

Military Superannuation and Benefits Scheme (ABN 50 925 523 120)

Statement by the Trustee of the Military Superannuation and Benefits Scheme ('Scheme')

The Board of Directors hereby states that in its opinion:

- (a) the accompanying financial statements of the Military Superannuation and Benefits 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 Scheme were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011*, the *Military Superannuation and Benefits Act 1991*, the Trust Deed establishing the Scheme, 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 Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Patricia Cross
Chair

Margaret Staib
Director

Military Superannuation & Benefits Scheme
Statement of Financial Position
As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Cash and cash equivalents		54 098	59 726
Employer sponsor receivable		41 612 999	35 213 002
Other receivables	4	5 573	7 119
Investments in pooled superannuation trust	5	9 324 043	8 293 640
Total assets		50 996 713	43 573 487
Liabilities			
Benefits payable		(8 872)	(4 372)
Income tax payable		(27 067)	(31 631)
Other payables		(447)	(478)
Deferred tax liabilities	8c	(5)	(6)
Total liabilities excluding member benefits		(36 391)	(36 487)
Net assets available for member benefits		50 960 322	43 537 000
Member liabilities	9	(50 927 624)	(43 509 215)
Net assets		32 698	27 785
Equity			
Operational risk reserve		(32 698)	(27 785)
Total equity		(32 698)	(27 785)

The attached notes form part of these financial statements.

**Military Superannuation & Benefits Scheme
Income Statement
For the Financial Year Ended 30 June 2018**

	Note	2018	2017
		\$'000	\$'000
Investment revenue			
Interest		455	532
Changes in fair value of investments	6c	784 821	716 321
Total revenue		785 276	716 853
Total expenses			
		-	-
Operating results		785 276	716 853
Net change in member benefits from investing activities		(784 767)	(716 356)
Operating result before income tax expense		509	497
Income tax expense	8a	(68)	(80)
Operating result after income tax		441	417

The attached notes form part of these financial statements.

**Military Superannuation & Benefits 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		43 509 215	39 203 316
Contributions:			
Member contributions	7a	275 705	277 663
Employer contributions	7a	180 514	211 061
Government co-contributions	7a	1 106	2 525
Low income superannuation tax offset	7a	642	770
Income tax on contributions	8b	(27 078)	(31 660)
Net after tax contributions		430 889	460 359
Net appropriation from Consolidated Revenue Fund	7b	641 893	574 672
Benefits to members	7b	(834 668)	(723 736)
Net change in member benefits from investing activities		784 767	716 356
Net change in member benefits to be funded by employers		6 395 528	3 278 248
Closing balance of member benefits at the end of the financial year		50 927 624	43 509 215

The attached notes form part of these financial statements.

Military Superannuation & Benefits 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	25 614	25 614
Operating result	417	417
Net transfers to / (from) reserves	1 754	1 754
Closing balance as at 30 June 2017	<u>27 785</u>	<u>27 785</u>
Opening balance as at 1 July 2017	27 785	27 785
Operating result	441	441
Net transfers to / (from) reserves	4 472	4 472
Closing balance as at 30 June 2018	<u>32 698</u>	<u>32 698</u>

**Military Superannuation & Benefits Scheme
Statement of Cash Flows
For the Financial Year Ended 30 June 2018**

	Note	2018	2017
		\$'000	\$'000
Cash flows from operating activities			
Interest received		462	541
Superannuation surcharge paid		21	19
Income tax (paid)/received		(81)	4 500
Net cash inflows from operating activities	10b	402	5 060
Cash flows from investing activities			
Purchase of investments		(432 367)	(469 003)
Proceeds from sale of investments		186 803	153 503
Net cash (outflows) from investing activities		(245 564)	(315 500)
Cash flows from financing activities			
Contributions received			
Employer contributions		180 464	211 010
Member contributions		275 705	277 663
Government co-contributions		1 106	2 525
Low income superannuation tax offset		642	770
Income tax paid on contributions		(31 630)	(31 660)
Benefits paid		(830 168)	(723 759)
Net appropriation from Consolidated Revenue Fund		643 415	571 510
Net cash inflows from financing activities		239 534	308 059
Net (decrease) in cash held		(5 628)	(2 381)
Cash at the beginning of the financial year		59 726	62 107
Cash at the end of the financial year	10a	54 098	59 726

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 AND THE FUND

The Military Superannuation and Benefits Scheme ('Scheme') (ABN 50 925 523 120) is a hybrid accumulation-defined benefits scheme which provides benefits to its members under the *Military Superannuation and Benefits Act 1991*. The Trustee of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 880 817 243).

The Scheme is operated for the purpose of providing members of the Australian Defence Force (and their dependants or beneficiaries) with lump sum and pension benefits upon retirement, termination of service, death or disablement. For the purposes of the Scheme, the Military Superannuation and Benefits Fund No. 1 (Fund) manages and invests the assets of the Scheme until such time as a benefit is paid. The Fund accepts employer contributions from the Department of Defence, other government contributions, members' contributions, transfers from other superannuation funds, and contributions made by members for the benefit of their spouse.

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

The Scheme was closed to new members from 30 June 2016 and a new accumulation plan, Australian Defence Force Superannuation Scheme (ADF) was established for new members of the Australian Defence Force from 1 July 2016, together with a new invalidity scheme, Australian Defence Force Cover.

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, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Standards adopted with no significant impact on the financial statements

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'	beginning 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

2. BASIS OF PREPARATION (continued)

(b) Functional and presentation

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 Fund becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. After initial measurement, 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 *Military Superannuation and Benefits Act 1991* 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 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 other payables) 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.

Other payables

Other payables represent liabilities for services provided during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

(f) 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) Contributions

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.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Derivatives

The Scheme does not directly 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).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Income Tax (continued)

Deferred tax (continued)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

4. OTHER RECEIVABLES

	2018 \$'000	2017 \$'000
Receivable from the ARIA Investments Trust	31	48
Interest receivable	33	40
Amount to be appropriated from Consolidated Revenue Fund	5 509	7 031
	<u>5 573</u>	<u>7 119</u>

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

5. INVESTMENTS

	2018 \$'000	2017 \$'000
Pooled Superannuation Trust - ARIA Investments Trust	9 324 043	8 293 640
	<u>9 324 043</u>	<u>8 293 640</u>

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2018 \$'000	2017 \$'000
(a) Investments held at 30 June:		
Pooled Superannuation Trust - ARIA Investments Trust	775 875	709 797
(b) Investments realised during the year:		
Pooled Superannuation Trust - ARIA Investments Trust	8 946	6 524
(c) Total changes in net market values of investments	<u>784 821</u>	<u>716 321</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

7. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions

Members contribute to the Scheme each fortnight at optional rates ranging from a minimum of 5% of salary, to a maximum of 10% of salary. The contribution rates were the same in the prior year.

Employer Contributions

The Department of Defence contributes to the Scheme each fortnight in respect of each member at the rate of 3% of the member's salary. The contribution rates were the same in the prior year. Employers may also make salary sacrifice contributions (before tax) and Ordinary Time Earnings top up contributions to the Scheme on behalf of members.

Transferring Superannuation Benefits From Other Funds

Money invested in other superannuation funds can be rolled over 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

The benefits payable from the Scheme comprise a lump sum of accumulated member contributions and a defined benefit financed by the employer and calculated on the basis of the member's final average salary and length of service. The defined benefit may be taken as a lump sum or as a pension or as a combination of lump sum and pension. The defined benefit consists of a funded component (the accumulated value of contributions made to the Fund by the Department of Defence) and an unfunded component (the balance of the defined benefit).

In general, when a benefit becomes payable to a member, the accumulated member and employer contributions held in the Fund in respect of the member are transferred to the Consolidated Revenue Fund (CRF) which pays out the total benefit (both funded and unfunded components).

Appropriation refers to the total amount paid from the CRF. The appropriation from CRF shown in the Statement of Changes in Member Benefits is the net amount after taking into account transfers from the Fund to the CRF.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

7. FUNDING ARRANGEMENTS (continued)

(b) Benefits (continued)

Of the total benefits payable as at 30 June 2018, \$3.26 million (2017: \$0.78 million) is payable by the Consolidated Revenue Fund. The Commonwealth is the corresponding debtor for this amount in accordance with the funding arrangements described above.

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

	2018 \$'000	2017 \$'000
Gross Appropriation from Consolidated Revenue Fund	767 061	675 285
less: Transfers from Fund to Consolidated Revenue Fund	<u>(125 168)</u>	<u>(100 613)</u>
Net Appropriation	<u>641 893</u>	<u>574 672</u>
Consolidated Revenue Fund		
Lump-sum benefits	143 133	152 161
Pensions	<u>623 928</u>	<u>523 124</u>
	767 061	675 285
Military Superannuation & Benefits Fund		
Lump-sum benefits	67 607	48 451
Total benefits paid and payable	<u>834 668</u>	<u>723 736</u>

(c) Costs of managing, investing and administering the Fund

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 Fund. Transactions in respect of these costs have been brought to account in the financial statements of AIT.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

7. FUNDING ARRANGEMENTS (continued)

(c) Costs of managing, investing and administering the Fund (continued)

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

	2018 \$'000	2017 \$'000
Investment		
Investment manager fees	11 091	14 488
Custodian fees	1 278	1 179
Investment consultant and other service provider fees	1 556	1 088
Other investment expenses	544	600
Total direct investment expenses	14 469	17 355
Regulatory fees	876	901
Other operating expenses	9 143	6 626
Total costs	24 488	24 882

Administrative fees are paid to CSC by the Department of Defence to meet costs other than those incurred in managing and investing Fund assets. Sponsoring employer has contributed further administration funding of \$22.46 million (2017: \$21.89 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. INCOME TAX

	2018 \$'000	2017 \$'000
(a) Income tax recognised in the Income Statement		
Tax expense comprises:		
Current tax expense	69	82
Deferred tax expense relating to the origination and reversal of temporary differences	(1)	(2)
Total tax expense	68	80

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:

Operating result before income tax expense	509	497
Income tax expense / (benefit) calculated at 15%	76	75
Net change in member benefits from investing activities	117 715	107 453
Investment revenue already taxed	(117 723)	(107 448)
Total tax expense	68	80

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

Contributions received:

Member contributions	275 705	277 663
Employer contributions	180 514	211 061
Government co-contributions	1 106	2 525
Low income superannuation tax offset	642	770
Total contributions received	457 967	492 019
Contributions tax calculated at 15%	68 695	73 803
Member contributions not subject to tax	(41 356)	(41 649)
Government co-contributions not subject to tax	(166)	(379)
Low income superannuation tax offset not subject to tax	(96)	(116)
No-TFN-quoted contributions subject to additional tax	1	1
Total contributions tax expense	27 078	31 660

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. INCOME TAX (continued)

2018	2017
\$'000	\$'000

(c) Recognised deferred tax assets and liabilities**Deferred tax liabilities comprise:**

Temporary differences	5	6
	<u>5</u>	<u>6</u>

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	6	(1)	5
	<u>6</u>	<u>(1)</u>	<u>5</u>
Net deferred tax liabilities	<u>6</u>	<u>(1)</u>	<u>5</u>
2017	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Gross deferred tax liabilities:			
Interest receivable	8	(2)	6
	<u>8</u>	<u>(2)</u>	<u>6</u>
Net deferred tax liabilities / (assets)	<u>8</u>	<u>(2)</u>	<u>6</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

9. 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 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 has been determined by historical observations over a long term period and in consultation with the employer sponsor. There has been no change to this assumption from the prior year.

- The assumed inflation rate 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

9. 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 member liabilities (\$'000)
30 June 2018			
Discount rate / investment returns	6%	+ 1%	(7 641 000)
		- 1%	10 397 000
Salary adjustment rate	4%	+ 1%	1 414 000
		- 1%	(1 356 000)
Inflation rate	2.5%	+ 1%	8 004 000
		- 1%	(6 486 000)
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	(232 000) 233 000
30 June 2017			
Discount rate / investment returns	6%	+ 1%	6 830 000
		- 1%	(9 404 000)
Salary adjustment rate	4%	+ 1%	(1 570 000)
		- 1%	1 373 000
Inflation rate	2.5%	+ 1%	(7 349 000)
		- 1%	5 633 000
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	201 000 (208 000)

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

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 \$45.2 billion (2017: \$40.5 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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	54 098	59 726

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

Operating result after income tax	441	417
Net change in member benefits from investing activities	784 767	716 356
Changes in fair value of investments	(784 821)	(716 321)
(Increase)/decrease in interest receivable	7	9
Increase/(decrease) in other payables	20	17
Increase/(decrease) in income tax	(12)	4 582
Net cash inflows from operating	402	5 060

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 ARIA Investments Trust that are referable to the Fund.

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 Fund (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the ARIA Investments Trust (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 Fund and is in accordance with the Fund's published investment strategy. The Trustee applies strategies to manage risk relating to the investment activities of the 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 Fund is exposed to a variety of financial risks as a result of its pooled investment in the 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 Fund's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Fund'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 Fund. 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 Fund's investments through the AIT. The overall investment strategy of the Fund 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 Fund'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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives

The Fund'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 Fund 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 Fund. 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 Fund'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 Fund'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	2017
	\$'000	\$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	9 324 043	8 293 640
Other financial assets		
Cash and cash equivalents	54 098	59 726
Other receivables	5 573	7 119
	<u>9 383 714</u>	<u>8 360 485</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Fund will always have sufficient liquidity to meet its liabilities as they fall due. On resignation the member benefit accrued before 30 June 1999 can be paid as a lump sum but the balance must be preserved until the member's preservation age, either in the Fund or another complying superannuation fund. The employer benefit, including productivity component, must be preserved in the Fund. The unfunded component of benefit payments is financed by the Commonwealth, from the CRF. As such there is minimal liquidity risk.

The Fund's exposure to liquidity risk is therefore limited to those circumstances in which the Scheme Rules allow members to withdraw benefits.

The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Fund 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk (continued)

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					
Other payables	447	-	-	-	447
Benefits payable	8 872	-	-	-	8 872
Member liabilities	227 000	718 000	4 400 000	45 582 624	50 927 624
Total financial liabilities	236 319	718 000	4 400 000	45 582 624	50 936 943
30 June 2017					
Other payables	478	-	-	-	478
Benefits payable	4 372	-	-	-	4 372
Member liabilities	197 000	623 000	3 484 000	39 205 215	43 509 215
Total financial liabilities	201 850	623 000	3 484 000	39 205 215	43 514 065

There has been no change to the Scheme's exposure to liquidity risk or the manner of management of the risk during the reporting period.

(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 Fund's exposure to market risk or the manner in which it manages and measures that risk since the 2017 reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

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 Fund 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 the 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, 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 Fund is indirectly exposed to interest rate risk through its investments in the 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.

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	54 098	(108)	(108)	108	108
2017		-0.3%		+0.3%	
Cash and cash equivalents	59 726	(179)	(179)	179	179

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk (continued)

The Fund'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.

The following table illustrates the Fund's sensitivity to a reasonably possible change in the value of its investment in AIT, based on risk exposures at reporting date. The volatility factors shown represent the average annual volatility of comparable option prices expected for the Fund's investment in the ARIA Investments Trust. 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 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 :						
Balanced option	-/+4.0%	8 472 995	(338 920)	(338 920)	338 920	338 920
Cash option	-/+0.2%	64 463	(129)	(129)	129	129
Income focused option	-/+1.7%	47 887	(814)	(814)	814	814
Aggressive option	-/+4.9%	706 031	(34 596)	(34 596)	34 596	34 596
Operational risk reserve	-/+0.2%	32 667	(65)	(65)	65	65
Total increase / (decrease)		9 324 043	(374 524)	(374 524)	374 524	374 524
2017						
Financial Assets						
ARIA Investment Trust :						
Balanced option	-/+4.2%	7 603 153	(319 332)	(319 332)	319 332	319 332
Cash option	-/+0.3%	61 336	(184)	(184)	184	184
Income focused option	-/+1.7%	44 252	(752)	(752)	752	752
Aggressive option	-/+5.2%	557 162	(28 972)	(28 972)	28 972	28 972
Operational risk reserve	-/+0.3%	27 737	(83)	(83)	83	83
Total increase / (decrease)		8 293 640	(349 323)	(349 323)	349 323	349 323

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurement

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	-	9 324 043	-	9 324 043
2017				
Financial Assets				
Pooled superannuation trust	-	8 293 640	-	8 293 640

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

13. RELATED PARTIES

(a) Trustee

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

(b) Key Management Personnel

The Directors 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)

Anthony Needham 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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	480 935	388 227
Post-employment benefits	40 975	39 805
Other long-term benefits	38 583	29 977
Termination benefits	-	21 136
	<u>560 493</u>	<u>479 145</u>

Aggregate compensation in relation to the Fund 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 the assets of the AIT that are referable to the Fund.

The Fund 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 Fund's only investment has 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 Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan and the Australian Defence Force Superannuation Scheme. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Fund, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

13. RELATED PARTIES (continued)

(d) Investing entities (continued)

The Trustee pays costs of and incidental to the management of the Fund and the investment of its money from the assets of the AIT that are referable to the Fund (see Note 7(c)). No fees were charged for acting as Trustee during the year ended 30 June 2018 (2017: \$nil).

The Fund 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 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
ARIA Investments Trust	9 324 043	8 293 640	784 821	716 321
	9 324 043	8 293 640	784 821	716 321

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.