

**STATEMENT BY THE CHAIRMAN, CHIEF EXECUTIVE OFFICER, AND GENERAL MANAGER, FINANCE & RISK**

In our opinion, the attached financial statements for the year ended 30 June 2016 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  
Chairman  
27 September 2016



Peter Carrigy-Ryan  
Chief Executive Officer  
27 September 2016



Andy Young  
General Manager, Finance & Risk  
27 September 2016

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**Statement of Comprehensive Income**  
for the year ended 30 June 2016

		2016	2015	Original 2016 Budget	Notes
	Notes	\$'000	\$'000	\$'000	
<b>NET CONTRIBUTION BY SERVICES</b>					
<b>Expenses</b>					
Employee benefits	2.1	54,197	833	40,234	a & b
Suppliers	2.2	29,448	12,556	27,926	a & c
Depreciation and amortisation	5.1	5,656	-	5,665	
Finance costs		12	-	-	
Write-down and impairment of assets	2.3	271	-	-	
<b>Total expenses</b>		<b>89,584</b>	<b>13,389</b>	<b>73,825</b>	
<b>LESS:</b>					
<b>Own-Source Income</b>					
<b>Own-source revenue</b>					
Sale of goods and rendering of services	3.1	99,268	13,469	76,825	a & c
Interest	3.2	78	156	-	a
Other revenue		-	120	-	
<b>Total own-source revenue</b>		<b>99,346</b>	<b>13,745</b>	<b>76,825</b>	
<b>Net contribution by services</b>		<b>9,762</b>	<b>356</b>	<b>3,000</b>	
<b>Surplus for the year</b>		<b>9,762</b>	<b>356</b>	<b>3,000</b>	
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserve		1,172	-	-	d
<b>Total other comprehensive income</b>		<b>1,172</b>	<b>-</b>	<b>-</b>	
<b>Total comprehensive income</b>		<b>10,934</b>	<b>356</b>	<b>3,000</b>	

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

**Budget Variances Commentary**

**Statement of Comprehensive Income**

a. Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. To facilitate post-merger integration, CSC changed its expense payment and fixed asset holding arrangements (refer to Note 1). Whilst the financials of CSC and ComSuper were merged, for the Portfolio Budget Statements the budget did not include consolidation entries or the impact of the change in payment arrangements.

b. The increase in expenses per variance comment a is partially offset by a reduction in average staffing levels versus budget.

c. The increase in expenses per variance comment a is partially offset by differences in timing of incurring expenses, particularly in relation to project work. This has also resulted in a reduction in sale of goods and rendering of services revenue, cash received - sale of goods and rendering of services, and cash used - supplier expenses.

d. Changes in asset revaluation reserve is higher than budget due to the revaluation of leasehold improvements and property, plant and equipment by an independent valuer at 30 June 2016. This has also resulted in an increase in leasehold improvements and property, plant and equipment assets. The revaluation was not included in the budget.

**Statement of Financial Position**  
as at 30 June 2016

		2016	2015	Original 2016 Budget	Notes
	Notes	\$'000	\$'000	\$'000	
<b>ASSETS</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	4.1	41,113	8,845	38,347	e
Trade and other receivables	4.2	3,442	706	424	a & f
<b>Total financial assets</b>		<b>44,555</b>	<b>9,551</b>	<b>38,771</b>	
<b>Non-Financial Assets</b>					
Leasehold improvements	5.1	6,932	-	3,365	a & d
Property, plant and equipment	5.1	4,117	-	3,334	a & d
Intangibles	5.1	20,129	-	19,007	a
Other non-financial assets	5.2	2,018	157	1,567	a
<b>Total non-financial assets</b>		<b>33,196</b>	<b>157</b>	<b>27,273</b>	
<b>Total assets</b>		<b>77,751</b>	<b>9,708</b>	<b>66,044</b>	
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	6.1	4,167	1,965	5,663	a & g
Other payables	6.2	12,939	1,313	9,481	h
<b>Total payables</b>		<b>17,106</b>	<b>3,278</b>	<b>15,144</b>	
<b>Provisions</b>					
Employee provisions	7.1	11,779	-	14,334	a & c
Other provisions	7.2	1,351	-	-	a & i
<b>Total provisions</b>		<b>13,130</b>	<b>-</b>	<b>14,334</b>	
<b>Total liabilities</b>		<b>30,236</b>	<b>3,278</b>	<b>29,478</b>	
<b>Net assets</b>		<b>47,515</b>	<b>6,430</b>	<b>36,566</b>	
<b>EQUITY</b>					
Contributed equity		35,475	2,324	14,357	a
Asset revaluation reserve		1,172	-	2,215	a & d
Retained surplus		10,868	4,106	19,994	a
<b>Total equity</b>		<b>47,515</b>	<b>6,430</b>	<b>36,566</b>	

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

**Statement of Financial Position (continued)***as at 30 June 2016***Budget Variances Commentary****Statement of Financial Position**

- a. Refer to Statement of Comprehensive Income note a.
- b. Refer to Statement of Comprehensive Income note b.
- c. The increase in employee provisions as per variance comment a is partially offset by a reduction in average staffing levels versus budget.
- d. Refer to Statement of Comprehensive Income note d.
- e. Cash is higher than budget due to the higher surplus for the year and the timing of incurring expenses for project work.
- f. Trade and other receivables is also higher than budget due to the timing of raising invoices for the trustee fee from the ARIA Investments Trust.
- g. Supplier payables are lower than budget despite the impact of variance comment a, as from 1 July 2015 administration fees relating to the Public Sector Superannuation Accumulation Plan were paid from the plan rather than by CSC.
- h. Other payables is higher than budget primarily due to an increase in unearned revenue resulting from the timing of incurring expenses related to project work.
- i. Other provisions is also higher than budget as the budget did not include a provision for onerous lease space as the relevant space had not been deemed onerous at the time the budget was developed.

**Statement of Changes in Equity**  
for the year ended 30 June 2016

		2016	2015	Original 2016 Budget	Notes
	Notes	\$'000	\$'000	\$'000	
<b>CONTRIBUTED EQUITY</b>					
<b>Opening balance</b>					
Balance carried forward from previous period		<u>2,324</u>	<u>2,324</u>	<u>14,357</u>	a
<b>Comprehensive income</b>					
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>	<u>-</u>	
<b>Transactions with owners</b>					
<b>Contributions by owners</b>					
Restructuring	16	<u>33,151</u>	<u>-</u>	<u>-</u>	a
<b>Total transactions with owners</b>		<u>33,151</u>	<u>-</u>	<u>-</u>	
<b>Closing balance as at 30 June</b>		<u>35,475</u>	<u>2,324</u>	<u>14,357</u>	
<b>RETAINED SURPLUS</b>					
<b>Opening balance</b>					
Balance carried forward from previous period		<u>4,106</u>	<u>3,750</u>	<u>19,994</u>	a
<b>Comprehensive income</b>					
Surplus for the year		<u>9,762</u>	<u>356</u>	<u>3,000</u>	
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total comprehensive income</b>		<u>9,762</u>	<u>356</u>	<u>3,000</u>	
<b>Transactions with owners</b>					
<b>Distributions to owners</b>					
Returns on capital					
Dividends		<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>	
<b>Total transactions with owners</b>		<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>	
<b>Closing balance as at 30 June</b>		<u>10,868</u>	<u>4,106</u>	<u>19,994</u>	
<b>ASSET REVALUATION RESERVE</b>					
<b>Opening balance</b>					
Balance carried forward from previous period		<u>-</u>	<u>-</u>	<u>2,215</u>	a
<b>Comprehensive income</b>					
Other comprehensive income		<u>1,172</u>	<u>-</u>	<u>-</u>	d
<b>Total comprehensive income</b>		<u>1,172</u>	<u>-</u>	<u>-</u>	
<b>Closing balance as at 30 June</b>		<u>1,172</u>	<u>-</u>	<u>2,215</u>	

**Statement of Changes in Equity (continued)**  
for the year ended 30 June 2016

				Original 2016 Budget \$'000	
	Notes	2016 \$'000	2015 \$'000		
<b>TOTAL EQUITY</b>					
<b>Opening balance</b>					
Balance carried forward from previous period		<u>6,430</u>	<u>6,074</u>	<u>36,566</u>	a
<b>Adjusted opening balance</b>		<u>6,430</u>	<u>6,074</u>	<u>36,566</u>	
<b>Comprehensive income</b>					
Surplus for the year		<u>9,762</u>	<u>356</u>	<u>3,000</u>	
Other comprehensive income		<u>1,172</u>	<u>-</u>	<u>-</u>	d
<b>Total comprehensive income</b>		<u>10,934</u>	<u>356</u>	<u>3,000</u>	
<b>Transactions with owners</b>					
<b>Distributions to owners</b>					
Returns on Capital					
Dividends		<u>(3,000)</u>		<u>(3,000)</u>	
<b>Distributions to owners</b>					
Restructuring	16	<u>33,151</u>	<u>-</u>	<u>-</u>	a
<b>Total transactions with owners</b>		<u>30,151</u>	<u>-</u>	<u>(3,000)</u>	
<b>Closing balance as at 30 June</b>		<u>47,515</u>	<u>6,430</u>	<u>36,566</u>	

**Accounting Policy**

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

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 a dividend of \$3 million to the Official Public Account in 2015-16 (2014-15: Nil).

**Budget Variances Commentary**

**Statement of Changes in Equity**

a. Refer to Statement of Comprehensive Income note a.

d. Refer to Statement of Comprehensive Income note d.

**Cash Flow Statement**  
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original 2016 Budget \$'000	Notes
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Sale of goods and rendering of services		101,746	13,812	76,825	a & j
Interest		84	157	-	a
Net GST received		639	581	-	
<b>Total cash received</b>		<b>102,469</b>	<b>14,550</b>	<b>76,825</b>	
<b>Cash used</b>					
Employee benefits		(56,906)	(833)	(40,234)	a & b
Suppliers		(29,376)	(12,742)	(27,536)	a & c
Other		-	-	(466)	
<b>Total cash used</b>		<b>(86,282)</b>	<b>(13,575)</b>	<b>(68,236)</b>	
<b>Net cash from operating activities</b>	8	<b>16,187</b>	<b>975</b>	<b>8,589</b>	
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from acquisition of net liabilities from ARIA Investments Trust		772	-	-	a
<b>Total cash received</b>		<b>772</b>	<b>-</b>	<b>-</b>	
<b>Cash used</b>					
Purchase of leasehold improvements		(250)	-	(468)	
Purchase of property, plant and equipment		(1,533)	-	(1,125)	
Purchase of intangibles		(2,983)	-	(4,072)	k
<b>Total cash used</b>		<b>(4,766)</b>	<b>-</b>	<b>(5,665)</b>	
<b>Net cash used by investing activities</b>		<b>(3,994)</b>	<b>-</b>	<b>(5,665)</b>	
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Cash and cash equivalents received from restructuring		23,075	-	-	a
<b>Total cash received</b>		<b>23,075</b>	<b>-</b>	<b>-</b>	
<b>Cash used</b>					
Dividend paid		(3,000)	-	(3,000)	
<b>Total cash used</b>		<b>(3,000)</b>	<b>-</b>	<b>(3,000)</b>	
<b>Net cash from financing activities</b>		<b>20,075</b>	<b>-</b>	<b>(3,000)</b>	
<b>Net increase/(decrease) in cash held</b>		<b>32,268</b>	<b>975</b>	<b>(76)</b>	
Cash and cash equivalents at the beginning of the reporting period		8,845	7,870	9,159	
<b>Cash and cash equivalents at the end of the reporting period</b>	4.1	<b>41,113</b>	<b>8,845</b>	<b>9,083</b>	

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



**Cash Flow Statement (continued)***for the year ended 30 June 2016***Budget Variances Commentary****Cash Flow Statement**

- a. Refer to Statement of Comprehensive Income note a.
- b. Refer to Statement of Comprehensive Income note b.
- c. Refer to Statement of Comprehensive Income note c.
- j. Cash from sale of goods and rendering of services is also higher than budget due to cash received for the implementation of the Australian Defence Force Superannuation and Cover Schemes.
- k. Purchase of intangibles is lower than budget as less costs were capitalised to the build of the Capital 10 system in the 2015-16 financial year.

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

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 through negotiated administration charges collected from the Department of Defence. Additional funding may be provided by Government to meet specific administration requirements.

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. As a result of the merger, the Statutory Agency of ComSuper was abolished, and as at 1 July 2015, the assets and liabilities ceased to be assets and liabilities of ComSuper, and became assets and liabilities of CSC without any conveyance, transfer or assignment. CSC was the successor in law in relation to the assets and liabilities (refer to Note 16 Restructuring).

To facilitate post-merger integration, CSC has also changed its expense payment arrangements, whereby from 1 July 2015 all operational expenses are paid by CSC (formerly these were paid by the AIT). CSC then invoices the AIT for the portion of expenses that are referable to the AIT. Accordingly, on 1 July 2015 CSC acquired all the operational assets and liabilities (principally trade receivables, fixed assets, supplier payables, employee and other provisions) from the AIT at their 30 June 2015 fair values.

Assets acquired and liabilities transferred from the AIT on 1 July 2015 in exchange for cash were as follows:

		\$'000
Assets		
	Fixed assets and intangibles	2,559
	Other receivables	110
	Prepayments	279
Total Assets		<u>2,948</u>
Liabilities		
	Supplier payables	(421)
	Other payables	(479)
	Employee provisions	(2,353)
	Other provisions	(467)
Total Liabilities		<u>(3,720)</u>
Net Liabilities		<u><u>(772)</u></u>

## NOTE 1: Overview (continued)

### 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 2015; 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.

### 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 <sup>1</sup>	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 16 'Leases'	1 July 2019	AASB 16 introduces a single lessee accounting model and requires a 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. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The principal impact for CSC on adoption of AASB 16 will be to recognise the relevant operating leases (for office accommodation) on the balance sheet as a right of use asset and as a lease liability.

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 future material impact on the entity's financial statements.

## NOTE 1: Overview (continued)

### 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.

### 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
- 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 and MSB 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) 2015-2016* and *Appropriation Act (No. 2) 2015-2016*.

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

#### DFRB, DFRDB and MSB 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* ; and
- *Military Superannuation Benefits Act 1991* .

The funded components of MSBS are reported in the MSBS financial statements. The DFRB and DFRDB 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) 2015-2016*. 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**

On 30 June 2016, Military Superannuation Benefits Scheme (MSBS) was closed to new members and a new accumulation plan, ADF Super, was established for members of the Australian Defence Force from 1 July 2016, together with a new invalidity scheme, ADF Cover. CSC is the Trustee of ADF Super and ADF Cover. This is estimated to have an immaterial financial impact on the financial statements of CSC.

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

## Note 2: Expenses

	2016 \$'000	2015 \$'000
<b>2.1: Employee Benefits</b>		
Wages and salaries	41,809	730
Superannuation		
Defined contribution plans	4,028	65
Defined benefit plans	3,050	38
Leave and other entitlements	5,049	-
Separation and redundancies	261	-
<b>Total employee benefits</b>	<b>54,197</b>	<b>833</b>
<b>2.2: Suppliers</b>		
<b>Goods and services supplied or rendered</b>		
Consultants	4,374	3
Contractors	3,660	10,486
Information technology and communications	6,215	-
Insurance	603	472
Printing/stationery	501	-
Property (other than rent)	1,207	-
Training and development	675	40
Travel	1,343	124
Other goods and services	5,633	26
<b>Total goods and services supplied or rendered</b>	<b>24,211</b>	<b>11,151</b>
Goods supplied	861	-
Services rendered	23,350	11,151
<b>Total goods and services supplied or rendered</b>	<b>24,211</b>	<b>11,151</b>
<b>Other supplier expenses</b>		
Operating lease rentals		
Minimum lease payments	4,331	1,405
Workers compensation expenses	906	-
<b>Total other suppliers</b>	<b>5,237</b>	<b>1,405</b>
<b>Total suppliers</b>	<b>29,448</b>	<b>12,556</b>

### Leasing commitments

Operating leases are non-cancellable in the normal course of business. CSC in its capacity as lessee has leases for office accommodation in Canberra City (head office and financial planning office), Belconnen, Sydney, Melbourne and Brisbane. Lease payments are subject to annual increases of the higher of 3.25% or the movement in the Consumer Price Index in the head 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 initial period of the head office lease is still current and may be renewed by two further terms of 3 years. The financial planning office lease may be renewed by one period of two years. The Belconnen office and Sydney office leases have no further option for renewal. The Melbourne and Brisbane offices are for fixed terms of twelve months.

### Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	4,047	1,354
Between 1 to 5 years	14,648	5,466
More than 5 years	4,336	212
<b>Total operating lease commitments</b>	<b>23,031</b>	<b>7,032</b>

## Note 2: Expenses (continued)

	2016 \$'000	2015 \$'000
<b>2.3: Write-Down and Impairment of Assets</b>		
Impairment of financial instruments	6	-
Impairment of intangible assets	244	-
Write-off of property, plant and equipment on disposal	21	-
<b>Total write-down and impairment of assets</b>	<b>271</b>	<b>-</b>

### **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 services are as follows:

Financial statement audit services	98	22
Regulatory audit services	11	12
	<b>109</b>	<b>34</b>

The following additional services were provided by Deloitte:

Internal controls audit	107	-
Project risk advisory services	131	-
	<b>238</b>	<b>-</b>

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

### Note 3: Own-Source Revenue

	2016 \$'000	2015 \$'000
<b>Own-Source Revenue</b>		
<b>3.1: Sale of Goods and Rendering of Services</b>		
Rendering of services	<u>99,268</u>	<u>13,469</u>
<b>Total sale of goods and rendering of services</b>	<u>99,268</u>	<u>13,469</u>

#### 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 through negotiated administration charges collected from the Department of Defence. Additional funding may be provided by Government to meet specific administration requirements.

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. 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.

#### 3.2: Interest

Deposits	<u>78</u>	<u>156</u>
<b>Total interest</b>	<u>78</u>	<u>156</u>

#### Accounting Policy

Interest revenue is recognised using the effective interest method.



## Note 4: Financial Assets

	2016 \$'000	2015 \$'000
<b>4.1: Cash and Cash Equivalents</b>		
Cash in special account	27,107	-
Cash on deposit	14,006	8,845
<b>Total cash and cash equivalents</b>	<b>41,113</b>	<b>8,845</b>

### 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.

### 4.2: Trade and Other Receivables

#### Good and services receivables

Goods and services	2,910	72
<b>Total goods and services receivables</b>	<b>2,910</b>	<b>72</b>

#### Other receivables:

GST receivable	521	502
Insurance claim receivable	-	120
Interest receivable	6	12
Reimbursements	11	-
<b>Total other receivables</b>	<b>538</b>	<b>634</b>
<b>Total trade and other receivables (gross)</b>	<b>3,448</b>	<b>706</b>

<b>Less impairment allowance</b>	<b>(6)</b>	<b>-</b>
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<b>Total trade and other receivables (net)</b>	<b>3,442</b>	<b>706</b>
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#### Trade and other receivables (net) expected to be recovered in:

No more than 12 months	3,438	706
More than 12 months	4	-
<b>Total trade and other receivables (net)</b>	<b>3,442</b>	<b>706</b>

#### Trade and other receivables (gross) are aged as follows:

Not overdue	3,431	706
Overdue by		
0 to 30 days	1	-
31 to 60 days	-	-
61 to 90 days	5	-
More than 90 days	11	-
<b>Total trade and other receivables (gross)</b>	<b>3,448</b>	<b>706</b>

**Note 4: Financial Assets (continued)**

	2016 \$'000	2015 \$'000
<b>4.2: Trade and Other Receivables (continued)</b>		
<b>Impairment allowance aged as follows:</b>		
Not overdue	-	-
Overdue by		
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	(6)	-
<b>Total impairment allowance</b>	<b>(6)</b>	<b>-</b>

Credit terms for goods and services were within 30 days (2015: 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 2016**

	Goods and services \$'000	Other receivables \$'000	Total \$'000
<b>As at 1 July 2015</b>			
Amounts acquired through restructuring	(41)	-	(41)
Amounts written off	41	-	41
Amounts recovered and reversed	-	-	-
Increase recognised in net contribution by services	(6)	-	(6)
<b>Total as at 30 June 2016</b>	<b>(6)</b>	<b>-</b>	<b>(6)</b>

**Movements in relation to 2015**

	Goods and services \$'000	Other receivables \$'000	Total \$'000
<b>As at 1 July 2014</b>	-	-	-
Amounts written off	-	-	-
Amounts recovered and reversed	-	-	-
Increase recognised in net contribution by services	-	-	-
<b>Total as at 30 June 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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 2016

	Leasehold Improvements \$'000	Property, Plant and Equipment \$'000	Intangibles - Computer Software <sup>1</sup> \$'000	Total \$'000
<b>As at 1 July 2015</b>				
Gross book value	-	-	-	-
Accumulated depreciation, amortisation and impairment	-	-	-	-
<b>Total as at 1 July 2015</b>	-	-	-	-
Additions				
Purchased	2,167	1,094	217	3,478
Internally developed	-	-	2,584	2,584
Acquired through restructuring	5,446	3,847	20,572	29,865
Revaluations and impairments recognised in other comprehensive income	541	631	-	1,172
Impairments recognised in net contribution by services	-	-	(244)	(244)
Depreciation and amortisation	(1,222)	(1,434)	(3,000)	(5,656)
Disposals				
Write off of property, plant and equipment	-	(21)	-	(21)
<b>Total as at 30 June 2016</b>	<b>6,932</b>	<b>4,117</b>	<b>20,129</b>	<b>31,178</b>
<b>Total as at 30 June 2016 represented by:</b>				
Gross book value	6,932	4,117	23,373	34,422
Accumulated depreciation, amortisation and impairment	-	-	(3,244)	(3,244)
<b>Total as at 30 June 2016</b>	<b>6,932</b>	<b>4,117</b>	<b>20,129</b>	<b>31,178</b>

1. The carrying amount of computer software includes \$0.658 million of purchased software and \$19.471 million of internally generated software.

A \$0.244m impairment loss was recognised for internally developed generated software. No indicators of impairment were found for property, plant and equipment.

No property, plant and equipment or intangibles are expected to be sold or disposed of within the next 12 months.

#### Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 14.1. Independent valuers conducted the revaluations as at 30 June 2016.

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

CSC have contractual commitments totalling \$0.330 million for the acquisition of property, plant and equipment and intangible assets.

## Note 5: Non-Financial Assets (continued)

### 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 2015

	Leasehold Improvements	Property, Plant and Equipment	Intangibles - Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2014				
Gross book value	-	-	-	-
Accumulated depreciation, amortisation and impairment	-	-	-	-
Total as at 1 July 2014	-	-	-	-
Additions				
Purchased	-	-	-	-
Internally developed	-	-	-	-
Depreciation and amortisation	-	-	-	-
Disposals				
From disposal of entities or operations (including restructuring)	-	-	-	-
Other	-	-	-	-
Total as at 30 June 2015	-	-	-	-
Total as at 30 June 2015 represented by				
Gross book value	-	-	-	-
Accumulated depreciation, amortisation and impairment	-	-	-	-
Total as at 30 June 2015	-	-	-	-

## 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:

	2016	2015
Leasehold improvements	Lease terms	Lease terms
Plant and equipment	3 to 10 years	3 to 10 years

### Impairment

All assets were assessed for impairment at 30 June 2016. 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 2016. All software assets in use were assessed for indications of impairment as at 30 June 2016.

### Accounting Judgements and Estimates

CSC has 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 by an independent consultant as at 30 June 2016.

**Note 5: Non-Financial Assets (continued)**

	2016 \$'000	2015 \$'000
<b>5.2: Other Non-Financial Assets</b>		
Prepayments	2,018	157
<b>Total other non-financial assets</b>	<b>2,018</b>	<b>157</b>
<b>Other non-financial assets expected to be recovered in:</b>		
No more than 12 months	1,740	157
More than 12 months	278	-
<b>Total other non-financial assets</b>	<b>2,018</b>	<b>157</b>

No indicators of impairment were found for other non-financial assets (2015: Nil).

## Note 6: Payables

	2016 \$'000	2015 \$'000
<b>6.1: Suppliers</b>		
Trade creditors and accruals	4,167	1,965
<b>Total suppliers</b>	<u>4,167</u>	<u>1,965</u>

### Supplier payables expected to be settled in:

No more than 12 months	4,167	1,965
More than 12 months	-	-
<b>Total suppliers</b>	<u>4,167</u>	<u>1,965</u>

Settlement is usually made within 30 days.

### 6.2: Other Payables

Wages and salaries	204	-
Unearned revenue	10,496	76
Lease liabilities	2,167	1,229
Other	72	8
<b>Total other payables</b>	<u>12,939</u>	<u>1,313</u>

### Other payables expected to be settled in:

No more than 12 months	7,688	176
More than 12 months	5,251	1,137
<b>Total other payables</b>	<u>12,939</u>	<u>1,313</u>

## Note 7: Provisions

	2016 \$'000	2015 \$'000
<b>7.1: Employee Provisions</b>		
Leave	11,779	-
<b>Total employee provisions</b>	<b>11,779</b>	<b>-</b>
<b>Employee provisions expected to be settled in:</b>		
No more than 12 months	4,072	-
More than 12 months	7,707	-
<b>Total employee provisions</b>	<b>11,779</b>	<b>-</b>

### 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), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government. 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.

	2016 \$'000	2015 \$'000
<b>7.2: Other Provisions</b>		
Provision for onerous rent	787	-
Provision for restoration obligations	564	-
<b>Total other provisions</b>	<b>1,351</b>	<b>-</b>

	Provision for onerous rent \$'000	Provision for restoration obligations \$'000	Total other provisions \$'000
<b>As at 1 July 2015</b>	-	-	-
Amounts acquired through restructuring	804	-	804
Amounts transferred from ARIA Investments Trust	-	467	467
Additional provisions made	-	86	86
Amounts used	(105)	-	(105)
Amounts reversed	-	-	-
Unwinding of discount or change in discount rate	88	11	99
Derecognition of provision	-	-	-
<b>Total as at 30 June 2016</b>	<b>787</b>	<b>564</b>	<b>1,351</b>



**Note 7: Provisions (continued)**

	<b>2016</b>	2015
	<b>\$'000</b>	<b>\$'000</b>
<b>Other provisions are expected to be settled in:</b>		
No more than 12 months	<b>110</b>	-
More than 12 months	<b>1,241</b>	-
<b>Total other provisions</b>	<b>1,351</b>	-

The entity currently has 3 (2015: Nil) 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 this obligation.

## Note 8: Cash Flow Reconciliation

	2016 \$'000	2015 \$'000
<b>Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per</b>		
Cash Flow Statement	41,113	8,845
Statement of Financial Position	41,113	8,845
<b>Difference</b>	-	-
<b>Reconciliation of net contribution by services to net cash from/(used by) operating activities</b>		
Net contribution by services	9,762	356
<b>Adjustments for non-cash items</b>		
Depreciation / amortisation	5,656	-
Net write down of assets	271	-
Expense non-financial assets on transfer from the AIT	110	-
<b>Movements in assets and liabilities</b>		
<b>Assets</b>		
(Increase) / decrease in trade and other receivables	(2,250)	(517)
(Increase) / decrease in other non-financial assets	(153)	(157)
<b>Liabilities</b>		
Increase / (decrease) in supplier payables	(406)	653
Increase / (decrease) in other payables	3,168	640
Increase / (decrease) in employee provisions	(50)	-
Increase / (decrease) in other provisions	79	-
<b>Net cash from operating activities</b>	16,187	975

## Note 9: Appropriations

### 9.1: Special Appropriations<sup>1</sup>

Authority	Type	Purpose	Appropriation applied	
			2016 \$'000	2015 \$'000
<i>Superannuation Act 1922</i> , 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.	(90,133)	-
<i>Superannuation Act 1976</i> , 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.	(4,216,577)	-
<i>Superannuation Act 1990</i> , 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.	(1,698,336)	-
<i>Same Sex Relationships (Equal Treatment in Commonwealth Laws - Superannuation) Act 2008</i> , Administered	Unlimited Amount	An Act to address discrimination against same-sex couples and their children in Commonwealth laws, and for other purposes.	(59)	-
<i>Governance of Australian Government Superannuation Schemes Act 2011</i> - 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.	-	-
<i>Governance of Australian Government Superannuation Schemes Act 2011</i> - 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.	(634)	-
<i>Defence Forces Retirement Benefits Act 1948</i> , Administered	Unlimited Amount	An Act to provide Retirement Benefits for Members of the Defence Force of the Commonwealth, and for other purposes.	(47,419)	-
<i>Defence Force Retirement &amp; Death Benefits Act 1973</i> , 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.	(1,506,904)	-
<i>Military Superannuation and Benefits Act 1991</i> , 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.	(583,909)	-
<i>Public Governance, Performance and Accountability Act 2013</i> Section 77	Refund	Repayments required or permitted by law (where no other appropriation for repayment exists).	(54)	-
<b>Total</b>			<b>(8,144,025)</b>	-

1. Amounts exclude recoverable GST.

## Note 9: Appropriations (continued)

### 9.2: Disclosure by Agent in Relation to Annual and Special Appropriations<sup>1</sup>

	DFAT <sup>2</sup>	Department of Finance	Department of Defence
2016	\$'000	\$'000	\$'000
Total receipts	-	3,321,707	1,608,049
Total payments	( 6,883)	(6,006,827)	(2,138,231)
	DFAT	Department of Finance	Department of Defence
2015	\$'000	\$'000	\$'000
Total receipts	-	-	-
Total payments	-	-	-

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*; and
3. *Military Superannuation and Benefits Act 1991*.

#### **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 2015 to 30 June 2016:

Legislation / Authority to pay <sup>1</sup>	Recoverable death payments <sup>2</sup>					
	2016			2015		
	No.	Value \$'000	Recovered \$'000	No.	Value \$'000	Recovered \$'000
<b>DFAT – Annual Administered Appropriation</b>						
<i>Papua New Guinea (Staffing Assistance) Act 1973</i>	8	13	12	-	-	-
<b>Defence - Special Appropriations</b>						
<i>Defence Forces Retirement Benefits Act 1948; and Defence Forces Retirement and Death Benefits Act 1973</i>	610	1,684	1,004	-	-	-
<i>Military Superannuation and Benefits Act 1973</i>	19	69	19	-	-	-
<b>Finance - Special Appropriations</b>						
<i>Superannuation Act 1922; and Superannuation Act 1976</i>	2,614	4,787	4,059	-	-	-
<i>Superannuation Act 1990</i>	122	224	158	-	-	-
	Recoverable payments <sup>3</sup>					
	No.	Value \$'000	Recovered \$'000	No.	Value \$'000	Recovered \$'000
<b>DFAT – Annual Administered Appropriation</b>						
<i>Papua New Guinea (Staffing Assistance) Act 1973</i>	-	-	-	-	-	-
<b>Defence - Special Appropriations</b>						
<i>Defence Forces Retirement Benefits Act 1948; and Defence Forces Retirement and Death Benefits Act 1973</i>	66	342	35	-	-	-
<i>Military Superannuation and Benefits Act 1973</i>	41	1,380	107	-	-	-
<b>Finance - Special Appropriations</b>						
<i>Superannuation Act 1922; and Superannuation Act 1976</i>	38	122	76	-	-	-
<i>Superannuation Act 1990</i>	32	207	149	-	-	-

## Note 9: Appropriations (continued)

### <sup>1</sup> Legislation

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

### <sup>2</sup> 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*.

### <sup>3</sup> 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) <sup>1</sup>		Services for Other Entities and Trust Moneys - CSC Special Account (Administered) <sup>2</sup>	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance brought forward from previous period	-	-	-	-
Adjusted Balance brought forward from previous period	-	-	-	-
<b>Increases</b>				
Amounts transferred through restructuring	23,010	-	6,502	-
Other receipts	99,104	-	1,828,647	-
<b>Total increases</b>	<b>122,114</b>	<b>-</b>	<b>1,835,149</b>	<b>-</b>
<b>Available for payments</b>	<b>122,114</b>	<b>-</b>	<b>1,835,149</b>	<b>-</b>
<b>Decreases</b>				
<b>Departmental</b>				
Payments made to suppliers	(35,119)	-	-	-
Payments made to employees	(56,888)	-	-	-
Dividend paid	(3,000)	-	-	-
<b>Total departmental decrease</b>	<b>(95,007)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Special Public Money</b>				
Payments made to others	-	-	(1,773,040)	-
<b>Total special public money decrease</b>	<b>-</b>	<b>-</b>	<b>(1,773,040)</b>	<b>-</b>
<b>Total decreases</b>	<b>(95,007)</b>	<b>-</b>	<b>(1,773,040)</b>	<b>-</b>
<b>Total balance carried to the next period<sup>3</sup></b>	<b>27,107</b>	<b>-</b>	<b>62,109</b>	<b>-</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Amounts differ to the Cash Flow Statement as the balances do not include cash on deposit.



## Note 11: Senior Management Personnel Remuneration

	2016 \$	2015 \$
<b>Short-term employee benefits</b>		
Salary	3,533,375	2,689,306
Performance bonuses	1,137,645	1,008,923
<b>Total short-term employee benefits</b>	<b>4,671,020</b>	<b>3,698,229</b>
<b>Post-employment benefits</b>		
Superannuation	513,522	426,199
<b>Total post-employment benefits</b>	<b>513,522</b>	<b>426,199</b>
<b>Other long-term employee benefits:</b>		
Annual leave	290,967	224,276
Long-service leave	79,284	58,151
<b>Total other long-term employee</b>	<b>370,251</b>	<b>282,427</b>
<b>Total senior management personnel remuneration</b>	<b>5,554,793</b>	<b>4,406,855</b>

Senior 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 senior management personnel that are included in the above table are 22 individuals (2015: 19 individuals).

The Directors of CSC throughout the year ended 30 June 2016 were:

Tony Cole	Winsome Hall
Patricia Cross (Chairman)	John McCullagh (term ended 30 June 2016)
Christopher Ellison	Peggy O'Neal
Peter Feltham (term ended 30 June 2016)	Margaret Staib
Nadine Flood	Michael Vertigan (term ended 30 June 2016)
Lyn Gearing (term ended 12 September 2016)	

The following Directors were appointed subsequent to year-end:

Ariane Barker (appointed 13 September 2016)  
Garry Hounsell (appointed 1 July 2016)  
Anthony Needham (appointed 1 July 2016)  
Sunil Kempfi (appointed 1 July 2016)

The Directors are either members of the Public Sector Superannuation Scheme (PSS), the Military Superannuation and Benefits Scheme (MSBS), the PSS accumulation plan (PSSap), or other superannuation funds for which CSC is not the trustee.

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 2016:

Paul Abraham	General Manager, Investment Operations (Commenced 21 March 2016)
Helen Ayres	Corporate Secretary (Resigned 30 June 2016)
Peter Carrigy-Ryan	Chief Executive Officer
Philip George	General Manager, Scheme Administration (Commenced 1 July 2015)
Richard Hill	General Manager, Information Technology (Commenced 28 September 2015)
Leonie McCracken	General Manager, Operations (Resigned 18 March 2016)
Bronwyn McNaughton	General Counsel
Christine Pearce	General Manager, Member & Employer Services
Sarah Rodgers	General Manager, People & Culture (Resigned 3 August 2016)
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk

## Note 12: Contingent Assets and Liabilities

### Quantifiable Contingencies

CSC is not aware of any events that require it to report quantifiable contingencies (2015 Nil).

### Unquantifiable Contingencies

CSC is not aware of any events that require it to report unquantifiable contingencies (2015 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 13: Financial Instruments

	2016 \$'000	2015 \$'000
<b>13.1: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	41,113	8,845
Trade and other receivables	2,921	204
<b>Total loans and receivables</b>	<b>44,034</b>	<b>9,049</b>
<b>Total financial assets</b>	<b>44,034</b>	<b>9,049</b>
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors and accruals	4,167	1,965
Other payables	276	8
<b>Total financial liabilities measured at amortised cost</b>	<b>4,443</b>	<b>1,973</b>
<b>Carrying amount of financial liabilities</b>	<b>4,443</b>	<b>1,973</b>

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).

	2016 \$'000	2015 \$'000
<b>13.2: Net Gains or Losses on Financial Assets</b>		
<b>Loans and receivables</b>		
Interest revenue	78	156
<b>Net gains on loans and receivables</b>	<b>78</b>	<b>156</b>

### 13.3: 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 2016 (30 June 2015: Nil).

## Note 13: Financial Instruments (continued)

### 13.4: 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 2016 and 30 June 2015.

### 13.5: 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 and reimbursements (excluding GST receivable) 2016: \$2,921,000 (2015: \$204,000).

CSC has assessed the risk of the default on payment and has allocated \$6,000 in 2016 (2015: nil) to an impairment allowance account. CSC also manages credit risk by following up debtors (the majority 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 2016 \$'000	Not past due nor impaired 2015 \$'000	Past due or impaired 2016 \$'000	Past due or impaired 2015 \$'000
Cash and cash equivalents	41,113	8,845	-	-
Receivables for goods and services	2,893	204	17	-
Reimbursements	11	-	-	-
<b>Total</b>	<b>44,017</b>	<b>9,049</b>	<b>17</b>	<b>-</b>

#### Ageing of financial assets that were past due but not impaired for 2016

	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	1	-	5	5	11
<b>Total</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>11</b>

#### Ageing of financial assets that were past due but not impaired for 2015

	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	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Note 13: Financial Instruments (continued)

### 13.6: 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 2016

	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	-	4,167	-	-	-	4,167
Other	-	276	-	-	-	276
<b>Total</b>	-	<b>4,443</b>	-	-	-	<b>4,443</b>

#### Maturities for non-derivative financial liabilities 2015

	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	-	1,965	-	-	-	1,965
Other	-	8	-	-	-	8
<b>Total</b>	-	<b>1,973</b>	-	-	-	<b>1,973</b>

During 2015-16 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.

### 13.7: 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 14: Fair Value

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 revaluations of all leasehold improvements and property, plant and equipment as at 30 June 2016.

### 14.1: Fair Value Measurement

	Fair value measurements at the end of the reporting period			Valuation Technique(s) and Inputs Used		
	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3) <sup>3,4,5</sup>	Valuation Technique <sup>1</sup>	Inputs used	Sensitivity Analysis
<b>Non-financial assets<sup>2</sup></b>						
Leasehold improvements	<b>6,932</b>	-	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)	<b>4,117</b>	-	Level 3	Depreciated replacement cost	Replacement cost new Consumed economic benefit/Obsolescence of asset	
<b>Total non-financial assets</b>	<b>11,049</b>	-				
<b>Total fair value measurements of assets in the Statement of Financial Position</b>	<b>11,049</b>	-				

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 2016.

5. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

## Note 14: Fair Value Measurements (continued)

### 14.1: 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.

### 14.2: Reconciliation for Recurring Level 3 Fair Value Measurements

	Non-financial assets					
	Leasehold Improvements		Property, Plant and Equipment		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>As at 1 July</b>	-	-	-	-	-	-
Total gains/(losses) recognised in net contribution by services <sup>a</sup>	(1,222)	-	(1,455)	-	(2,677)	-
Total gains/(losses) recognised in other comprehensive income <sup>b</sup>	541	-	631	-	1,172	-
Purchases	2,167	-	1,094	-	3,261	-
Acquired through restructuring	5,446	-	3,847	-	9,293	-
<b>Total as at 30 June</b>	<b>6,932</b>	-	<b>4,117</b>	-	<b>11,049</b>	-

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

<sup>b</sup>. 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 15: 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 and MSBS. The assets comprise units in the AIT, for which CSC is also Trustee, plus cash and cash equivalents and sundry debtors.

	2016	2015
	\$'000	\$'000
<b>CSS</b>		
Opening balance	<u>3,789,241</u>	<u>4,071,391</u>
Closing balance	<u>3,343,013</u>	<u>3,789,241</u>
<b>PSS</b>		
Opening balance	<u>17,898,204</u>	<u>16,613,851</u>
Closing balance	<u>17,954,263</u>	<u>17,898,204</u>
<b>PSSap</b>		
Opening balance	<u>7,936,570</u>	<u>6,414,206</u>
Closing balance	<u>8,976,460</u>	<u>7,936,570</u>
<b>MSBS</b>		
Opening balance	<u>6,830,533</u>	<u>5,794,885</u>
Closing balance	<u>7,327,791</u>	<u>6,830,533</u>



## Note 16: Restructuring

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into the Commonwealth Superannuation Corporation (CSC) on 1 July 2015. As a result of the merger, the Statutory Agency of ComSuper was abolished, and as at 1 July 2015, the assets and liabilities ceased to be assets and liabilities of ComSuper, and became assets and liabilities of CSC without any conveyance, transfer or assignment. CSC was the successor in law in relation to the assets and liabilities.

In respect of functions assumed, the net book values of assets and liabilities transferred to CSC for no consideration and recognised as at the date of transfer were:

	ComSuper closing value 30 June 2015 \$'000	Adjustments <sup>1</sup> \$'000	CSC take on value 1 July 2015 \$'000
<b>FUNCTIONS ASSUMED</b>			
<b>Assets recognised</b>			
Cash and cash equivalents	23,075	-	23,075
Trade and other receivables	382	-	382
Leasehold improvements	3,448	1,998	5,446
Property, plant and equipment	2,672	1,175	3,847
Intangibles	21,169	(597)	20,572
Other non-financial assets	1,429	-	1,429
<b>Total assets recognised</b>	<b>52,175</b>	<b>2,576</b>	<b>54,751</b>
<b>Liabilities recognised</b>			
Suppliers	(2,165)	(1,175)	(3,340)
Other payables	(7,979)	-	(7,979)
Employee provisions	(9,476)	-	(9,476)
Other provisions	(805)	-	(805)
<b>Total liabilities recognised</b>	<b>(20,425)</b>	<b>(1,175)</b>	<b>(21,600)</b>
<b>Net assets/(liabilities) assumed</b>	<b>31,750</b>	<b>1,401</b>	<b>33,151</b>

<sup>1</sup> Accounting standards require CSC to take on ComSuper's assets and liabilities at their 1 July 2015 fair value. During the course of the 2015-16 financial year, CSC identified that adjustments were required to the 30 June 2015 carrying values of ComSuper's assets and liabilities so that they correctly represented their fair values. As such, ComSuper's 30 June 2015 asset and liability values have been adjusted for amounts identified relating to the independent valuation of fixed assets, the carrying amount (and related impairment) of intangible assets and the timing of asset purchases finalised prior to the restructure.

## Note 17: Reporting of Outcomes

	Outcome 1 <sup>1</sup>	
	2016	2015
	\$'000	\$'000
<b>Expenses</b>		
Employees	54,197	833
Suppliers	29,448	12,556
Depreciation and amortisation	5,656	-
Finance costs	12	-
Write-down and impairment of assets	271	-
<b>Total expenses</b>	<b>89,584</b>	<b>13,389</b>
<b>Own-source income</b>		
Sale of goods and rendering of services	99,268	13,469
Interest	78	156
Other revenue	-	120
<b>Total own-source income</b>	<b>99,346</b>	<b>13,745</b>
<b>Assets</b>		
Cash and cash equivalents	41,113	8,845
Trade and other receivables	3,442	706
Leasehold improvements	6,932	-
Property, plant and equipment	4,117	-
Intangibles	20,129	-
Other non-financial assets	2,018	157
<b>Total Assets</b>	<b>77,751</b>	<b>9,708</b>
<b>Liabilities</b>		
Supplier payables	4,167	1,965
Other payables	12,939	1,313
Employee provisions	11,779	-
Other provisions	1,351	-
<b>Total liabilities</b>	<b>30,236</b>	<b>3,278</b>

<sup>1</sup> 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.