adjustment of 3.5% has been determined by historical observations over a long term period and in consultation with the employer sponsor. This assumption has reduced from 4% as at 30 June 2017 reflecting continued lower wage growth assumptions over the average expected period of future service of the Scheme's members.

- The assumed inflation rate of 2.5% has been determined based on the mid-point of the Reserve Bank of Australia (RBA) inflation target. There has been no change to this assumption from the prior year.

Other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include resignation rates.

## 9. DEFINED BENEFIT MEMBER LIABILITIES (continued)

The following are sensitivity calculations on a univariate basis for the mortality rates, the discount rate/investment returns, the rate of salary adjustment and the inflation rate assumptions for the Scheme:

| **Key assumptions** | **Assumed at reporting date** | **Reasonably Possible Change** | **(Increase) / Decrease in defined benefit member liabilities ($'000)** |
|---|---|---|---|
| **30 June 2018** | | | |
| Discount rate / investment returns | 6% | + 1%<br>- 1% | **5 831 474**<br>**(6 946 809)** |
| Salary adjustment rate | 3.5% | + 1%<br>- 1% | **(102 744)**<br>**94 557** |
| Inflation rate | 2.5% | + 1%<br>- 1% | **(6 235 295)**<br>**5 329 354** |
| Mortality rates | A scale developed by the Scheme actuary with allowance for mortality improvements | 5.0% higher mortality*<br>- 5.0% lower mortality* | **681 235**<br>**(714 714)** |
| 30 June 2017 | | | |
| Discount rate / investment returns | 6% | + 1%<br>- 1% | 5 980 467<br>(7 156 424) |
| Salary adjustment rate | 4% | + 1%<br>- 1% | (143 918)<br>131 661 |
| Inflation rate | 2.5% | + 1%<br>- 1% | (6 425 385)<br>5 471 441 |
| Mortality rates | A scale developed by the Scheme actuary with allowance for mortality improvements | 5.0% higher mortality*<br>- 5.0% lower mortality* | 684 379<br>(717 702) |

*For example, if the base probability of death is 3.0%, the higher rate is 3.15% and the lower rate is 2.85%.

## 9. DEFINED BENEFIT MEMBER LIABILITIES (continued)

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

An actuarial estimate of vested benefits at 30 June 2018 is $65.6 billion (2017: $66.1 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2018 and elected the option which maximised their benefit entitlement.

The vested benefits have been calculated on the basis of current legislative arrangements as at the reporting date.

## 10. CASH FLOW INFORMATION

### (a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | **2018** | 2017 |
|---|---|---|
| | **$'000** | $'000 |
| Cash at bank | **45 103** | 43 870 |

### (b) Reconciliation of operating results after income tax to net cash inflows / (outflows) from operating activities

| | | |
|---|---|---|
| **Operating result after income tax** | **157** | 187 |
| Net change in member benefits from investing | **234 321** | 260 413 |
| Changes in fair value of investments | **(233 942)** | (260 019) |
| (Increase)/decrease in interest receivable | **(2)** | 11 |
| (Increase)/decrease in surcharge tax receivable | **127** | (97) |
| Increase/(decrease) in income tax payable | **(10)** | (559) |
| Increase/(decrease) in deferred tax liabilities | **-** | (2) |
| **Net cash inflows / (outflows) from operating activities** | **651** | (66) |

## 11. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

| | **2018** | 2017 |
|---|---|---|
| | **$** | $ |
| Financial statements | 48 600 | 68 825 |
| Regulatory returns and compliance | 32 400 | 35 175 |
| **Total** | 81 000 | 104 000 |

The audits were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the AIT that are referable to the Scheme.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Scheme during the reporting period.

## 12. FINANCIAL INSTRUMENTS

### (a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Scheme (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the AIT. AIT is a pooled superannuation trust which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Scheme's published investment strategy. The Trustee applies strategies to manage the risk relating to the investment activities of AIT. The investments of AIT are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets in accordance with contractual investment mandates.

### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

## 12. FINANCIAL INSTRUMENTS (continued)

### (c) Capital risk management

The RSE licence of the Trustee of the Scheme required the Trustee to maintain a balance of at least $100 000 in an administration reserve account in the AIT. This requirement was revoked on 24 February 2017. The Trustee of the Scheme was in compliance with this requirement through to the date of revocation. The RSE licence of the Trustee of the Scheme also requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations in the form of operational risk reserve(s), operational risk trustee capital or a combination thereof to meet the target amount of financial resources that the RSE licensee determines is necessary to respond to these losses. The Trustee of the Scheme was in compliance with this requirement throughout the reporting period.

### (d) Categories of financial instruments

The financial assets and liabilities of the Scheme are recognised at fair value as at the reporting date. Changes in fair value are recognised in the Income Statement and the Statement of Changes in Member Benefits.

### (e) Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its pooled investment in AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Scheme's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. These policies may include the use of financial derivative instruments.

The Trustee is responsible for ensuring that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Scheme and for the Scheme's investments through the AIT. The overall investment strategy of the Scheme is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Scheme's investments. Derivative Risk Statements set out the strict parameters for the Trustee's investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

## 12. FINANCIAL INSTRUMENTS (continued)

### (e) Financial risk management objectives (continued)

The Scheme's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with its investment strategy.

### (f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. In its capacity as trustee of AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Scheme's exposure to its counterparties are continuously monitored by the Trustee.

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within AIT exceeded 5% of net assets of that trust at 30 June 2018 or 30 June 2017.

The credit risk on the Scheme's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Investments** | | |
| Pooled Superannuation Trust - ARIA Investments Trust | 2 743 005 | 2 981 552 |
| **Other financial assets** | | |
| Cash and cash equivalents | 45 103 | 43 870 |
| Receivables | 246 | 461 |
| **Total** | 2 788 354 | 3 025 883 |

There has been no change to the Scheme's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

## 12. FINANCIAL INSTRUMENTS (continued)

### (g) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its financial liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Scheme will always have sufficient liquidity to meet its liabilities and member benefit payments. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Scheme to ensure timely access to sufficient cash and holds actively-traded, highly-liquid investments to meet anticipated funding requirements.

As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

The following tables summarise the maturity profile of the Scheme’s financial liabilities. The tables have been drawn up based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Scheme can be required to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

| | **Less than 3 months $'000** | **3 months to 1 year $'000** | **1-5 years $'000** | **Over 5 years $'000** | **Total $'000** |
|---|---|---|---|---|---|
| **30 June 2018** | | | | | |
| Benefits payable | **7 257** | **-** | **-** | **-** | **7 257** |
| Defined benefit member liabilities | **1 088 790** | **3 266 371** | **15 556 158** | **45 070 616** | **64 981 935** |
| **Total financial liabilities** | **1 096 047** | **3 266 371** | **15 556 158** | **45 070 616** | **64 989 192** |
| 30 June 2017 | | | | | |
| Benefits payable | 9 712 | - | - | - | 9 712 |
| Defined benefit member liabilities | 1 079 437 | 3 238 311 | 15 593 571 | 45 304 814 | 65 216 133 |
| **Total financial liabilities** | 1 089 149 | 3 238 311 | 15 593 571 | 45 304 814 | 65 225 845 |

There has been no change to the Scheme's exposure to liquidity risk or the manner in which it manages and measures that risk during the reporting period.

## 12. FINANCIAL INSTRUMENTS (continued)

### (h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

There has been no change to the Scheme's exposure to market risk or the manner in which it manages and measures that risk since the 2017 reporting period.

**Foreign currency risk**

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

The Scheme does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Scheme is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee’s approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, may remain unhedged due to lack of suitable currency instruments for hedging.

**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 Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments.  All holdings at 30 June 2018 and 30 June 2017 had a maturity profile of less than one month.

The Scheme is indirectly exposed to interest rate risk through its investments in AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

**12. FINANCIAL INSTRUMENTS (continued)**

**(h) Market risk (continued)**

**Interest rate risk (continued)**

The following table illustrates the Scheme's sensitivity to a 0.2% p.a. (2017: 0.3%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of a reasonably possible change in interest rates. Had interest rates been lower or higher by 0.2% (2017: 0.3%) at reporting date, and all other variables were held constant, the financial result would have improved / (deteriorated) as demonstrated:

| | Carrying amount $'000 | Interest rate risk $' 000 | | | |
|---|---|---|---|---|---|
| | | Operating Result Before Tax | Net Assets Available to Pay Benefits | Operating Result Before Tax | Net Assets Available to Pay Benefits |
| **2018** | | **-0.2%** | | **+0.2%** | |
| Cash and cash equivalents | **45 103** | **(90)** | **(90)** | **90** | **90** |
| 2017 | | -0.3% | | +0.3% | |
| Cash and cash equivalents | 43 870 | (132) | (132) | 132 | 132 |

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Scheme during the financial year.

**Other price risk**

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

The Scheme's investment in AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in AIT is carried at fair value through profit or loss, all changes in market conditions will directly affect the Scheme's net investment income.

In its capacity as trustee of AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

## 12. FINANCIAL INSTRUMENTS (continued)

### (h) Market risk (continued)

**Other price risk (continued)**

The following table illustrates the Scheme's sensitivity to a reasonably possible change in the value of its investment in AIT, based on risk exposures at reporting date. The volatility factor of 4.0% (2017: 4.2%) represents the average annual volatility in the default option unit price of the Scheme's investment in the AIT. For the Cash option and the investments backing the operational risk reserve a factor of 0.2% (2017: 0.3%) has been applied representing a reasonably possible change in interest rates as a proxy for price risk of the option. Had the unit price been higher or lower by the volatility factor at the reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

| | Change in price | Carrying amount $'000 | Price risk $' 000 | | | |
|---|---|---|---|---|---|---|
| | | | Operating Result Before Tax | Net Assets Available to Pay Benefits | Operating Result Before Tax | Net Assets Available to Pay Benefits |
| | | | (Lower price) | | Higher price | |
| **2018** | | | | | | |
| ***Financial Assets*** | | | | | | |
| ARIA Investments Trust: | | | | | | |
| Default option | -/+4.0% | 2 493 625 | (99 745) | (99 745) | 99 745 | 99 745 |
| Cash option | -/+0.2% | 239 393 | (479) | (479) | 479 | 479 |
| Operational risk reserve | -/+0.2% | 9 987 | (20) | (20) | 20 | 20 |
| Total increase / (decrease) | | 2 743 005 | (100 244) | (100 244) | 100 244 | 100 244 |
| 2017 | | | | | | |
| ***Financial Assets*** | | | | | | |
| ARIA Investments Trust: | | | | | | |
| Default option | -/+4.2% | 2 662 791 | (111 837) | (111 837) | 111 837 | 111 837 |
| Cash option | -/+0.3% | 307 459 | (922) | (922) | 922 | 922 |
| Operational risk reserve | -/+0.3% | 11 302 | (34) | (34) | 34 | 34 |
| Total increase / (decrease) | | 2 981 552 | (112 793) | (112 793) | 112 793 | 112 793 |

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

## 12. FINANCIAL INSTRUMENTS (continued)

### (i) Fair value measurements

The Scheme's financial instruments are included in the Statement of Financial Position at fair value. The fair value is determined per the accounting policies in Note 3.

**Fair value measurements recognised in the Statement of Financial Position**
The following table provides an analysis of the Scheme's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

**Level 1:** fair value measurements are those derived from quoted prices in active markets.

**Level 2:** fair value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

**Level 3:** fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **2018** | | | | |
| **Financial Assets** | | | | |
| Pooled superannuation trust | **-** | **2 743 005** | **-** | **2 743 005** |
| 2017 | | | | |
| **Financial Assets** | | | | |
| Pooled superannuation trust | - | 2 981 552 | - | 2 981 552 |

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

**Reconciliation of Level 3 fair value measurements**
There were no Level 3 financial assets or liabilities for the period.

## 13. RELATED PARTIES

### (a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. No fees were charged to the Scheme or its assets by CSC for acting as Trustee of the Scheme during the reporting period.

### (b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2018 and to the date of the report were:

| | |
|---|---|
| Ariane Barker | Sunil Kemppi |
| Patricia Cross (Chair) | Anthony Needham |
| Christopher Ellison | Peggy O'Neal |
| Nadine Flood | Margaret Staib |
| Winsome Hall | Michael Vertigan |
| Garry Hounsell | |

In addition to the Directors listed above, the following executives of the Trustee had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2018:

| | |
|---|---|
| Paul Abraham | Executive Manager, Investment Operations |
| Peter Carrigy-Ryan | Chief Executive Officer |
| Robert Firth | Head of Risk |
| Philip George | Executive Manager, Program Management (Previously General Manager, Scheme Administration until 6 August 2017) |
| Richard Hill | Executive Manager, Technology |
| Bronwyn McNaughton | Executive Manager, Corporate |
| Christine Pearce | Executive Manager, Member & Employer Services |
| Alison Tarditi | Chief Investment Officer |
| Philip Yardy | Executive Manager, Scheme Administration (Commenced 7 August 2017) |
| Andy Young | Chief Operating Officer (Previously General Manager, Finance until 31 May 2018) |

The following changes to the executives of the Trustee were made subsequent to 30 June 2018:

| | |
|---|---|
| Alana Scheiffers | Head of Legal & Compliance (From 1 July 2018) |
| Adam Nettheim | Head of Scheme Operations (From 6 August 2018) |
| Philip Yardy | Executive Manager, Scheme Administration (Contract ended 3 August 2018) |
| Christine Pearce | Services Transformation Lead (Previously Executive Manager, Member & Employer Services until 9 September 2018) |

Peter Carrigy-Ryan is a member of the Scheme. The terms and conditions of his membership, or those of any related parties, is the same as for any other member who is not part of the key management personnel of the the Scheme.

## 13. RELATED PARTIES (continued)

### (c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel is set out below:

| | **2018** | 2017 |
|---|---|---|
| | **$** | $ |
| Short-term employee benefits | **157 653** | 157 685 |
| Post-employment benefits | **13 432** | 16 168 |
| Other long-term benefits | **12 648** | 12 176 |
| Termination benefits | **-** | 8 585 |
| | **183 733** | 194 614 |

Aggregate compensation in relation to the Scheme is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against assets of the AIT that are referable to the Scheme.

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

### (d) Investing entities

Throughout the year ended 30 June 2018, the Scheme's only investment consisted of units in AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in AIT throughout the year were the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan, the Military Superannuation and Benefits Scheme and the Australian Defence Force Superannuation Scheme. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Scheme, Commonwealth Superannuation Corporation, is the trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan, the Military Superannuation and Benefits Scheme and the Australian Defence Force Superannuation Scheme.

The Trustee pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the AIT that are referable to the Scheme (see Note 8(c)). No fees were charged to the Scheme or its assets for acting as Trustee during the year ended 30 June 2018 (2017: $nil).

The Scheme held the following investments in related parties at 30 June:

| | **Fair Value of Investment** | **Fair Value of Investment** | **Share of Net Income after tax** | **Share of Net Income after tax** |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **$'000** | $'000 | **$'000** | $'000 |
| ARIA Investments Trust | **2 743 005** | 2 981 552 | **233 942** | 260 019 |
| | **2 743 005** | 2 981 552 | **233 942** | 260 019 |

## 15. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2018 (2017: $nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Scheme which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Scheme.

There were no other contingent liabilities or contingent assets for the Scheme at 30 June 2018 (2017: $nil).

## 16. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2018 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.