STATEMENT BY THE CHAIR, CHIEF EXECUTIVE OFFICER, AND CHIEF OPERATING OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Commonwealth Superannuation Corporation will be able to pay its debts as and when they fall due.

The statement is made in accordance with a resolution of the directors.

Patricia Cross	Peter Carrigy-Ryan	Andy Young
Chair	Chief Executive Officer	Chief Operating Officer
24 September 2018	24 September 2018	24 September 2018

CONTENTS

Primary financial statements

Notes to the financial statements:

Statement of Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000	Original 2018 Budget $'000	Notes
NET CONTRIBUTION BY/(COST OF) SERVICES					
Expenses					
Employee benefits	2.1	**59,987**	55,046	58,591	a
Suppliers	2.2	**47,430**	45,202	34,540	b
Depreciation and amortisation	5.1	**7,129**	7,053	13,433	c
Finance costs		**29**	1	12	
Write-down and impairment of assets	2.3	**12**	4,100	-	
Total expenses		**114,587**	111,402	106,576	
LESS:					
Own-Source Income					
Own-source revenue					
Sale of goods and rendering of services	3.1	**121,763**	108,855	106,496	d
Interest	3.2	**134**	79	80	
Total own source revenue		**121,897**	108,934	106,576	
Gains					
Gains from sale of assets		-	1	-	
Total gains		-	1	-	
Total own-source income		**121,897**	108,935	106,576	
Net contribution by/(cost of) services		**7,310**	(2,467)	-	
Surplus/(deficit) for the year		**7,310**	(2,467)	-	
OTHER COMPREHENSIVE INCOME					
Items not subject to subsequent reclassification to net contribution by/(cost of) services					
Changes in asset revaluation reserve		**(1)**	(693)	-	
Total other comprehensive income		**(1)**	(693)	-	
Total comprehensive income		**7,309**	(3,160)	-	

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

Budget Variances Commentary

Statement of Comprehensive Income

a. Employee benefits are higher than budget due to voluntary redundancy costs.

b. Supplier expenses are higher than budget due to one off expenses associated with the co-location of CSC’s Canberra offices. In addition, CSC took the opportunity of the co-location to upgrade its technology capabilities, requiring the purchase of additional software licences, and installed a new communication system for the call centre.

c. Depreciation and amortisation expenses are lower than budget as a result of lower than budgeted capital expenditure associated with the co-location of CSC's Canberra offices . This also resulted in an increase in cash and cash equivalents and a decrease in leasehold improvements versus budget.

d. The ARIA Investments Trust (AIT) is a pooled superannuation trust under CSC's trusteeship. CSC invoices the AIT for the portion of expenses that are referable to the AIT. Revenue from the AIT is higher than budget due to reimbursements received for expenditure incurred relating to the co-location of CSC's Canberra offices that was referable to the AIT. This has also resulted in an increase in trade and other receivables versus budget. Increased revenue in the current year is also related to externally funded project revenue.

Statement of Financial Position

as at 30 June 2018

	Notes	2018 $'000	2017 $'000	Original 2018 Budget $'000	Notes
ASSETS					
Financial Assets					
Cash and cash equivalents	4.1	**50,540**	51,313	34,237	a
Trade and other receivables	4.2	**6,117**	8,163	3,442	b
Total financial assets		**56,657**	59,476	37,679	
Non-Financial Assets					
Leasehold improvements	5.1	**11,324**	1,284	17,162	c
Property, plant and equipment	5.1	**5,371**	2,334	2,997	d
Intangibles	5.1	**17,082**	18,802	20,129	e
Other non-financial assets	5.2	**4,113**	3,012	2,023	f
Total non-financial assets		**37,890**	25,432	42,311	
Total assets		**94,547**	84,908	79,990	
LIABILITIES					
Payables					
Suppliers	6.1	**6,863**	3,916	4,220	g
Other payables	6.2	**10,999**	12,923	16,182	h
Total payables		**17,862**	16,839	20,402	
Provisions					
Employee provisions	7.1	**12,815**	12,367	11,779	i
Other provisions	7.2	**14,706**	14,217	13,208	j
Total provisions		**27,521**	26,584	24,987	
Total liabilities		**45,383**	43,423	45,389	
Net assets		**49,164**	41,485	34,601	
EQUITY					
Contributed equity		**35,475**	35,475	35,475	
Operational risk reserve		**500**	130	258	
Asset revaluation reserve		**478**	479	-	
Retained surplus		**12,711**	5,401	(1,132)	
Total equity		**49,164**	41,485	34,601	

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

Statement of Financial Position (continued)
as at 30 June 2018

Budget Variances Commentary

Statement of Financial Position

a. Refer to Statement of Comprehensive Income note c. Cash and cash equivalents are also higher than budget due to changes in the timing of incurring expenditure on internally funded projects.

b. Refer to Statement of Comprehensive Income note d.

c. Refer to Statement of Comprehensive Income note c.

d. Property, plant and equipment is higher than budget mostly due to the upgrade of CSC's technology capabilities undertaken at the time of the co-location of CSC's Canberra offices.

e. Intangibles are lower than budget due to a change in technology strategy resulting in more cloud based services than the purchase of software assets.

f. Other non-financial assets are higher than budget due to increased expense prepayments associated with the new cloud based software and systems.

g. Supplier payables are higher than budget due to increased operational expenditure from the co-location of CSC's Canberra Offices and the timing of invoices received at year end.

h. Other payables have decreased due to the recognition of previously unearned revenue associated with externally funded projects.

i. Employee provisions are higher than budget due to a higher average period of staff service.

j. Other provisions are higher than budget due to the recognition of the new Canberra office makegood provision.

Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000	Original 2018 Budget $'000	Notes
CONTRIBUTED EQUITY					
Opening balance					
Balance carried forward from previous period		**35,475**	35,475	35,475	
Comprehensive income					
Other comprehensive income		**-**	-	-	
Total comprehensive income		**-**	-	-	
Closing balance as at 30 June		**35,475**	35,475	35,475	
RETAINED SURPLUS					
Opening balance					
Balance carried forward from previous period		**5,401**	10,868	(1,132)	
Comprehensive income					
Surplus/(deficit) for the year		**7,310**	(2,467)	-	
Other comprehensive income		**-**	-	-	
Total comprehensive income		**7,310**	(2,467)	-	
Transactions with owners					
Distributions to owners					
Returns on capital					
Dividends		**-**	(3,000)	-	
Total transactions with owners		**-**	(3,000)	-	
Closing balance as at 30 June		**12,711**	5,401	(1,132)	
ASSET REVALUATION RESERVE					
Opening balance					
Balance carried forward from previous period		**479**	1,172	-	
Comprehensive income					
Other comprehensive income		**(1)**	(693)	-	
Total comprehensive income		**(1)**	(693)	-	
Closing balance as at 30 June		**478**	479	-	
OPERATIONAL RISK RESERVE					
Opening balance					
Balance carried forward from previous period		**130**	-	100	
Transfers to reserve					
Transfers from Department of Defence		**370**	130	158	
Total transfers to reserve		**370**	130	158	
Closing balance as at 30 June		**500**	130	258	

Statement of Changes in Equity (continued)
for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000	Original 2017 Budget $'000	Notes
TOTAL EQUITY					
Opening balance					
Balance carried forward from previous period		**41,485**	47,515	34,443	
Comprehensive income					
Surplus/(deficit) for the year		**7,310**	(2,467)	-	
Other comprehensive income		**(1)**	(693)	-	
Total comprehensive income		**7,309**	(3,160)	-	a
Transfers to reserve					
Transfers from Department of Defence		**370**	130	158	
Total transfers to reserve		**370**	130	158	
Transactions with owners					
Distributions to owners					
Returns on capital					
Dividends		**-**	(3,000)	-	
Total transactions with owners		**-**	(3,000)	-	
Closing balance as at 30 June		**49,164**	41,485	34,601	

Accounting Policy

Dividends
Dividends are recognised on the date that the dividend is declared and, if not paid by the reporting date, are reflected in the Statement of Financial Position as payables. CSC paid no dividends in the current financial year (2016-17: $3.0m) to the Official Public Account.

Operational Risk Reserve
The operational risk reserve (ORR) represents trustee capital held for the purposes of meeting the operational risk financial requirement of the ADF Superannuation Scheme. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address losses that may arise 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 ADF Superannuation Scheme. The assets underlying the ORR were funded by the Department of Defence and are held in a segregated bank account as Australian-dollar denominated cash.

Budget Variances Commentary

Statement of Changes in Equity

a. Refer to Statement of Comprehensive Income notes a, b, c & d.

Cash Flow Statement
for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000	Original 2018 Budget $'000	Notes
OPERATING ACTIVITIES					
Cash received					
Sale of goods and rendering of services		**116,226**	103,685	101,654	a
Interest		**133**	75	80	
Net GST received		**-**	402	-	
Total cash received		**116,359**	104,162	101,734	
Cash used					
Employee benefits		**(59,557)**	(54,278)	(58,591)	
Suppliers		**(39,171)**	(33,898)	(34,613)	b
Net GST paid		**(288)**	-	-	
Total cash used		**(99,016)**	(88,176)	(93,204)	
Net cash from operating activities	8	**17,343**	15,986	8,530	
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment		**-**	1	-	
Total cash received		**-**	1	-	
Cash used					
Purchase of leasehold improvements		**(11,790)**	(60)	(12,067)	
Purchase of property, plant and equipment		**(4,431)**	(188)	(2,268)	c
Purchase and internal development of intangibles		**(2,265)**	(2,669)	(3,884)	d
Total cash used		**(18,486)**	(2,917)	(18,219)	
Net cash (used by) investing activities		**(18,486)**	(2,916)	(18,219)	
FINANCING ACTIVITIES					
Cash received					
Transfers to operational risk reserve		**370**	130	158	
Total cash received		**370**	130	158	
Cash used					
Dividend paid		**-**	(3,000)	-	
Total cash used		**-**	(3,000)	-	
Net cash from/(used by) financing activities		**370**	(2,870)	158	
Net increase/(decrease) in cash held		**(773)**	10,200	(9,531)	
Cash and cash equivalents at the beginning of the reporting period		**51,313**	41,113	43,768	
Cash and cash equivalents at the end of the reporting period	4.1	**50,540**	51,313	34,237	

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

Budget Variances Commentary

Cash Flow Statement
a. Refer to Statement of Comprehensive Income note d.
b. Refer to Statement of Comprehensive Income note b.
c. Refer to Statement of Financial Position note d.
d. Refer to Statement of Financial Position note e.

NOTE 1: Overview

Objectives of the Entity

Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243) is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* . The objective of CSC is to provide retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the Australian Defence Force, through investment and administration of their superannuation funds and schemes. CSC is a not-for-profit entity. The continued existence of the entity in its present form and with its present programs is dependent on Government policy.

CSC is the trustee responsible for the Public Sector Superannuation Scheme ('PSS'), the Commonwealth Superannuation Scheme ('CSS'), the Public Sector Superannuation Accumulation Plan ('PSSap'), the Military Superannuation and Benefits Scheme ('MSBS'), Australian Defence Force Superannuation Scheme ('ADF Super'), Australian Defence Force Cover Scheme ('ADF Cover'), the Defence Force Retirement and Death Benefits Scheme ('DFRDB'), the Defence Forces Retirement Benefits Scheme ('DFRB'), the Defence Force (Superannuation) (Productivity Benefit) Scheme ('DFSPB'), the Papua New Guinea Scheme ('PNG') and the 1922 Scheme, collectively referred to as 'the Schemes'.

The Schemes invest solely through the ARIA Investments Trust (AIT) - a pooled superannuation trust under CSC's trusteeship - which facilitates access to a broad range of underlying securities across various asset classes on an efficient and cost-effective basis.

CSC's activities are partly funded through the scheme administration charges collected from employers participating in PSS and CSS, and from members of PSSap and ADF Super, and through negotiated administration charges collected from the Department of Defence. Additional funding may be provided by Government to meet specific administration requirements.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013.*

The financial statements have been prepared in accordance with:

a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2017; and

b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

NOTE 1: Overview (continued)

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

All new or revised standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the entity's financial statements.

Future Australian Accounting Standard Requirements

The following new and revised standards were issued by the Australian Accounting Standards Board prior to the sign-off date and are expected to have a material impact on the entity's financial statements for future reporting period(s):

Standard/ Interpretation	Application date for the entity[1]	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 16 'Leases'	1/07/2019	AASB 16 'Leases' was issued in February 2016 and replaces AASB 117 'Leases'. It introduces a single lessee accounting model and requires the lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. CSC has not elected to early adopt AASB 16 'Leases'. The key impacts on the Financial Statements of CSC are: • CSC will adopt the modified retrospective approach at the application date and will restate retained earnings at the implementation date, being 1 July 2019. • CSC will recognise a lease liability and a right of use asset on the statement of financial position for all of its leases captured by AASB 16: - The lease liability will initially be measured as the present value of future lease payments including any residual values. In subsequent periods, the lease liability will be accounted for similarly to a financial liability using the effective interest method. - The initial measurement of the right-of-use asset will be based on the lease liability, with adjustments for any prepaid rents, lease incentives received and initial direct costs incurred. The right-of-use asset will be accounted for similarly to a purchased asset and depreciated or amortised. • The annual rental expense within CSC's statement of comprehensive income will be replaced by an interest charge on the lease liability and subsequent depreciation charged on the right of use asset. Any cumulative difference will be adjusted against opening retained earnings at the date of initial application, being 1 July 2019. • CSC will provide additional qualitative and quantitative disclosures on its leasing activities in the notes to the financial statements.

1. The entity's expected initial application date is when the accounting standard becomes operative at the beginning of the entity's reporting period.

All other new or revised standards and/or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a material impact on the entity's financial statements.

Taxation

Under its legislation, the Income Tax Act is applicable to CSC, however in the normal course of its activities CSC does not generate taxable income under that Act. CSC is liable for Goods and Services Tax (GST) and Fringe Benefits Tax (FBT).

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

a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
b) for receivables and payables.

NOTE 1: Overview (continued)

Controlled entities

CSC is the parent and sole shareholder of ARIA Co Pty Ltd. ARIA Co Pty Ltd is the trustee of the ARIA Alternative Assets Trust and the PSS/CSS Investments Trust. ARIA Co Pty Ltd is not consolidated into CSC's financial statements as it is a shell company and is considered to be immaterial.

Reporting of Administered activities

The FRR requires disclosure where one entity has drawn against a Special Appropriation which is the responsibility of another entity.

Administered assets, liabilities, revenue and expenses are those items which are controlled by the Government and were managed or over sighted by the entity on its behalf including:

- Superannuation benefit payments; and
- Superannuation contributions.

In addition to CSC, the entities responsible for managing the appropriations, Department of Finance (Finance), Department of Defence (Defence) and Department of Foreign Affairs and Trade (DFAT) will make separate disclosures of the contributions and unfunded benefits paid under the 1922, CSS, PSS, PNG, DFRB, DFRDB, MSB and ADF Cover schemes.

1922, CSS and PSS schemes

Finance has responsibility to account for the Commonwealth's activities in relation to the 1922, CSS and PSS schemes.

Finance has responsibility for managing the legislation and has delegated third party access rights to the appropriations under the following Acts:

- *Superannuation Act 1922 ;*
- *Superannuation Act 1976 ;*
- *Superannuation Act 1990 ;*
- *Same Sex Relationships (Equal Treatment in Commonwealth Laws - Superannuation) Act 2008* ;
- *Governance of Australian Government Superannuation Schemes Act 2011* - s35(3)(a); and
- *Governance of Australian Government Superannuation Schemes Act 2011* - s35(4).

In addition, CSC was delegated third party access rights by Finance for the funding of legal and incidental costs of superannuation claims, and Act of Grace payments. These were appropriated under *Appropriation Act (No. 1) 2017-2018* and *Appropriation Act (No. 2) 2017-2018* .

The funded components of the CSS and PSS Schemes are reported in their respective financial statements.

DFRB, DFRDB, MSB and ADF Cover Schemes

Defence has responsibility for managing the legislation and has delegated third party access rights to the appropriations under the following Acts:

- *Defence Forces Retirement Benefits Act 1948* ;
- *Defence Force Retirement and Death Benefits Act 1973* ;
- *Military Superannuation Benefits Act 1991;* and
- *Australian Defence Force Cover Act 2015.*

The funded components of MSBS are reported in the MSBS financial statements. The DFRB, DFRDB and ADF Cover are unfunded Schemes.

PNG Scheme

DFAT delegated third party access rights to CSC in respect of Papua New Guinea Superannuation Schemes which are appropriated in *Appropriation Act (No. 1) 2017-2018* . CSC managed the payment of Pensions under the scheme on behalf of DFAT.

Administered Cash Transfers to and from the Official Public Account

Revenue collected by CSC for use by the Government rather than CSC was Administered Revenue. Collections are transferred to the Official Public Account (OPA) maintained by Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of Government.

NOTE 1: Overview (continued)

Events After the Reporting Period

Subsequent to balance date, CSC signed an agreement to surrender the lease on the former Canberra City Trustee office with effect from 12 September 2018. The lease surrender will result in a write back of the previously recognised onerous lease provision of $577,000 as at the surrender date, and will reduce future committed lease payments by $562,000.

There were no other subsequent events that have the potential to significantly affect the ongoing structure and financial activities of Commonwealth Superannuation Corporation.

Note 2: Expenses

	2018	2017
	$'000	$'000
2.1: Employee Benefits		
Wages and salaries	**45,721**	42,998
Superannuation		
Defined contribution plans	**4,698**	4,455
Defined benefit plans	**2,371**	2,571
Leave and other entitlements	**5,557**	4,822
Separation and redundancies	**1,640**	200
Total employee benefits	**59,987**	55,046

	2018	2017
2.2: Suppliers		
Goods and services supplied or rendered		
Consultants	**11,827**	5,109
Contractors	**7,713**	4,714
Information technology and communications	**10,366**	6,312
Insurance	**694**	655
Printing/stationery	**183**	521
Property (other than rent)	**2,316**	1,221
Training and development	**1,128**	679
Travel	**1,870**	1,493
Other goods and services	**6,904**	5,984
Total goods and services supplied or rendered	**43,001**	26,688
Goods supplied	**871**	668
Services rendered	**42,130**	26,020
Total goods and services supplied or rendered	**43,001**	26,688
Other supplier expenses		
Operating lease rentals		
Minimum lease payments	**3,095**	4,338
Onerous rent	**21**	12,865
Workers compensation expenses	**1,313**	1,311
Total other suppliers	**4,429**	18,514
Total suppliers	**47,430**	45,202

Leasing commitments

Operating leases are non-cancellable in the normal course of business. CSC in its capacity as lessee has leases for office accomodation in Canberra City (new and former trustee offices and former financial planning office), Belconnen, Melbourne, Sydney, Adelaide and Brisbane.

CSC entered into a new lease in the Canberra City commencing 1 January 2018 to co-locate staff from the Belconnen officeand the former Canberra City trustee and financial planning offices into one new Canberra City office. Lease payments are subject to annual increases of the higher of 3.25% or the movement in the Consumer Price Index in the existing Canberra City trustee office, 3.5% in the new Canberra City office, 3.75% fixed annual rate increases in the financial planning office, 3.6% fixed annual rate increases in the Belconnen office and 4% fixed rate annual increases in the Sydney office.

The Belconnen office, former Canberra City trustee and financial planning offices and Sydney office leases have no further option for renewal. The new Canberra City office lease has a further renewal option for 3 years. The Melbourne, Adelaide and Brisbane office leases are for fixed terms of twelve months.

	2018	2017
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	**7,464**	5,801
Between 1 to 5 years	**24,190**	27,469
More than 5 years	**15,219**	24,027
Total operating lease commitments	**46,873**	57,297

Note 2: Expenses (continued)

Accounting Policy
Operating Lease
Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Surplus Lease Space
Surplus lease space is treated as an onerous contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. As a result of the co-location of CSC's Canberra offices, an onerous rent provision has been raised in relation to surplus lease space in the former Belconnen and Canberra City trustee and financial planning offices.

	2018	2017
	$'000	$'000
2.3: Write-Down and Impairment of Assets		
Impairment of financial instruments	**6**	6
Impairment of leasehold improvements	**-**	3,861
Impairment of property plant and equipment	**6**	221
Write-off of property, plant and equipment on disposal	**-**	12
Total write-down and impairment of assets	**12**	4,100

2.4: Remuneration of Auditors

Financial statement audit services were provided to the entity by the Australian National Audit Office (ANAO) through its contracted service provider Deloitte Touche Tohmatsu (Deloitte). Fees for the ANAO's services are as follows:

Financial statement audit services	**81**	98
Regulatory audit services	**9**	11
	90	109

Audit fees are also payable to the ANAO by other entities under CSC's trusteeship. For the 2017-18 financial year the total fees payable for these entities is $625,000 (2017: $702,500).

The following additional services were provided by Deloitte:

Internal controls audit	**112**	110
Project risk advisory services	**68**	125
Financial planning business model advisory services	**204**	370
	384	605

No other services were provided to CSC by the ANAO or Deloitte.

Note 3: Own-Source Revenue

	2018 $'000	2017 $'000
Own-Source Revenue		
3.1: Sale of Goods and Rendering of Services		
Scheme administration fees	**78,255**	77,201
Services rendered to the ARIA Investments Trust	**43,146**	31,365
Other revenue	**362**	289
Total sale of goods and rendering of services	**121,763**	108,855

Accounting Policy

Revenue from rendering of services

CSC receives scheme administration fees collected from employers participating in PSS and CSS, and from members of PSSap and ADF Super, and through negotiated administration charges collected from the Department of Defence. Additional funding may be provided by Government to meet specific administration requirements. In addition, CSC's activities are funded through charges to the ARIA Investments Trust (AIT) to recover the cost of managing the investments of the schemes.

Revenue is recognised to the extent that is it probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Where revenue is received but not earned, it is shown as the liability 'unearned revenue'.

The stage of completion of contracts at the reporting date for the purpose of revenue recognition is determined by reference to:

a) services performed to date as a percentage of total services to be performed; or

b) the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

	2018 $'000	2017 $'000
3.2: Interest		
Deposits	**134**	79
Total interest	**134**	79

Accounting Policy

Interest revenue is recognised using the effective interest method.

Note 4: Financial Assets

	2018 $'000	2017 $'000
4.1: Cash and Cash Equivalents		
Cash in special account	**35,233**	37,619
Cash on deposit	**15,307**	13,694
Total cash and cash equivalents	**50,540**	51,313

Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

a) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value; and

b) cash in special accounts.

	2018 $'000	2017 $'000
4.2: Trade and Other Receivables		
Good and services receivables		
Goods and services	**5,677**	7,928
Total goods and services receivables	**5,677**	7,928
Other receivables:		
GST receivable	**407**	119
Interest receivable	**11**	10
Reimbursements	**32**	110
Total other receivables	**450**	239
Total trade and other receivables (gross)	**6,127**	8,167
Less impairment allowance	**(10)**	(4)
Total trade and other receivables (net)	**6,117**	8,163
Trade and other receivables (net) expected to be recovered in:		
No more than 12 months	**6,117**	8,159
More than 12 months	**-**	4
Total trade and other receivables (net)	**6,117**	8,163
Trade and other receivables (gross) are aged as follows:		
Not overdue	**6,103**	7,888
Overdue by		
0 to 30 days	-	6
31 to 60 days	-	258
61 to 90 days	-	-
More than 90 days	**24**	15
Total trade and other receivables (gross)	**6,127**	8,167

Note 4: Financial Assets (continued)

4.2: Trade and Other Receivables (continued)

	2018	2017
	$'000	$'000
Impairment allowance is aged as follows:		
Not overdue	-	-
Overdue by		
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	**(10)**	(4)
Total impairment allowance	**(10)**	(4)

Credit terms for goods and services were within 30 days (2017: 30 days).

Accounting Policy
Loans and Receivables
Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Reconciliation of the Impairment Allowance

Movement in relation to 2018

	Goods and services $'000	Total $'000
As at 1 July 2017	**(4)**	**(4)**
Amounts written off	-	-
Amounts recovered and reversed	-	-
Increase recognised in net cost of services	**(6)**	**(6)**
Total as at 30 June 2018	**(10)**	**(10)**

Movements in relation to 2017

	Goods and services $'000	Total $'000
As at 1 July 2016	(6)	(6)
Amounts written off	6	6
Amounts recovered and reversed	-	-
Increase recognised in net contribution by services	(4)	(4)
Total as at 30 June 2017	(4)	(4)

Accounting Policy
Financial assets are assessed for impairment at the end of each reporting period.

Note 5: Non-Financial Assets

5.1: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2018

	Leasehold Improvements	Property, Plant and Equipment	Intangibles - Computer Software[1]	Total
	$'000	$'000	$'000	$'000
As at 1 July 2017				
Gross book value	6,992	4,443	26,042	37,477
Accumulated depreciation, amortisation and impairment	(5,708)	(2,109)	(7,240)	(15,057)
Total as at 1 July 2017	1,284	2,334	18,802	22,420
Additions				
Purchased	11,790	4,438	-	16,228
Internally developed	-	-	2,265	2,265
Revaluations and impairments recognised in other comprehensive income	-	(1)	-	(1)
Impairments recognised in net cost of services	-	-	-	-
Depreciation and amortisation	(1,750)	(1,394)	(3,985)	(7,129)
Disposals				
Write off of property, plant and equipment	-	(6)	-	(6)
Write off of gross book value[2]	(6,080)	(1,257)	-	(7,337)
Write off of accumlated depreciation and impairment[2]	6,080	1,257	-	7,337
Total as at 30 June 2018	11,324	5,371	17,082	33,777
Total as at 30 June 2018 represented by:				
Gross book value	12,702	7,624	28,307	48,633
Accumulated depreciation, amortisation and impairment	(1,378)	(2,253)	(11,225)	(14,856)
Total as at 30 June 2018 represented by:	11,324	5,371	17,082	33,777

[1.] The carrying amount of computer software includes $0.085 million of purchased software and $16.997 million of internally generated software.

[2] During the current financial year CSC disposed of assets based at the former Belconnen, Canberra City trustee and financial planning offices for nil value.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the fair value measurement policy stated at Note 15.1. Independent valuers conducted the last fair value assessment of the carrying values of all leasehold improvements and property, plant and equipment assets as at 30 June 2017.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

CSC have contractual commitments totalling $0.139 million (2017: $1.151 million) for the acquisition of property, plant and equipment and intangible assets.

5.1: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles (continued)

Reconciliation of the opening and closing balances of property, plant and equipment for 2017

	Leasehold Improvements[1]	Property, Plant and Equipment[1]	Intangibles - Computer Software[2]	Total
	$'000	$'000	$'000	$'000
As at 1 July 2016				
Gross book value	6,932	4,117	23,373	34,422
Accumulated depreciation, amortisation and impairment	-	-	(3,244)	(3,244)
Total as at 1 July 2016	6,932	4,117	20,129	31,178
Additions				
Purchased	60	353	150	563
Internally developed	-	-	2,519	2,519
Acquired through restructuring			-	-
Revaluations and impairments recognised in other comprehensive income	(408)	(285)	-	(693)
Impairments recognised in net contribution by services	(3,861)	(221)	-	(4,082)
Depreciation and amortisation	(1,439)	(1,618)	(3,996)	(7,053)
Disposals				
Write off of property, plant and equipment	-	(12)	-	(12)
Total as at 30 June 2017	1,284	2,334	18,802	22,420
Total as at 30 June 2017 represented by				
Gross book value	6,992	4,443	26,042	37,477
Accumulated depreciation, amortisation and impairment	(5,708)	(2,109)	(7,240)	(15,057)
Total as at 30 June 2017 represented by	1,284	2,334	18,802	22,420

1. Due to the co-location of CSC's Canberra offices, impairment losses of $0.241 million for property, plant and equipment and $4.269 million for leashold improvements were recognised to reflect shorter useful lives of the assets.

2. The carrying amount of computer software includes $0.323 million of purchased software and $18.479 million of internally generated software.

Note 5: Non-Financial Assets (continued)

Accounting Policy
Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

Asset Recognition Threshold
Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions where there exists an obligation to the lessor. These costs are included in the value of the entity's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations
Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation
Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

	2018	2017
Leasehold Improvements	Lease term	Lease term
Plant and Equipment	3 to 10 years	3 to 10 years

Impairment
All assets were assessed for indicators of impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles
CSC's intangibles comprise internally developed software and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the entity's software are 1 to 10 years.

Purchased or internally developed intangibles are recognised initially at cost in the Statement of Financial Position, except for purchased intangibles costing less than $50,000 or internally developed assets costing less than $100,000. These items are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Software assets under development but not yet available for use have been tested for impairment as at 30 June 2018. All software assets in use were assessed for indications of impairment as at 30 June 2018.

Accounting Judgements and Estimates
CSC has also made judgements in relation to the carrying value of internally generated software. The carrying amount is based on the recoverability as assessed by management given the most recent information available, including an impairment assessment as at 30 June 2018.

Note 5: Non-Financial Assets (continued)

	2018 $'000	2017 $'000
5.2: Other Non-Financial Assets		
Prepayments	**4,113**	3,012
Total other non-financial assets	**4,113**	3,012
Other non-financial assets expected to be recovered in:		
No more than 12 months	**3,459**	2,510
More than 12 months	**654**	502
Total other non-financial assets	**4,113**	3,012

No indicators of impairment were found for other non-financial assets (2017: Nil).

Note 6: Payables

	2018	2017
	$'000	$'000
6.1: Suppliers		
Trade creditors and accruals	**6,863**	3,916
Total suppliers	**6,863**	3,916
Supplier payables expected to be settled in:		
No more than 12 months	**6,863**	3,916
More than 12 months	**-**	-
Total suppliers	**6,863**	3,916

Settlement is usually made within 30 days.

	2018	2017
6.2: Other Payables		
Wages and salaries	**399**	437
Unearned revenue	**2,585**	10,451
Lease liabilities	**7,976**	2,016
Other	**39**	19
Total other payables	**10,999**	12,923
Other payables expected to be settled in:		
No more than 12 months	**2,738**	10,736
More than 12 months	**8,261**	2,187
Total other payables	**10,999**	12,923

Note 7: Provisions

	2018 $'000	2017 $'000
7.1: Employee Provisions		
Leave	**12,747**	12,287
Separations and redundancies	**68**	80
Total employee provisions	**12,815**	12,367
Employee provisions expected to be settled in:		
No more than 12 months	**5,167**	4,974
More than 12 months	**7,648**	7,393
Total employee provisions	**12,815**	12,367

Accounting policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the Australian Government short hand method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

The entity recognises a provision for separation and redundancy benefit payments when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap), or other non Australian Government superannuation funds.

The CSS and PSS are defined benefit schemes for Australian Government employees. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

CSC makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. CSC accounts for the contributions as if they were contributions to defined contribution plans.

Any liability for superannuation recognised as at 30 June represents outstanding contributions.

	2018 $'000	2017 $'000
7.2: Other Provisions		
Provision for onerous rent	**12,247**	13,653
Provision for restoration obligations	**2,459**	564
Total other provisions	**14,706**	14,217

	Provision for onerous rent $'000	Provision for restoration obligations $'000	Total other provisions $'000
As at 1 July 2017	**13,653**	**564**	**14,217**
Additional provisions made	**21**	**1,893**	**1,914**
Amounts used	**(1,427)**	**-**	**(1,427)**
Amounts reversed	**-**	**(25)**	**(25)**
Unwinding of discount or change in discount rate	**-**	**27**	**27**
Total as at 30 June 2018	**12,247**	**2,459**	**14,706**

Note 7: Provisions (continued)

	2018	2017
	$'000	$'000
7.2 Other Provisions (Continued)		
Other provisions are expected to be settled in:		
No more than 12 months	**3,667**	1,302
More than 12 months	**11,039**	12,915
Total other provisions	**14,706**	14,217

The entity currently has 4 (2017: 3) agreements for the leasing of premises which have provisions requiring the entity to restore the premises to their original condition at the conclusion of the lease. The entity has made a provision to reflect the present value of these obligations.

As a result of the co-location of CSC's Canberra offices, an onerous rent provision has been raised in relation to surplus lease space in the former Belconnen, Canberra City trustee and financial planning offices.

Note 8: Cash Flow Reconciliation

	2018 $'000	2017 $'000
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	**50,540**	51,313
Statement of Financial Position	**50,540**	51,313
Difference	**-**	-
Reconciliation of net contribution by/(cost of) services to net cash from/(used by) operating activities		
Net contribution by/(cost of) services	**7,310**	(2,467)
Adjustments for non-cash items		
Depreciation and amortisation	**7,129**	7,053
Write down and impairment of assets	**12**	4,100
Movements in assets and liabilities		
Assets		
(Increase) / decrease in trade and other receivables	**2,040**	(4,727)
(Increase) / decrease in other non-financial assets	**(1,101)**	(994)
Liabilities		
Increase / (decrease) in supplier payables	**2,940**	(416)
Increase / (decrease) in other payables	**(1,924)**	(16)
Increase / (decrease) in employee provisions	**448**	588
Increase / (decrease) in other provisions	**489**	12,865
Net cash from operating activities	**17,343**	15,986

Note 9: Appropriations

9.1: Special Appropriations[1]

Authority	Type	Purpose	Appropriation applied 2018 $'000	Appropriation applied 2017 $'000
Superannuation Act 1922 , Administered	Unlimited Amount	An Act to provide superannuation benefits for persons employed by the Commonwealth and by certain Commonwealth Authorities and to make provision for the families of those persons.	**(74,160)**	(81,985)
Superannuation Act 1976 , Administered	Unlimited Amount	An Act to make provision for and in relation to an occupational superannuation scheme, known as the Commonwealth Superannuation Scheme, for persons employed by the Commonwealth and for certain other persons.	**(4,353,503)**	(4,296,123)
Superannuation Act 1990 , Administered	Unlimited Amount	An Act to make provision for and in relation to an occupational superannuation scheme for persons employed by the Commonwealth, and for certain other persons.	**(2,059,918)**	(1,937,127)
Same Sex Relationships (Equal Treatment in Commonwealth Laws - Superannuation) Act 2008 , Administered	Unlimited Amount	An Act to address discrimination against same-sex couples and their children in Commonwealth laws, and for other purposes.	**(59)**	(60)
Governance of Australian Government Superannuation Schemes Act 2011 - s35(3)(a) in the case of the 1922 Scheme, DFRB, DFRDB, DFSPB or PNG schemes	Unlimited Amount	An Act to make provision for any money becoming payable by CSC in respect of an action, liability, claim or demand that relates to the 1922 Scheme, DFRB, DFRDB, DFSPB or PNG schemes.	**(72)**	(15)
Governance of Australian Government Superannuation Schemes Act 2011 - s35(4) to reimburse the superannuation funds administered by CSC	Unlimited Amount	An Act to make provision for any money becoming payable by Commonwealth Superannuation Corporation(CSC) in respect of an action, liability, claim or demand that relates to any other cases not covered in s35(3)(a) of Governance of Australian Government Superannuation Schemes Act 2011.	**(398)**	(1,253)
Defence Forces Retirement Benefits Act 1948 , Administered	Unlimited Amount	An Act to provide Retirement Benefits for Members of the Defence Force of the Commonwealth, and for other purposes.	**(41,144)**	(45,668)
Defence Force Retirement & Death Benefits Act 1973 , Administered	Unlimited Amount	An Act to make provision for and in relation to a Scheme for Retirement and Death Benefits for Members of the Defence Force.	**(1,560,425)**	(1,535,637)
Military Superannuation and Benefits Act 1991 , Administered	Unlimited Amount	An Act to make provision for and in relation to an occupational superannuation scheme for, and the payment of other benefits to, members of the Defence Force, and for related purposes.	**(766,098)**	(674,264)
Public Governance, Performance and Accountability Act 2013 Section 77	Refund	Repayments required or permitted by law (where no other appropriation for repayment exists).	**(142)**	(46)
Australian Defence Force Cover Act 2015.	Unlimited Amount	An Act to provide a new statutory death and invalidity scheme.	**(1,647)**	(21)
Total			**(8,857,566)**	(8,572,199)

1. Amounts exclude recoverable GST.

Note 9: Appropriations (continued)

9.2: Disclosure by Agent in Relation to Annual and Special Appropriations[1]

2018	DFAT[2] $'000	Department of Finance $'000	Department of Defence $'000
Total receipts	**-**	**3,236,466**	**1,564,035**
Total payments	**(6,084)**	**(6,489,288)**	**(2,369,314)**

2017	DFAT $'000	Department of Finance $'000	Department of Defence $'000
Total receipts	-	3,402,053	1,566,879
Total payments	(6,411)	(6,317,958)	(2,255,590)

1. Amounts exclude recoverable GST.
2. Department of Foreign Affairs and Trade.

Note 9: Appropriations (continued)

9.3: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law.

CSC operates from the CSC Special Account established under the *Public Governance, Performance and Accountability Act 2013* Section 80 in providing superannuation administration for Australian Government sponsored superannuation schemes. CSC, as an Agent, has third party access rights for the following Special Appropriations (refer note 9.1):

Department of Finance (Finance)
1. *Superannuation Act 1922;*
2. *Superannuation Act 1976;*
3. *Superannuation Act 1990;*
4. *Superannuation Act 2005;*
5. *Same-Sex Relationships (Equal Treatment in Commonwealth Laws - Superannuation) Act 2008;*
6. *Governance of Australian Government Superannuation Schemes Act 2011;*
7. *Annual Appropriation Act 1* (for Compensation & Legal payments and Act of Grace payments); and
8. *Annual Appropriation Act 2* (for Act of Grace payments).

Department of Defence (Defence)
1. *Defence Forces Retirement Benefits Act 1948;*
2. *Defence Forces Retirement and Death Benefits Act 1973;*
3. *Military Superannuation and Benefits Act 1991; and*
4. *Australian Defence Force Cover Act 2015.*

Department of Foreign Affairs and Trade (DFAT)
1. *Annual Appropriation Act 1* (payments are made in accordance with the *Papua New Guinea (Staffing Assistance) Act 1973*).

Note 9: Appropriations (continued)

Both the *Financial Framework Legislation Amendment Act (No.2) 2012* (FFLA Act No.2 (2012)) and the *Financial Framework Legislation Amendment Act (No.1) 2013* (FFLA Act No.1 (2013)) require that CSC and the agency responsible for the special appropriation disclose, refer tables below, the number of recoverable overpayments made during the financial year and the balance recovered to 30 June. The following tables set out, as required by the FFLA Act No.2 and FFLA Act No.1, the number and amount of all payments made beyond legislative pre-conditions for the period 1 July 2017 to 30 June 2018:

Legislation / Authority to pay[1]	**Recoverable death payments**[2]					
	2018			2017		
	No.	**Value $'000**	**Recovered $'000**	No.	Value $'000	Recovered $'000
DFAT – Annual Administered Appropriation						
Papua New Guinea (Staffing Assistance) Act 1973	**7**	**14**	**13**	8	22	15
Defence - Special Appropriations						
Defence Forces Retirement Benefits Act 1948; and Defence Forces Retirement and Death Benefits Act 1973	**692**	**871**	**713**	709	1,214	975
Military Superannuation and Benefits Act 1973	**24**	**62**	**11**	19	60	47
Australian Defence Force Cover Act 2015	**-**	**-**	**-**	-	-	-
Finance - Special Appropriations						
Superannuation Act 1922; and Superannuation Act 1976	**2,489**	**3,617**	**2,888**	2,685	4,197	3,565
Superannuation Act 1990	**199**	**271**	**201**	141	293	213

	Recoverable payments[3]					
	No.	**Value $'000**	**Recovered $'000**	No.	Value $'000	Recovered $'000
DFAT – Annual Administered Appropriation						
Papua New Guinea (Staffing Assistance) Act 1973	**-**	**-**	**-**	-	-	-
Defence - Special Appropriations						
Defence Forces Retirement Benefits Act 1948; and Defence Forces Retirement and Death Benefits Act 1973	**37**	**638**	**169**	82	229	106
Military Superannuation and Benefits Act 1973	**42**	**331**	**137**	42	502	51
Australian Defence Force Cover Act 2015	**2**	**-**	**-**	-	-	-
Finance - Special Appropriations						
Superannuation Act 1922; and Superannuation Act 1976	**46**	**492**	**264**	31	199	182
Superannuation Act 1990	**34**	**212**	**126**	42	182	88

Note 9: Appropriations (continued)

[1] **Legislation**

Amounts paid under each Act are disclosed in Note 9.1 Special Appropriations and Note 10 Special Accounts.

[2] **Recoverable death payments**

Legislative changes made in the FFLA Act No.2 and FFLA Act No.1 provides a mechanism, called a ‘recoverable death payment’ that provides authority for the inadvertent overpayments of some benefits, and for their recovery in line with the duty to pursue recovery of a debt under rule 11 of the *Public Governance, Performance and Accountability Rule 2014* .

[3] **Recoverable payments**

Legislative changes made in the FFLA Act No.2 and FFLA Act No.1 provides a mechanism, called a ‘recoverable payment’, to address administrative issues common to CSC, that provides authority for the inadvertent overpayments of some benefits, and for their recovery in line with the duty to pursue recovery of a debt under rule 11 of the *Public Governance, Performance and Accountability Rule 2014.*

Note 10: Special Accounts

	CSC Special Account (Departmental)[1]		Services for Other Entities and Trust Moneys[2]	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Balance brought forward from previous period	**42,338**	32,273	**7,067**	62,109
Increases				
Other receipts	**116,066**	104,162	**125,632**	2,025,549
Total increases	**116,066**	104,162	**125,632**	2,025,549
Available for payments	**116,066**	104,162	**125,632**	2,025,549
Decreases				
Departmental				
Payments made to suppliers	**(57,657)**	(36,815)	**-**	-
Payments made to employees	**(59,377)**	(54,282)	**-**	-
Dividend paid	**-**	(3,000)	**-**	-
Total departmental decrease	**(117,034)**	(94,097)	**-**	-
Special Public Money				
Payments made to others	**-**	-	**(126,753)**	(2,080,591)
Total special public money decrease	**-**	-	**(126,753)**	(2,080,591)
Total decreases	**(117,034)**	(94,097)	**(126,753)**	(2,080,591)
Balance represented by:				
Cash held in entity bank accounts	**6,137**	4,719	**-**	-
Cash held in the official public account	**35,233**	37,619	**5,946**	7,067
Total balance carried to the next period[3]	**41,370**	42,338	**5,946**	7,067

[1] Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80.

Establishing Instrument: Section 29E *Governance of Australian Government Superannuation Schemes Legislation Amendment Act 2015.*

Purpose: For the receipt and expenditure of monies in connection with the provision of administration, accounting and other support services.

[2] Appropriation: *Public Governance, Performance and Accountability Act 2013* section 78.

Establishing Instrument: *Financial Management and Accountability Determination 2011/06*

Purpose: For the receipt and expenditure of monies in connection with payments made on behalf of CSS, PSS, and MSBS, and for the receipt and expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth. The Trust monies represent returned benefits which have not yet been subsequently repaid to the member.

[3] Amounts differ to Note 4.1 as the balances do not include cash on deposit held outside the Special Account.

Note 11: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Key management personnel remuneration is reported in the table below:

	2018	2017
	$	$
Short-term employee benefits	**5,216,544**	4,362,425
Post-employment benefits	**444,440**	447,281
Other long-term employee benefits	**418,495**	336,847
Termination benefits	-	237,500
Total key management personnel remuneration	**6,079,479**	5,384,053

Key management personnel comprise the Directors of CSC and those Executives of CSC that have authority and responsibility for planning, directing and controlling the activities of the entity.

The total number of key management personnel that are included in the above table are 21 individuals (2017: 21 individuals).

The Directors of CSC throughout the year ended 30 June 2018 were:

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

In addition to the Directors listed above, the following executives of CSC had authority and responsibility for planning, directing and controlling the activities of the entity 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 Adminstration 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 CSC 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)

Note 12: Related Parties Disclosure

Related Party Relationships:
Related parties to this entity are the Directors, the Executive, the Portfolio Minister and other Australian Government Entities.

Transactions with Related Parties
Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refunds of taxes, receipt of Medicare rebates or higher education loans. These transactions have not been disclosed in this note.

The following transactions with related parties occurred during the financial year:

- Commonwealth Superannuation Corporation transacts with other Australian Government controlled entities consistent with the normal day to day business operations under normal terms and conditions, including the payment of workers compensation insurance premiums (note 2.2), and the receipt of superannuation administration fees (note 3.1).

- Refer to Note 7 Employee Provisions for details on superannuation arrangements with the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme (PSS), and the Public Sector Superannuation Accumulation Plan (PSSap).

The following key management personnel are members of the schemes for which CSC is the Trustee:
Christopher Ellison (PSSap)
Nadine Flood (PSSap)
Winsome Hall (PSS)
Anthony Needham (MSBS)
Margaret Staib (DFRDB)

Paul Abraham (PSSap)
Peter Carrigy-Ryan (CSS)
Robert Firth (PSSap)
Philip George (PSSap)
Richard Hill (PSSap)
Bronwyn McNaughton (PSS & PSSap)
Christine Pearce (PSSap)
Alana Scheiffers (PSSap)
Alison Tarditi (PSSap)
Andy Young (PSSap)

The terms and conditions of their membership, or those of any related parties, are the same as for any other member who is not part of the key management personnel of the Plan.

During the financial year, Margaret Staib was a member of the Council of the Australian Strategic Policy Institute, which made superannuation contributions to the PSS and PSSap schemes for which CSC is the Trustee. The contributions were made at arm’s length as part of a normal employer relationship on terms and conditions no more favourable than if the employer had not been a director-related entity.

Note 13: Contingent Assets and Liabilities

Quantifiable Contingencies

CSC is not aware of any events that require it to report quantifiable contingencies (2017: Nil).

Unquantifiable Contingencies

CSC is not aware of any events that require it to report unquantifiable contingencies (2017: Nil).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Note 14: Financial Instruments

	2018 $'000	2017 $'000
14.1: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	**50,540**	51,313
Trade and other receivables	**5,720**	8,048
Total loans and receivables	**56,260**	59,361
Total financial assets	**56,260**	59,361
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	**6,863**	3,916
Other payables	**438**	456
Total financial liabilities measured at amortised cost	**7,301**	4,372
Carrying amount of financial liabilities	**7,301**	4,372

The carrying amount of the financial assets and liabilities is equivalent to their fair value.

Accounting Policy

Financial assets

CSC classifies its financial assets as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective interest method

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

If there is objective evidence that an impairment loss has been incurred for loans and receivables held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

	2018 $'000	2017 $'000
14.2: Net Gains on Financial Assets		
Loans and receivables		
Interest revenue	**134**	79
Net gains on loans and receivables	**134**	79

14.3: Net Income and Expense from Financial Liabilities

There is no interest expense from financial liabilities not at fair value through profit or loss in the year ending 30 June 2018 (30 June 2017: Nil).

Note 14: Financial Instruments (continued)

14.4: Fair Value of Financial Instruments

The carrying amount for all financial assets and liabilities is equal to their fair value in the years ending 30 June 2018 and 30 June 2017.

14.5: Credit Risk

CSC is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the balance of trade receivables, interest receivable and reimbursements (excluding GST receivable) 2018: $5,720,000 (2017: $8,048,000).

CSC has assessed the risk of the default on payment and has allocated $10,000 in 2018 (2017: $4,000) to an impairment allowance account. CSC also manages credit risk by following up debtors (the majority of which are Commonwealth agencies) before the due date to ensure payment. In addition, policies and procedures are in place that guide employee debt recovery techniques.

CSC holds no collateral to mitigate against credit risk.

Credit quality of financial assets not past due or individually determined as impaired

	Not past due nor impaired 2018 $'000	Not past due nor impaired 2017 $'000	**Past due or impaired 2018 $'000**	Past due or impaired 2017 $'000
Cash and cash equivalents	**50,540**	51,313	**-**	-
Receivables for goods and services	**5,664**	7,659	**24**	279
Reimbursements	**32**	110	**-**	-
Total	**56,236**	59,072	**24**	279

Ageing of financial assets that were past due but not impaired for 2018

	0 to 30 days $'000	**31 to 60 days $'000**	**61 to 90 days $'000**	**90+ days $'000**	**Total $'000**
Loans and receivables:					
Receivables for goods and services	**-**	**-**	**-**	**14**	**14**
Total	**-**	**-**	**-**	**14**	**14**

Ageing of financial assets that were past due but not impaired for 2017

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Loans and receivables:					
Receivables for goods and services	6	258	-	11	275
Total	6	258	-	11	275

Note 14: Financial Instruments (continued)

14.6: Liquidity Risk

CSC's financial liabilities are suppliers and other payables. The exposure to liquidity risk is based on the notion that CSC will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to funding received for specific projects and internal policies and procedures put in place to ensure there are appropriate resources to meet CSC's financial obligations.

Maturities for non-derivative financial liabilities 2018

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	-	**6,863**	-	-	-	**6,863**
Other	-	**438**	-	-	-	**438**
Total	-	**7,301**	-	-	-	**7,301**

Maturities for non-derivative financial liabilities 2017

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	-	3,916	-	-	-	3,916
Other	-	456	-	-	-	456
Total	-	4,372	-	-	-	4,372

During 2017-18 the majority of CSC's activities were funded through direct charges for scheme administration services and trustee services. CSC manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, CSC has procedures in place to ensure timely payments are made when due and has no past experience of default.

14.7: Market Risk

CSC holds basic financial instruments that do not expose the agency to certain market risks, such as 'currency risk', 'interest rate risk' or 'other price risk'.

Note 15: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the Statement of Financial Position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Accounting Policy
Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

An independent valuer conducted a fair value assessment of the carrying values of all leasehold improvements and property, plant and equipment at 30 June 2017.

15.1: Fair Value Measurement

	Fair value measurements at the end of the reporting period			Valuation Technique(s) and Inputs Used		
	2018 $'000	2017 $'000	**Category (Level 1, 2 or 3)[3,4,5]**	**Valuation Technique [1]**	**Inputs used**	**Sensitivity Analysis**
Non-financial assets[2]						
Leasehold improvements	**11,324**	1,284	Level 3	Depreciated replacement cost	Replacement cost new Consumed economic benefit/Obsolescence of asset	Significant movements in any of the inputs in isolation would result in a significantly different fair value measurement. A change in the assumption used for replacement cost is accompanied by a directionally similar change in the fair value of leasehold improvements and PP&E. A change in the assumption used for consumed economic benefit/obsolescence of asset is accompanied by a directionally opposite change in the fair value of leasehold improvements and PP&E.
Property, plant and equipment (PP&E)	**5,371**	2,334	Level 3	Depreciated replacement cost	Replacement cost new Consumed economic benefit/Obsolescence of asset	
Total non-financial assets	**16,695**	3,618				
Total fair value measurements of assets in the Statement of Financial Position	**16,695**	3,618				

1. There were no changes in valuation technique used from previous years.
2. CSC's assets are held for operational purposes and are not held for the purposes of deriving a profit. The current use of all-non financial assets is considered their highest and best use.
3. The remaining assets and liabilities reported by CSC are not measured at fair value in the Statement of Financial Position.
4. CSC did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2018.
5. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

Note 15: Fair Value Measurements (continued)

15.1: Fair Value Measurement (continued)

Significant level 3 inputs utilised by CSC have been derived and evaluated as follows:

Consumed economic benefit/obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (depreciated replacement cost (DRC)) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit/asset obsolescence (accumulated depreciation). Consumed economic benefit/asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

15.2: Reconciliation for Recurring Level 3 Fair Value Measurements

	Non-financial assets					
	Leasehold Improvements		Property, Plant and Equipment		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
As at 1 July	**1,284**	6,932	**2,334**	4,117	**3,618**	11,049
Total gains/(losses) recognised in net cost of/contribution by services[a]	**(1,750)**	(5,300)	**(1,400)**	(1,851)	**(3,150)**	(7,151)
Total gains/(losses) recognised in other comprehensive income[b]	**-**	(408)	**(1)**	(285)	**(1)**	(693)
Purchases	**11,790**	60	**4,438**	353	**16,228**	413
Total as at 30 June	**11,324**	1,284	**5,371**	2,334	**16,695**	3,618

a. These gains/(losses) are presented in the Statement of Comprehensive income under depreciation and amortisation expense and write-down and impairment of assets.

b. These gains/(losses) are presented in the Statement of Comprehensive income under changes in asset revaluation reserve.

No assets were transferred into or out of level 3 during the year.

Note 16: Assets Held in Trust

Monetary assets

Shown below are the values of gross assets held in Trust by CSC in its capacity as Trustee of the CSS, PSS, PSSap, MSBS and ADF Super. The assets comprise units in the AIT, for which CSC is also Trustee, plus cash and cash equivalents and sundry debtors.

	2018	2017
	$'000	$'000
CSS		
Opening balance	**3,025,883**	3,343,013
Closing balance	**2,788,354**	3,025,883
PSS		
Opening balance	**19,182,996**	17,954,263
Closing balance	**20,503,057**	19,182,996
PSSap		
Opening balance	**10,764,628**	8,976,460
Closing balance	**12,687,338**	10,764,628
MSBS		
Opening balance	**8,360,485**	7,327,791
Closing balance	**9,383,714**	8,360,485
ADF Super		
Opening balance	**37,743**	-
Closing balance	**136,314**	37,743

Note 17: Reporting of Outcomes

	Outcome 1[1] 2018 $'000	2017 $'000
Expenses		
Employees	**59,987**	55,046
Suppliers	**47,430**	45,202
Depreciation and amortisation	**7,129**	7,053
Finance costs	**29**	1
Write-down and impairment of assets	**12**	4,100
Total expenses	**114,587**	111,402
Own-source revenue		
Sale of goods and rendering of services	**121,763**	108,855
Interest	**134**	79
Gains		
Gains from sale of assets	**-**	1
Total own-source income	**121,897**	108,935
Assets		
Cash and cash equivalents	**50,540**	51,313
Trade and other receivables	**6,117**	8,163
Leasehold improvements	**11,324**	1,284
Property, plant and equipment	**5,371**	2,334
Intangibles	**17,082**	18,802
Other non-financial assets	**4,113**	3,012
Total Assets	**94,547**	84,908
Liabilities		
Supplier payables	**6,863**	3,916
Other payables	**10,999**	12,923
Employee provisions	**12,815**	12,367
Other provisions	**14,706**	14,217
Total liabilities	**45,383**	43,423

[1.] CSC has one outcome: Retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the Australian Defence Force, through investment and administration of their superannuation funds and schemes. Net costs shown included intra-government costs that were eliminated in calculating the actual Budget Outcome.