Commonwealth Superannuation Scheme (ABN 19 415 776 361)

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

The Board of Directors hereby states that in its opinion:

(a) the attached financial statements give a true and fair view of the matters required by Australian Accounting Standards, including AAS 25 *'Financial Reporting by Superannuation Plans'* ;

(b) the attached financial statements give a true and fair view of the net assets of the Scheme as at 30 June 2016 and the changes in net assets of the Scheme for the year ended 30 June 2016;

(c) 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;

(d) 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;

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

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

Signed this 27th day of September 2016 in accordance with a resolution of directors of the Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Patricia Cross	Nadine Flood
Chairman	Director

Commonwealth Superannuation Scheme
Statement of Changes in Net Assets
For the Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Net assets available to pay benefits at the beginning of the financial year		**3 768 774**	4 049 149
Net investment revenue			
Interest		**890**	1 159
Changes in net market values	5c	**69 811**	419 409
		70 701	420 568
Contribution revenue			
Member contributions	6a	**71 403**	76 836
Employer contributions	6a	**19 682**	22 135
Government co-contributions	6a	**53**	56
Low income superannuation contributions	6a	**6**	9
Net appropriation from Consolidated Revenue Fund	6b	**3 699 888**	3 633 802
		3 791 032	3 732 838
Total revenue		**3 861 733**	4 153 406
Benefits paid	6b	**(4 295 986)**	(4 430 071)
Transfers to the Public Sector Superannuation Scheme	9	**(861)**	(216)
Total expenses		**(4 296 847)**	(4 430 287)
Change in net assets before income tax		**(435 114)**	(276 881)
Income tax expense	7a	**(3 087)**	(3 494)
Change in net assets after income tax		**(438 201)**	(280 375)
Net assets available to pay benefits at the end of the financial year		**3 330 573**	3 768 774

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Statement of Net Assets
As at 30 June 2016

	Note	2016 $'000	2015 $'000
Investments			
Pooled superannuation trust	4	**3 299 587**	3 763 252
Total investments		**3 299 587**	3 763 252
Other assets			
Cash and cash equivalents		**43 110**	25 562
Sundry debtors	8	**316**	427
Total other assets		**43 426**	25 989
Total assets		**3 343 013**	3 789 241
Benefits payable		**8 587**	16 859
Amounts due to other superannuation schemes	9	**861**	216
Current tax liabilities	7b	**2 981**	3 382
Deferred tax liabilities	7c	**11**	10
Total liabilities		**12 440**	20 467
Net assets available to pay benefits at the end of the financial year		**3 330 573**	3 768 774

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. DESCRIPTION OF THE SCHEME

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

Monies paid to the Trustee for the purposes of the Scheme are held in the CSS Fund. The CSS Fund comprises contributions made by members and employers, income arising from investments, and unrealised and realised changes in market value of investments held within the CSS Fund. The Trustee pays member benefits and taxes relating to the CSS Fund out of the CSS Fund. The Trustee pays the direct and incidental costs of management of the CSS Fund and the investment of its money from the assets of the ARIA Investments Trust that are referable to the CSS Fund (Note 6(c)).

Administration of member records, contributions receipts and benefit payments was historically conducted on behalf of the Trustee by ComSuper. 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. CSC continues to be the trustee of the public sector and defence force superannuation schemes and now also performs the scheme administration activities formerly undertaken by ComSuper.

The principal place of business and registered office of the Trustee is Level 8, 121 Marcus Clarke Street, Canberra ACT 2601.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial report of the Scheme is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations and the *Superannuation Industry (Supervision) Act 1993*. Accounting Standards include Australian Accounting Standards and International Financial Reporting Standards ('IFRS') to the extent that they are not inconsistent with AAS 25 '*Financial Reporting by Superannuation Plans'*. For the purposes of preparing financial statements, the Scheme is a not-for-profit entity.

The financial statements have been prepared on the basis required by the Defined Benefit Plan provisions of AAS 25, which provides specific measurement requirements for assets, liabilities and for accrued benefits. A Defined Benefit Plan refers to a superannuation plan where the amounts to be paid to members on retirement are determined at least in part by a formula based on years of membership and salary levels. The Trustee adopted the provisions of AAS 25 whereby the financial statements include a Statement of Net Assets, a Statement of Changes in Net Assets and notes thereto.

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 on 27 September 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

Australian Accounting Standards require disclosure of Australian Accounting Standards that have not been applied for Standards that have been issued but are not yet effective. The Trustee expects to adopt the Standards disclosed below upon their application date to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'* (noting however that AASB 1056 *'Superannuation Entities'* replaces AAS 25 *'Financial Reporting by Superannuation Plans'*).

AASB 1056 *'Superannuation Entities'*

AASB 1056 *'Superannuation Entities'* was issued on 5 June 2014. It replaces AAS 25 *'Financial Reporting by Superannuation Plans'* with effect for annual reporting periods beginning on or after 1 July 2016 but can be applied earlier. The Trustee has elected not to early adopt AASB 1056 *'Superannuation Entities'* .

The key impacts on the financial statements of the Scheme include:

• Preparation of five primary financial statements (rather than the current two), being:
  - Statement of Financial Position;
  - Income Statement;
  - Statement of Changes in Equity/Reserves;
  - Statement of Cash Flows; and
  - Statement of Changes in Member Benefits.

• The recognition of member benefits as a liability on the face of the Statement of Financial Position measured at each reporting date. As disclosed in Note 14, the liability for accrued member benefits at 30 June 2014 (being the date of the most recent valuation by Mercer Consulting (Australia) Pty Ltd) was $67.0 billion.

• The recognition of an 'employer sponsor receivable' to recognise the Commonwealth Government's legislated obligation under the *Superannuation Act 1976* (as amended) to meet the shortfall between the liability for accrued benefits and the fair value of the net assets available to meet that liability. Based on the fair value of net assets at 30 June 2016 and the most recent valuation of member benefits liabilities (as referred to above), the employer sponsor receivable at 30 June 2016 would be $63.7 billion.

• Additional disclosures on estimates, disaggregated information, financial risk management and policies for managing defined benefit liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

AASB 1056 requires the measurement approach of ‘fair value through profit or loss’ for all assets and liabilities, except for specific exemptions including member benefits, tax assets and liabilities and employer sponsor receivables. The investments of the Scheme are currently already measured at redemption price at the close of business on the last business day of the reporting period and therefore this change in measurement approach will have no impact on the valuation of the Scheme’s investments. The Standard also requires that where the Scheme has an obligation under insurance arrangements provided to members, any insurance contract liabilities are to be measured in a manner consistent with the way in which defined benefit member liabilities are measured.

Other Standards in issue but not effective

In addition to AASB 1056 *'Superannuation Entities'* , the following Standards were in issue but not yet effective at the date of authorisation of the financial report. It is anticipated that the adoption of the Standards disclosed below will not have a 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', and **AASB 2015-8** 'Amendments to Australian Accounting Standards - Effective Date of AASB 15'	1 January 2018	30 June 2019
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exemption'	1 January 2016	30 June 2017

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

The following new and revised Standards and Interpretations have been adopted in these financial statements. The 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 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	beginning on or after 1 July 2015

(b) Functional and presentation currency

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

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

(c) Use of judgements and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

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 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

(a) Assets

Assets are included in the Statement of Net Assets at net market value as at reporting date and changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur. Net market value of investments includes a deduction for selling costs which would be expected to be incurred if the investments were sold.

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

Net market value means the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. If the price used is the selling or redemption price a deduction for selling costs has already been included. Otherwise, as selling costs are generally immaterial, net market value approximates fair value unless otherwise stated.

Net market 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 net market value of the underlying investments.

(ii) Sundry debtors are recognised at the amounts receivable. All amounts are unsecured and are subject to normal credit terms.

(b) 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.

(c) Foreign Currency Transactions

The Scheme does not undertake transactions denominated in foreign currencies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Payables

Payables (being benefits payable, sundry payables and amounts due to other superannuation schemes) are recognised at their nominal value which is equivalent to net market 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.

Sundry payables and amounts due to other schemes
Sundry payables represent liabilities for goods and services provided during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms. Amounts due to other superannuation schemes are recognised in the year the election to transfer is received, valued at the amount of contributions plus earnings accrued (Note 9).

(e) Operational risk reserve

The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address 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 separate cash options of the ARIA Investments Trust and income earned on these assets is recognised in the reserve.

(f) Derivatives

The Scheme does not enter into derivative financial instruments.

(g) 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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Revenue (continued)

Investment revenue
Interest revenue is recognised on an accrual basis.

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

Contribution Revenue
Employer and member contributions, transfers from other funds, superannuation co-contributions and low income superannuation contributions from the Commonwealth Government are recognised on a cash basis.

(h) Expenses

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

(i) Income Tax

Income tax on the change in net assets for the year comprises current and deferred tax. Income tax is recognised in the Statement of Changes in Net Assets except to the extent that it relates to items recognised directly in members' funds. As the Scheme invests in the ARIA Investments Trust ('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 2016

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(i) 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 Statement of Changes in Net Assets.

(j) Scheme Liability for Accrued Benefits

The liability for accrued benefits is the value of the Scheme's present obligation to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future payments which arise from membership of the Scheme up to the date of measurement. The present value is determined by reference to expected future salary levels and by application of a current, market-determined, risk-adjusted discount rate and appropriate actuarial assumptions.

The liability for accrued benefits is not included in the Statement of Net Assets, however it is disclosed at Note 14.

The liability for accrued benefits is measured by an independent actuary on at least a triennial basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) 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 Net Assets.

4. INVESTMENTS

	2016 $'000	2015 $'000
Pooled Superannuation Trust - ARIA Investments Trust	**3 299 587**	3 763 252
	3 299 587	3 763 252

5. CHANGES IN NET MARKET VALUES

	2016 $'000	2015 $'000
(a) Investments held at 30 June:		
Pooled Superannuation Trust - ARIA Investments Trust	**65 429**	382 096
	65 429	382 096
(b) Investments realised during the year:		
Pooled Superannuation Trust - ARIA Investments Trust	**4 382**	37 313
	4 382	37 313
(c) Total changes in net market values of investments	**69 811**	419 409

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

6. FUNDING ARRANGEMENTS

(a) Contributions

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

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

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

Government Co-Contributions
For the financial years ended 30 June 2016 and 30 June 2015, 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 Contributions
The low income super contribution (LISC) is a Commonwealth Government superannuation payment of up to $500 for the financial years 2012-13 to 2016-17. LISC payments are recognised as revenue when received.

(b) Benefits

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

Of the total benefits payable at 30 June 2016, $0.103 million (2015: $0.216 million) is payable by the Consolidated Revenue Fund. The Commonwealth Government is the corresponding debtor for this amount in accordance with the funding arrangements described above.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

6. FUNDING ARRANGEMENTS

(b) Benefits (continued)

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

	2016 $'000	2015 $'000
Gross Appropriation from Consolidated Revenue Fund	**4 295 420**	4 429 547
less: Transfers from CSS Fund to Consolidated Revenue Fund	**(595 532)**	(795 745)
Net Appropriation	**3 699 888**	3 633 802
Consolidated Revenue Fund		
Lump-sum benefits	**305 436**	528 286
Pensions	**3 989 984**	3 901 261
	4 295 420	4 429 547
CSS Fund		
Lump-sum benefits	**566**	524
Total benefits paid	**4 295 986**	4 430 071

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

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

The costs of member administration were met by ComSuper until 30 June 2015. 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. From this date, the costs of member administration are being met by CSC. CSC continues to be the trustee of the Scheme and now also performs the scheme administration activities formerly undertaken by ComSuper.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

6. FUNDING ARRANGEMENTS (continued)

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

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

	2016 $'000	2015 $'000
Investment		
Investment manager fees	**3 505**	5 135
Custodian fees	**502**	630
Investment consultant and other service provider fees	**423**	481
Other investment expenses	**261**	287
Total direct investment expenses	**4 691**	6 533
Regulatory fees	**491**	686
Other operating expenses	**2 308**	3 227
Total costs	**7 490**	10 446

Administrative fees are paid to CSC by employing agencies to meet costs other than those incurred in managing and investing Scheme assets. 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 (and ComSuper prior to 1 July 2015).

Sponsoring employers contributed the following to Scheme administration costs:

	2016 $'000	2015 $'000
Trustee costs	**14 786**	1 166
ComSuper costs	**-**	12 123
Total	**14 786**	13 289

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

7. INCOME TAX

	2016	2015
	$'000	$'000
(a) Income tax recognised in the Statement of Changes in Net Assets		
Tax expense comprises:		
Current tax expense	**3 086**	3 494
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	**1**	-
Total tax expense	**3 087**	3 494

The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Statement of Changes in Net Assets as follows:

	2016	2015
Increase / (decrease) in net assets for the year before income tax	**(435 114)**	(276 881)
Income tax expense / (benefit) calculated at 15%	**(65 267)**	(41 532)
Add (less) permanent differences - items not assessable or deductible		
Member contributions, Government co-contributions and low income superannuation contributions	**(10 589)**	(11 504)
Benefits paid	**644 398**	664 511
Net appropriation from Consolidated Revenue Fund	**(554 983)**	(545 070)
Investment revenue already taxed	**(10 472)**	(62 911)
Total tax expense	**3 087**	3 494

	2016	2015
(b) Current tax liabilities		
Current tax payables:		
Provision for current year income tax	**2 981**	3 382
	2 981	3 382

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

7. INCOME TAX (continued)

(c) Deferred tax balances

	2016 $'000	2015 $'000
Deferred tax liabilities comprise:		
Temporary differences	**11**	10
	11	10

Taxable and deductible temporary differences arise from the following:

2016	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Interest receivable	**10**	**1**	**11**
	10	**1**	**11**
Net deferred tax liabilities / (assets)	**10**	**1**	**11**

2015	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Interest receivable	10	-	10
	10	-	10
Net deferred tax liabilities / (assets)	10	-	10

8. SUNDRY DEBTORS

	2016 $'000	2015 $'000
Receivable from the ARIA Investments Trust	**18**	30
Interest receivable	**72**	65
Surcharge tax	**123**	116
Amount to be appropriated from Consolidated Revenue Fund	**103**	216
Total	**316**	427

There are no receivables that are past due or impaired (2015: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

9. TRANSFERS FROM THE COMMONWEALTH SUPERANNUATION SCHEME TO THE PUBLIC SECTOR SUPERANNUATION SCHEME

Certain former contributors to the Commonwealth Superannuation Scheme (CSS) who rejoin as members of the CSS are entitled to elect to transfer to the Public Sector Superannuation Scheme ('PSS'). There were 5 elections to transfer made during the year ended 30 June 2016 (2015: 2 elections).

The value of contributions transferrable for members who elected to transfer from CSS to PSS is $861,061 at 30 June 2016 (2015: $215,828). This is payable to PSS.

10. OPERATIONAL RISK RESERVE

	2016	2015
	$'000	$'000
Opening balance	**7 234**	4 572
Transfers to reserve	**4 240**	2 541
Earnings on reserve	**162**	121
Closing balance	**11 636**	7 234

11. AUDITOR'S REMUNERATION

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

	2016	2015
	$	$
Financial statements	**63 325**	67 325
Regulatory returns and compliance	**35 175**	35 175
Total	**98 500**	102 500

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 during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

12. UNALLOCATED INCOME

Monthly earnings are allocated to members each month-end, or for part of a month on contributions made during a month or where a member exits the Scheme during a month.

Unallocated income primarily represents timing differences, including the difference between investment valuations applied in daily earnings rates and the confirmed investment values published in these financial statements.

Unallocated income is included in the net assets available to pay benefits at the end of the financial year. The closing balance represents approximately 1.25% (2015: 0.90%) of the members' funded entitlements as at 30 June 2016.

	2016	2015
	$'000	$'000
Opening balance of unallocated income	**33 767**	43 030
Add: Earnings of fund for the year	**70 671**	420 506
Less: Earnings allocation to members' accounts	**(58 893)**	(427 107)
Less: Transfers to and earnings on operational risk reserve	**(4 402)**	(2 662)
Closing balance of unallocated income	**41 143**	33 767

13. VESTED BENEFITS

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 2016 is $66.8 billion (2015: $67.9 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 2016 and elected the option which maximised their benefit entitlement.

The vested benefits have been calculated on the basis of current legislative arrangements for indexation of pension payments.

	2016	2015
	$billion	$billion
The vested benefits amount is made up of:		
Funded component	**3.3**	3.8
Unfunded component	**63.5**	64.1
	66.8	67.9
The net assets of the Scheme compared to the vested benefits are:		
Funded component	**3.3**	3.8
Net assets	**3.3**	3.8
Surplus / (deficiency)	**-**	-

The net assets of the Scheme includes $11,635,787 of assets backing the operational risk reserve (2015: $7,234,437).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

14. LIABILITY FOR ACCRUED BENEFITS

The amount of accrued benefits is the present value of expected future benefit payments that arise from membership of the Scheme up to the measurement date. The accrued benefits are comprised of a funded component (i.e. accumulated member contributions, and, where applicable, productivity contributions, plus interest) which will be met from the Scheme, and an unfunded component that, pursuant to the *Superannuation Act 1976* (as subsequently amended), will be funded from the Consolidated Revenue Fund at the time the superannuation benefits become payable.

The amount of accrued benefits in respect of the Scheme is calculated on a triennial basis. The most recent valuation of the accrued benefits was undertaken by Mercer Consulting (Australia) Pty Ltd as part of a comprehensive review as at 30 June 2014. A summary of the report is attached.

Accrued benefits as at 30 June were:

	2014 $billion	2011 $billion
Funded component	**4.1**	4.6
Unfunded component	**62.8**	59.9
	66.9	64.5

The net assets compared to the liability for accrued benefits as at 30 June are:

	2014 $billion	2011 $billion
Funded accrued benefits	**4.1**	4.6
Net assets	**4.1**	4.6
Surplus / (deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL INSTRUMENTS

(a) Financial instruments management

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

The investments of the Scheme (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the 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 Scheme and is in accordance with the Scheme's published investment strategy. The Trustee applies strategies to manage the risk relating to the investment activities of AIT. The investments of AIT are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

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

(c) Capital risk management

The RSE licence of the Trustee of the Scheme requires the Trustee to maintain a balance of at least $100 000 at all times in an administration reserve account in the AIT. This is required to be maintained in cash or cash equivalents. The Trustee of the Scheme was in compliance with this requirement throughout the year.

(d) Categories of financial instruments

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives

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

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

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

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

(f) Credit risk

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL INSTRUMENTS (continued)

(f) Credit risk (continued)

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 2016 or 30 June 2015.

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

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

	2016	2015
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**3 299 587**	3 763 252
Other financial assets		
Cash and cash equivalents	**43 110**	25 562
Sundry debtors	**316**	427
Total	**3 343 013**	3 789 241

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

(g) Liquidity risk

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk (continued)

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

The following tables summarise the maturity profile of the Scheme’s financial liabilities. Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at reporting date. This is the earliest date on which the Scheme can be required to pay members’ vested benefits. However, members may not necessarily call upon amounts vested to them during this time. 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 2016					
Amounts due to other superannuation schemes	**861**	**-**	**-**	**-**	**861**
Benefits payable	**8 587**	**-**	**-**	**-**	**8 587**
Vested benefits	**66 800 000**	**-**	**-**	**-**	**66 800 000**
Total financial liabilities	**66 809 448**	**-**	**-**	**-**	**66 809 448**
30 June 2015					
Amounts due to other superannuation schemes	216	-	-	-	216
Benefits payable	16 859	-	-	-	16 859
Vested benefits	67 904 000	-	-	-	67 904 000
Total financial liabilities	67 921 075	-	-	-	67 921 075

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

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

There has been no change to the Scheme's exposure to market risk or the manner in which it manages and measures that risk since the 2015 reporting period.

Foreign currency risk

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

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

Interest rate risk

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

The Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2016 and 30 June 2015 had a maturity profile of less than one month.

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

The following table illustrates the Scheme's sensitivity to a 0.3% p.a. (2015: 0.4%) 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 0.3% (2015: 0.4%) 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			
		Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
2016		-0.3%		+0.3%	
Cash and cash equivalents	43 110	(129)	(129)	129	129
2015		-0.4%		+0.4%	
Cash and cash equivalents	25 562	(102)	(102)	102	102

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

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

The Scheme's investment in AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in AIT is carried at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect 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 Scheme's sensitivity to a reasonably possible change in the value of its investment in AIT, based on risk exposures at reporting date. The volatility factor of 5.0% (2015: 6.5%) represents the average annual volatility in the default option unit price of the Scheme's investment in the AIT. For the Cash Option and the investments backing the operational risk reserve a factor of 0.3% (2015: 0.4%) has been applied representing a reasonably possible change in interest rates as a proxy for price risk of the option. Had the unit price been higher or lower by the volatility factor at the reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk (continued)

	Change in price	Carrying amount $'000	Price risk $' 000			
			Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
2016						
Financial Assets						
ARIA Investments Trust:						
Default option	-/+5.0%	2 967 973	(148 399)	(148 399)	148 399	148 399
Cash option	-/+0.3%	319 996	(960)	(960)	960	960
Operational risk reserve	-/+0.3%	8 490	(25)	(25)	25	25
Operational risk reserve (AIT) [1]	-/+0.3%	3 128	(9)	(9)	9	9
Total increase / (decrease)		3 299 587	(149 393)	(149 393)	149 393	149 393
2015						
Financial Assets						
ARIA Investments Trust:						
Default option	-/+6.5%	3 514 788	(228 461)	(228 461)	228 461	228 461
Cash option	-/+0.4%	241 260	(965)	(965)	965	965
Operational risk reserve	-/+0.4%	7 204	(29)	(29)	29	29
Total increase / (decrease)		3 763 252	(229 455)	(229 455)	229 455	229 455

[1] In accordance with the Australian Prudential Regulatory Authority *Prudential Practice Guide SPG 114 – Operational Risk Financial Requirement (SPG 114)* a separate option for the Operational Risk Reserve has been created to reflect that the scheme invests through a Pooled Superannuation Trust.

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 2016

15. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurements

The Scheme's financial instruments are included in the Statement of Net Assets at net market value that approximates fair value. The net market value is determined per accounting policies in Note 3(a).

Net market value measurements recognised in the Statement of Net Assets
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: net market value measurements are those derived from quoted prices in active markets.

Level 2: net market 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: net market 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
2016				
Financial Assets				
Pooled superannuation trust	-	**3 299 587**	-	**3 299 587**
2015				
Financial Assets				
Pooled superannuation trust	-	3 763 252	-	3 763 252

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 net market 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 2016

16 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 of the Scheme during the reporting period.

(b) Key Management Personnel

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 Kemppi (appointed 1 July 2016)

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 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

16 RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

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

	2016 $	2015 $
Short-term employee benefits	**198 762**	157 368
Post-employment benefits	**21 851**	18 136
Other long-term benefits	**15 755**	12 018
	236 368	187 522

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

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

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

(d) Investing entities

Throughout the year ended 30 June 2016, the Scheme's only investment consisted of units in AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

16. RELATED PARTIES (continued)

(d) Investing entities (continued)

The Trustee pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the AIT that are referable to the Scheme (see Note 6(c)). No fees were charged for acting as Trustee during the year ended 30 June 2016 (2015: $nil).

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

	Net Market Value of Investment	Net Market Value of Investment	Share of Net Income after tax	Share of Net Income after tax
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
ARIA Investments Trust	**3 299 587**	3 763 252	**69 811**	419 409
	3 299 587	3 763 252	**69 811**	419 409

(e) Transactions with director-related entities

Until 10 August 2015, Margaret Staib was Chief Executive Officer and a director of Airservices Australia, which made employer superannuation contributions of $704,887 to the Scheme between 1 July 2015 and 10 August 2015 (2015: $6,849,216). The contributions were made at arm's length as part of a normal employer relationship on terms and conditions no more favourable than if the employer had not been a director-related entity.

17. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2016 (2015: $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 2016 (2015: $nil).

18. SUBSEQUENT EVENTS

No other matters have arisen since 30 June 2016 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.

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INFORMATION REQUIRED FOR PURPOSES OF AUSTRALIAN ACCOUNTING STANDARD AAS 25 RELATING TO THE ACTUARIAL INVESTIGATION OF THE COMMONWEALTH SUPERANNUATION SCHEME AS AT 30 JUNE 2014

Purpose of Report

This statement has been prepared for the purposes of AAS 25 as at 30 June 2014 for the Commonwealth Superannuation Scheme (CSS or the Scheme) at the request of the Commonwealth Superannuation Corporation (CSC).

This extract summarises the actuarial investigation of the Scheme as at 30 June 2014 carried out by Mercer Consulting (Australia) Pty Limited with a report by Richard Boyfield FIAA and David Knox FIAA. It has been prepared for the purposes of inclusion with the Scheme's financial statements and is in a form that complies with the Australian Accounting Standard AAS 25.

Accrued and Vested Benefits

AAS 25 requires the disclosure of Accrued and Vested benefits at the reporting date.

For the purpose of AAS 25 the following amounts have been determined:

Reporting Date	Accrued Benefits $billion	Vested Benefits $billion
30 June 2014	66.9	68.7

Accrued Benefits have been determined as the present value of expected future benefit payments that arise from membership of the CSS up to the reporting date.

Vested Benefits are benefits which the CSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the Scheme.

The method and assumptions used to determine Accrued and Vested Benefits are summarised in Attachment 1 to this statement.

Accrued Benefits have been calculated in a manner consistent with Guidance Note 454 and Professional Standard 402 issued by the Institute of Actuaries of Australia.

Summary of Actuarial Report

AAS 25 also requires the notes to the Scheme's financial statements to include a summary of the most recent actuarial report of the CSS. Attachment 2 to this Statement provides a summary of the report on the Long Term Cost of the Public Sector Superannuation Scheme (PSS) and the CSS carried out as at 30 June 2014. The summary contains the information required under AAS 25.

R S Boyfield

Richard Boyfield
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting (Australia) Pty Ltd

29 July 2015

Attachment 1 to AAS 25 Statement

Method of Determining Accrued and Vested Benefits

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the CSS up to 30 June 2014.

To apportion benefits between past and future membership an "actual accrual" approach has been used. Specifically the steps involved in calculating the Accrued Benefits are as follows:

1) The membership of the Scheme as at 30 June 2014 is projected into the future based on assumptions relating to the rates of exit of members.

2) The total value of benefits payable to the projected exits and pensioners in each future year are determined taking into account assumed salary growth and pension indexation in each future year.

   For contributory members, the projected benefits are determined based on members' service rendered prior to 30 June 2014 only.

   For example, for the CSS retirement benefit, this involves determining the benefit attributable to service to 30 June 2014 using:

   $$\text{Accrued Multiple as at 30 June 2014} \times \text{Final Salary at future date}$$

3) The Accrued Benefits as at 30 June 2014 is determined as the sum of the present values of the benefits payable to the projected exits over all future years.

No Vested Benefits minimum has been applied to the Accrued Benefits.

The calculation methodology is consistent with the Professional Standard No. 402 of the Actuaries Institute relating to the determination of accrued benefits for defined benefit superannuation funds.

The method used to apportion benefits between past and future membership is unchanged from that used in the previous actuarial investigation as at 30 June 2011.

Vested Benefits are determined as the value of benefits which the CSS would be required to pay if all members were to voluntarily leave employment on 30 June 2014 and elect the benefit option which is most costly to the CSS.

Assumptions Used to Determine Accrued Benefits

The assumptions used to determine Accrued Benefits are the same as those used for the most recent actuarial investigation into the long term cost of the PSS and the CSS as at 30 June 2014.

The financial assumptions used are:

Item	Assumption
Investment Return / Discount Rate	6.0% per annum (nominal) 3.5% per annum (real)
General Salary Increases	4.0% per annum (nominal) 1.5% per annum (real)
CPI Increases	2.5% per annum

A summary of the other assumptions used is contained in Appendix B of the Long Term Cost Report of the PSS and the CSS.

Attachment 2 to AAS 25 Statement

Summary of the Long Term Cost Report

The latest actuarial investigation into the long term cost of the PSS and CSS was conducted at 30 June 2014.

This attachment provides a summary of that report.

Membership Data

Data relating to the membership of the PSS and the CSS was provided by CSC for the purposes of this investigation.

The table below summarises the total membership of the CSS as at 30 June 2014.

CSS MEMBERSHIP as at 30 JUNE 2014			
	Male	**Females**	**Total**
Number of Contributors	6,793	3,755	10,548
Salaries	$812m	$398 m	$1,210 m
Number of Preserved Members	4,455	2,239	6,694
Number of Age Pensioners	53,096	20,451	73,547
Number of Invalidity Pensioners	8,397	3,920	12,317
Number of Reversionary Pensioners	1,550	25,896	27,446

Assumptions

The key economic assumptions adopted for this actuarial investigation are shown in the table below. The same assumptions were adopted for the previous investigation at 30 June 2011.

Item	Assumption
CPI Increases	2.5% per annum
Investment Returns / Discount Rate	6.0% per annum (nominal) 3.5% per annum (real)
General Salary Increases	4.0% per annum (nominal) 1.5% per annum (real)

The demographic assumptions at 2014 have been revised based on the experience of the schemes over the eight years to 30 June 2013. These are set out in Appendix B of the Long Term Cost Report.

Of the changes in assumptions, the most significant were:

- Increases in the non-indexed pension take-up assumptions for CSS members; and
- Changes to pensioner mortality rates and mortality improvement factors.

Value of Assets

The PSS and CSS are partly funded to the extent that real assets are held in respect of member contributions and productivity superannuation contributions. The realisable value of the CSS assets as at 30 June 2014 was $4.0 billion.

Accrued Benefits

The value of accrued benefits as at 30 June 2014 was $66.9 billion.

The Accrued Benefit also includes an amount of $54.7 billion in respect of pensioners and preserved beneficiaries of the CSS.

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the CSS up to 30 June 2014.

Vested Benefits

Vested Benefits of the CSS were not calculated as a part of the Long Term Cost Report as at 30 June 2014 but were calculated separately.

The estimated value of the Vested Benefits of the CSS as at 30 June 2014 is $68.7 billion.

Vested Benefits are determined as the value of benefits which the CSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the CSS.

Financial Condition

The CSS is a partially funded scheme. As a consequence, the value of Accrued Benefits and Vested Benefits is significantly more than the realisable value of Scheme assets at the same date.

However, the CSS operates under an underlying guarantee from the Commonwealth Government. Furthermore, the investigation shows that the projected combined Commonwealth costs in respect of the PSS and CSS reduce as a percentage of projected Gross Domestic Product over the next 40 years.

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R S Boyfield

Richard Boyfield
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting (Australia) Pty Ltd

29 July 2015