



Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

# To the Minister for Finance

## Opinion

In my opinion, the financial statements of the Department of Finance (Finance) for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards Reduced Disclosure Requirements and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015; and
- (b) present fairly the financial position of Finance as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of Finance, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

## Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Finance in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) to the extent that they are not in conflict with the Auditor-General Act 1997. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter				How the audit addressed the matter
Valuation of the lia	Valuation of the liability for outstanding insurance claims			To address the key audit matter, I:
Refer to Note C1 'G	eneral insurance	activ	vities'	<ul> <li>evaluated Finance's actuarial methodologies for reasonableness;</li> </ul>
Finance provide	s insurance	to	Australian	
				GPO Boy 707 CANBERRA ACT 2601

GPO Box 707 CANBERRA ACT 2601 19 National Circuit BARTON ACT Phone (02) 6203 7300 Fax (02) 6203 7777 Government entities. The estimation of outstanding insurance claims liability involves significant judgement given the inherent uncertainty in estimating the expected future payments for claims incurred.

The estimation of the outstanding insurance claims liability is a key audit matter due to:

- the balance being significant relative to Finance's Statement of Financial Position (\$473.7 million outstanding insurance claims liability as at 30 June 2019); and
- the valuation involves assumptions about future events, both internal and external to the business, for which small changes in assumptions can result in large fluctuations in the estimate.

## Valuation of superannuation provisions

Refer to Note C3 'Superannuation'

Finance administers defined benefit schemes that entitle Australian Government employees to retirement benefits based on past service.

The measurement of the superannuation provisions is a key audit matter due to:

- the balance being significant relative to Finance's Administered Schedule of Assets and Liabilities (\$233.1 billion as at 30 June 2019); and
- the measurement of the provision being complex, requiring significant professional judgement and estimation in the selection of long-term assumptions (including such matters as salary growth and discount rates), to which the valuation of the schemes is highly sensitive.

In addition, the Australian Accounting Standards include detailed requirements for the presentation and disclosure of defined benefit plans.

#### Key audit matter

## Valuation of Properties

Refer to Note D3 'Non-financial assets'

Finance is responsible for the management of the Australian Government's domestic non-defence property portfolio, including delivery of major capital works projects as directed by the Government.

Finance has determined the fair value of nonfinancial assets to be \$431.2 million for land, \$685.7 million for buildings and \$829.0 million for investment properties as at 30 June 2019.

The valuation of Finance's land, buildings and investment properties is a key audit matter due to

- assessed whether Finance's actuarial methodologies were consistent with those used in the industry and with prior periods; and
- assessed the reasonableness of key assumptions (claim ratios, expected frequency of claims, severity of claims and discount rates) by comparing to current and historical trends.

#### How the audit addressed the matter

To address the key audit matter I:

- assessed the design and effectiveness of control processes over the management of defined benefit schemes including management of members' data used in the valuation model;
- evaluated the reasonableness of the review performed by management's actuary to confirm the integrity of the data used for estimating the defined benefit provision;
- evaluated the appropriateness of the methodology and reasonableness of the key assumptions applied in estimating the superannuation provision;
- assessed the reasonableness of the results of the valuation including the explanations for the changes in the valuation; and
- evaluated the appropriateness of the disclosure of the significant assumptions applied, including sensitivity analysis.

## How the audit addressed the matter

To address the key audit matter I:

- evaluated the appropriateness of Finance's methodologies and the reasonableness of its key assumptions utilised in the valuation models. This included rental income and capital expenditure for investment properties and market value comparisons for land and building valuations; and
- evaluated the competence, capabilities and objectivity of management's valuers.

Key audit matter

the valuations being dependent on assumptions that require significant management judgement about capitalisation rates, fair market rents, discount rates and conditions of the use of the properties. Where observable market data is not available, the valuation is subject to a higher level of judgement.

## Accountable Authority's responsibility for the financial statements

As the Accountable Authority of Finance, the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of Finance to continue as a going concern, taking into account whether the Finance's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

## Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or
  error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
  sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material
  misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,
  forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
  appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of
  Finance's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting
  and, based on the audit evidence obtained, whether a material uncertainty exists related to events or
  conditions that may cast significant doubt on Finance's ability to continue as a going concern. If I conclude
  that a material uncertainty exists, I am required to draw attention in my auditor's report to the related
  disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My
  conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future
  events or conditions may cause Finance to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the
  disclosures, and whether the financial statements represent the underlying transactions and events in a
  manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

Gat Hek

Grant Hehir Auditor-General Canberra 30 August 2019

## Financial Statements

# **Department of Finance**

# Statement by the Secretary and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2019 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 the Department of Finance will be able to pay its debts as and when they fall due.

Flutal

Rosemary Huxtable PSM Secretary Department of Finance ≤● August 2019

Grant Stevens Chief Financial Officer Department of Finance 30 August 2019

## Financial Statements

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## Department of Finance Statement of Comprehensive Income for the period ended 30 June 2019

for the period ended 30 June 2019		Actu		Pudao
		30 June	30 June	Budge 30 June
		2019	2018	2019
	Note ref	\$'000	\$'000	\$'000
NET COST OF SERVICES	Note lei	<i><i><i>ϕ</i></i> 000</i>	\$ 000	\$000
Expenses				
Employee benefits	E1.1	164,745	168,477	162,753
Supplier expenses				.02,700
Consultants and contractors		44,995	47,647	54,902
Domestic property portfolio expenses	B1	30,048	31,138	45,470
Communication and information technology		52,158	49,072	44,78
Other goods and services		24,080	23,365	20,788
Operating lease rentals		13,014	13,730	12,78
Insurance claims	C1.1 B2	180,191	97,246	138,010
Competitive neutrality	0 52	3,216	3,638	2.662
Notional reinsurance expense	C1.1	5,000	5,000	5,000
Depreciation and amortisation	D3.1	45,602	44,266	33,979
Non-financial asset write-downs and impairments	D3.1 B1	1,720	2,129	26,469
Impairment of financial assets	D1.3	31	66	
Other expenses	21.0	5,127	1,120	
Total expenses		569,927	486,894	547,605
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Own-source income				
Own-source revenue				
Premium revenue	C1.1 B2	128,452	138,344	144,364
Reinsurance and other recoveries revenue	C1.1	1,142	299	,
Rental income		79,301	75,279	73,221
Resources received free of charge	H2	1,355	1,442	1,385
Rendering of services		73,472	77,757	76,940
Interest revenue	D1.3	-	3	
Other revenue		126	64	
Total own-source revenue		283,848	293,188	295,910
Gains				
Gains	B1	47,674	60,202	30,401
Total gains		47,674	60,202	30,401
Total own-source income		331,522	353,390	326,311
Net cost of services		(238,405)	(133,504)	(221,294)
Deverying from Conversionent	<b>F</b> 4.4	250 000	000 577	057.670
Revenue from Government Surplus before income tax on continuing	F1.1	258,962	262,577	257,670
operations		20,557	129,073	36,376
Income tax equivalent		4,086	2,152	2,797
Surplus after income tax on continuing		4,000	2,102	2,131
operations		16,471	126,921	33,579
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services Changes in asset revaluation reserves relating to				
Land, building and leasehold improvements	D3.1 B1	162,345	38,758	
Lana, building and loadenoid improvements	20.1 01	102,040	00,100	

Departmental Primary Statements

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

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#### Actuals Budget 30 June 30 June 30 June 2019 2018 2019 Note ref \$'000 \$'000 \$'000 Assets Financial assets Cash and cash equivalents Cash and cash equivalents D1.1 15,423 16,824 5,000 Special account cash held in OPA F3.1 706,038 755,470 599,017 Trade receivables D1.1 22,002 4,064 73,756 Accrued revenue D1.1 5,305 5,889 11.770 Appropriations receivable 47,296 62 589 Special account capital receivable F3 1 Other departmental undrawn F1.2 128,399 156,954 164,096 2,258 Reinsurance and other recoveries C1.3 3,034 6.221 Lease incentive assets 3,642 3,994 7,365 Other financial assets 2,371 2,771 5,997 Total financial assets 932,734 1,011,589 873,222 Non-financial assets 376,014 Land D3.1 B1 431,194 381.686 Buildings D3.1 B1 685,733 595,221 419,320 Leasehold improvements D3.1 23.904 25.312 Investment property D3.1 B1 828,988 783,282 870,706 Plant and equipment D3.1 18.609 26.415 91,290 101,466 89,251 142,075 Intangibles D3.1 7,989 Prepayments 11.100 9,442 D3.2 Assets held for sale 38,160 28,154 4.318 Total non-financial assets 2,139,154 1,931,638 1,918,837 2,943,227 Total Assets 3,071,888 2,792,059 I jabilities 35,749 36,241 52,867 Trade creditors and accruals D1.1 20,770 16,968 18,361 Unearned revenue Return of equity - special accounts Β1 82,138 189,823 57,145 473,735 Outstanding insurance claims C1 4 B2 381 912 438 663 Employee provisions E1.2 64,104 62,301 63,384 D1 1 1.022 3.736 Finance leases 6,475 35,236 Lease incentive liabilities 32,782 37,691 Other provisions D4 19,141 20,648 8,817 Other payables 7,008 2.121 2,668 **Total liabilities** 731,562 749,533 690,411 2.340.326 2.193.694 2,101,648 Net assets Equity Retained earnings 551,328 534,857 398,424 B1 237,899 Asset revaluation reserves 400,244 199,141 Contributed equity/capital 1,388,754 1,420,938 1,504,083

2,340,326

2,193,694

2,101,648

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

Total equity

Department of Finance

as at 30 June 2019

Statement of Financial Position

Departmental Primary Statements

Departmental Primary Statements

Department of Finance Statement of Changes in Equity for the period ended 30 June 2019

					Actuals	s			
			30 Jun	30 June 2019			30 June 2018	e 2018	
		Retained earnings	Asset revaluation reserves	Contributed equity/capital	Total	Retained earnings	Asset revaluation reserves	Contributed equity/capital	Total
	Note ref	\$.000	\$,000	\$,000	\$,000	\$,000	\$'000	\$'000	\$,000
Opening balance Balance carried forward		534.857	237,899	1.420.938	1.420.938 2.193.694	407 936	199 141	1 638 593	2 245 670
Adjusted opening balance		534,857	237,899	1,420,938	2,193,694	407,936	199,141	1,638,593	2,245,670
Comprehensive income									
Surplus for the period		16,471	•	•	16,471	126,921	'	'	126,921
Other comprehensive income		•	162,345	•	162,345	'	38,758	'	38,758
Total comprehensive income		16,471	162,345	•	178,816	126,921	38,758	•	165,679
Transactions with owners									
Distributions to owners									
Transfer of assets	D3.1	•	'	(2,900)	(2,900)	'	'	'	'
Return of equity - special accounts		•	•	(20;003)	(20,903)	'	'	(183,077)	(183,077)
Return of equity - other			•	(80)	(80)	'	'	(931)	(931)
Contributions by owners									
Departmental capital budget	F1.1		'	8,488	8,488		'	6,480	6,480
Equity injection - appropriations	F1.1		'	42,211	42,211	'	,	34,852	34,852
Restructuring								(74,979)	(74,979)
Total transactions with owners		•	•	(32,184)	(32,184)			(217,655)	(217,655)
Closing balance		551,328	400,244	1,388,754	2,340,326	534,857	237,899	1,420,938	2, 193, 694
Budget 30 June 2019									
Opening balance		469, 150	199,141	1,473,038	1,473,038 2,141,329	379,286	177,262	1,695,121	2, 251, 669
Total comprehensive income		33,579	'	'	33,579	47,106	,	'	47,106
Total transactions with owners		(104,305)	'	31,045	(73,260)	(57,439)		9, 233	(48,206)
Closing balance		398,424	199,141	1,504,083	2,101,648	368,953	177,262	1, 704, 354	2, 250, 569

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

## Department of Finance Cash Flow Statement for the period ended 30 June 2019

	Actu	als	Budge
	30 June	30 June	30 Jun
	2019	2018	201
Note	ref \$'000	\$'000	\$'00
OPERATING ACTIVITIES			
Cash received			
Rendering of services	59,332	82,418	150,43
Revenue from Government	296,680	258,913	295,98
Insurance premiums	128,452	138,344	144,36
Reinsurance and other recoveries	1,917	3,229	
nterest and dividends	-	3	
Rent received	79,301	75,279	
Net GST received	-	2,386	
Other	1,445	1,058	
Total cash received	567,127	561,630	590,78
North world			
Cash used	400.005	105 100	160.00
Employees	162,905	165,193	160,32
Suppliers	179,163	174,811	172,67
nsurance claims	87,585	153,583	138,01
Net GST paid	2,182		
Other	13,343	9,758	113,99
Γotal cash used	445,178	503,345	585,00
Net cash received/(used) for operating activities	121,949	58,285	5,78
ter cash received/(used) for operating activities	121,545	30,203	5,70
NVESTING ACTIVITIES			
Cash received			
Proceeds from sale of land and buildings	46,941	4,853	60,51
Proceeds from sale of investment property	-	127,553	
Proceeds from sale of financial investments	2,672	1,035	
Total cash received	49,613	133,441	60,51
Cash used			
Purchase of land and buildings	36,187	19,678	32,73
Purchase of leasehold improvements	207	313	
Purchase of investment property	18,731	17,414	71
Purchase of plant and equipment	1,133	3,866	39,47
Purchase of intangibles	35,298	17,866	42,05
Fotal cash used	91,556	59,137	114,98
Net cash received/(used) for investing activities	(41,943)	74.304	(54.468
ver cash received/(used) for investing activities	(41,943)	74,304	(54,400
FINANCING ACTIVITIES			
Cash received			
Contributed equity	56,779	37,300	48,68
Total cash received	56,779	37,300	48,68
Cash used	407 040	E1 000	
Return of contributed equity	187,618	51,330	
Restructuring	-	96,063	
Γotal cash used	187,618	147,393	
Net cash received/(used) for financing activities	(130,839)	(110,093)	48,68
	(100,000)	(110,000)	10,00
Net increase/(decrease) in cash held	(50,833)	22,496	
Cash and cash equivalents at the beginning	770.00	740 700	00/07
of the reporting period	772,294	749,798	604,01
Cash and cash equivalents at the end	704 404	772 004	604.04
of the reporting period D1.1	721,461	772,294	604,01

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

Departmental Primary Statements

## Department of Finance Administered Schedule of Comprehensive Income for the period ended 30 June 2019

		Actu	lals	Budget
		30 June	30 June	30 June
		2019	2018	2019
	Note ref	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	E1.1 B3	439,546	298,736	323,961
Superannuation expense	C3.1 B4	8,435,190	8,459,462	8,157,944
Supplier expenses				
Office expenses		45,609	43,742	39,849
Operating lease rentals		40,426	38,526	42,741
Communication and information technology		27,358	22,396	24,689
Property operating expenses		12,619	12,585	12,717
Other goods and services		32,655	33,410	37,432
Investment funds	C2.1 B5	304,125	252,436	43,232
Investment funds distributions	C2.1 B5	2,294,618	129,897	3,599,634
Depreciation and amortisation	D3.1	15,057	17,196	20,691
Non-financial asset write-downs	D3.1	266	218	-
Impairment of financial assets	D1.3	4	1	-
Grants		3,198	2,935	2,957
Other expenses		3,036	768	3,439
Total expenses		11,653,707	9,312,308	12,309,286
Income				
Non- taxation revenue				
Interest	D1.3	29,151	29,841	13,987
Dividends	D1.3	26,900	16,100	11,799
Investment funds	C2.1 B5	443,200	177,601	415,186
Rendering of services		3,061	3,815	3,904
Superannuation contributions	C3.1	1,193,004	1,214,038	1,148,576
Resources received free of charge	H2	4,581	4,455	4,455
Other revenue		2,572	9,604	9,310
Total revenues		1,702,469	1,455,454	1,607,217
Gains				
Investment funds	C2.1 B5	897,361	763,532	45,649
Other gains		257	427	-
Total gains		897,618	763,959	45,649
Total income		2,600,087	2,219,413	1,652,866
Net cost of services		(9,053,620)	(7,092,895)	(10,656,420)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification t	0			
net cost of services				
Movement in carrying amount of superannuation	C3.1 B4	(46,132,390)	(6,787,862)	-
Changes in asset revaluation reserves relating to				
Infrastructure, plant and equipment	D3.1	4,038	2,797	-
Items subject to subsequent reclassification to ne	et			
cost of services				
Gains/(losses) in carrying amount of Commonwealth				
entities and companies	D1.3	(18,309)	51,951	
Total other comprehensive loss		(46,146,661)	(6,733,114)	-
Total comprehensive loss		(55,200,281)	(13,826,009)	(10,656,420)

Administered Primary Schedules

The above schedule should be read in conjunction with the accompanying notes

Administered Primary Schedules

Department of Finance Administered Schedule of Assets and Liabilities as at 30 June 2019

		Actu	ials	Budget
		30 June	30 June	30 June
		2019	2018	2019
	Note ref	\$'000	\$'000	\$'000
Assets				
Financial assets				
Cash and cash equivalents	D1.1	2,407,972	1,731,032	
Trade receivables	D1.1	909	1,826	721
Investment funds	C2.2 B5	37,109,160	29,823,803	11,254,851
State and territory government loans	D1.1	126,152	133,121	126,702
Accrued revenue	D1.1	1,291	9,583	2,210
Commonwealth entities and companies	D1.1	1,188,009	904,868	1,210,416
Other financial assets		43,809	17,286	49,317
Total financial assets		40,877,302	32,621,519	12,644,217
No. Constant				
Non-financial assets	54.4		00.005	
Leasehold improvements	D3.1	23,694	26,025	17,599
Infrastructure	D3.1	73,166	69,716	63,231
Plant and equipment	D3.1	11,336	6,655	
Intangibles	D3.1	214	668	1,070
Prepayments		4,552	3,297	3,549
Total non-financial assets		112,962	106,361	85,449
Total assets		40,990,264	32,727,880	12,729,666
Liabilities				
Trade creditors and accruals	D1.1	12,707	12,141	11,171
Investment funds	C2.2 B5	215,296	248,359	
OPA overnight cash payable	D1.1	1,803,516	1,326,409	
Employee provisions	E1.2 B3	325,692	235,829	237,009
Superannuation provisions	C3.1 B4	233,052,709	183,067,033	134,259,196
Other provisions	D4	17,984	17,350	15,192
Other payables		38,074	49,027	11,895
Total liabilities		235,465,978	184,956,148	134,534,463
		(404 475 74 1)	(450.000.000)	(404 004 707
Net assets/(liabilities)		(194,475,714)	(152,228,268)	(121,804,797)

The above schedule should be read in conjunction with the accompanying notes

## Department of Finance Administered Reconciliation Schedule for the period ended 30 June 2019

		Acti	uals
		30 June	30 June
		2019	2018
	Note ref	\$'000	\$'000
Opening assets less liabilities		(152,228,268)	(149,756,634)
Net cost of services		(9,053,620)	(7,092,895)
Other comprehensive income/(loss)		(46,146,661)	(6,733,114)
Transfers (to)/from the Australian Government			
Appropriation transfers from OPA			
Annual appropriations		296,455	269,966
Administered assets and liabilities appropriations		312,826	301,354
Special appropriations	F2.1	7,268,563	6,757,598
Restructuring		-	2,769
Contributions from Government to the investment funds	F3.2	8,576,602	6,437,661
Appropriation transfers to OPA			
Transfers to OPA		(3,683,996)	(3,289,054)
OPA transfers with other Commonwealth entities			
Transfers to other Commonwealth entities	H2	(671,497,125)	(687,440,499)
Transfers from other Commonwealth entities	H2	671,679,510	688,314,580
Closing assets less liabilities		(194,475,714)	(152,228,268)

Administered Primary Schedules

The above schedule should be read in conjunction with the accompanying notes

Administered Primary Schedules

## Department of Finance Administered Cash Flow Statement for the period ended 30 June 2019

		Actua	Is	Budget
		30 June	30 June	30 June
		2019	2018	2019
	Note ref	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Cash received				
Rendering of services		3,974	2,710	3,902
Superannuation contributions - employers		1,174,734	1,204,374	1,127,144
Superannuation contributions - members		2,433,550	2,028,753	1,894,747
Net gains from sale of financial instruments		498,413	327,848	-
Interest and dividends		495,462	218,112	435,356
Realised exchange gains		-	31,194	-
Other		2,872	10,032	2,810
Total cash received	_	4,609,005	3,823,023	3,463,959
Cash used				
Employees		349,690	297,132	270,696
Suppliers		185,192	179,499	196,119
Investment fund distributions		2,294,618	129,897	3,175,150
Superannuation payments		7,015,454	6,561,312	6,821,753
Realised exchange losses		271,078	6,614	-,
Grants		3,198	2,935	2,957
Net GST paid		261	419	2,007
Other		488	730	3,465
Total cash used	_	10,119,979	7,178,538	10,470,140
Net cash received/(used) for operating activiti	ies	(5,510,974)	(3,355,515)	(7,006,181)
INVESTING ACTIVITIES Cash received				
Proceeds from sale of financial investments		49,605,723	32,682,672	10,078,311
Repayments of advances and loans		12,178	11,945	12,180
Matured government securities		-	1,472	-
Total cash received	_	49,617,901	32,696,089	10,090,491
Cash used				
Purchase of financial investments		56,530,848	39,495,417	7,228,162
Equity injections - CECs		312,450	290,500	311,000
Purchase of leasehold improvements		8,296	12,929	
Purchase of infrastructure		1,692	1,224	
		6,501	3,257	12.200
Purchase of plant and equipment		0,001	5,257	12,200
		142	157	
Purchase of plant and equipment Purchase of intangibles Total cash used	-	<u>142</u> 56,859,929	<u>157</u> 39,803,484	

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

## Department of Finance Administered Cash Flow Statement for the period ended 30 June 2019

for the period ended 30 June 2019			
	Actu	ials	Budget
	30 June	30 June	30 June
	2019	2018	2019
Not	te ref \$'000	\$'000	\$'000
FINANCING ACTIVITIES			
Cash received			
Contributions to investment funds	8,576,602	6,437,661	6,761,750
Total cash received	8,576,602	6,437,661	6,761,750
Cash used			
Investment fund distributions	<u> </u>		6,547,066
Total cash used	-	-	6,547,066
Net cash received/(used) for financing activities	8,576,602	6,437,661	214,684
Net increase/(decrease) in cash held	(4,176,400)	(4,025,249)	(4,252,368)
Cash and cash equivalents at the beginning			
of the reporting period	1,731,032	937,956	-
OPA transfers with other Commonwealth			
entities			
Transfers to other Commonwealth entities	(671,020,018)	(687,536,119)	-
Transfers from other Commonwealth entities	671,679,510	688,314,580	-
Total cash from/(to) OPA	659,492	778,461	
Finance administered transfers			
Appropriation transfers from OPA	7,877,844	7,328,918	7,307,451
Appropriation transfers to OPA	(3,683,996)	(3,289,054)	(3,055,083)
Total cash from/(to) OPA	4,193,848	4,039,864	4,252,368
Cash and cash equivalents at the end			
of the reporting period D1.	1 2,407,972	1,731,032	-

Administered Primary Schedules

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

A. About this Report

## A. About This Report

The Department of Finance (Finance) is an Australian Government controlled not-for-profit entity, its purpose being: to assist the Australian Government to achieve its fiscal and policy objectives by advising on expenditure, managing sustainable public sector resourcing, driving public sector transformation and delivering efficient, cost-effective services to, and for, the government.

Finance is structured to fulfil its purpose through three outcomes, as set out in the 2018-19 Portfolio Budget Statements (PBS), these are:

**Outcome 1:** Support sustainable Australian Government finances through providing high quality policy advice and operational support to the government and Commonwealth entities to maintain effective and efficient use of public resources.

Outcome 2: Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice, and service delivery.

Outcome 3: Support for Parliamentarians and others as required by the Australian Government through the delivery of and advice on, work expenses and allowances, entitlements and targeted programs.

Finance's activities are classified as either Departmental or Administered. Departmental activities involve the use of assets, liabilities, incomes and expenses controlled or incurred by Finance in its own right.

Administered items are controlled by the government and managed or overseen by Finance on behalf of the government. These items are distinguished from Departmental items using shading.

Administered items include:

- Superannuation schemes for current and former civilian Australian Government employees, Parliamentarians, current and former Governor-Generals, Federal Judges and Federal Circuit Court Judges
- Australian Government investment funds
- Entitlements, allowances and work expenses provided to current and former Members of Parliament and their staff
- Grants
- State and territory government loans and interest
- · Investments in Commonwealth entities and companies.

In some areas of this financial report, Departmental and Administered items are included in the same section, this is for presentation purposes only and these balances should not be compared.

The continued existence of Finance in its present form and with its present programs is dependent on government policy and on continued funding by Parliament.

Basis of preparation

The financial statements are general purpose financial statements required by section 42 of the PGPA Act. They have been prepared in accordance with the *PGPA (Financial Reporting) Rule 2015* (FRR) and Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period. Finance has applied the Reduced Disclosure Requirements issued by the AASB as a minimum and has included additional disclosures for financial instruments, fair value and superannuation as required under subsection 18(3) of the FRR.

Basis of accounting

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities at fair value.

All assets have been assessed for impairment at the end of the reporting period and no impairment indicators exist unless otherwise stated.

A. About this Report

Comparative reclassifications

Minor changes were made to the comparatives in both the Departmental and Administered financial statements as a result of the reclassification or merging of some line items. There was no change to the comparative operating surplus or net assets reported.

How to read this report

The following pages set out the notes to the financial statements, which include further information required to understand the financial statements. This has been assessed against materiality and relevance to the operations, financial position and performance of Finance. All amounts are presented in Australian dollars (AUD).

Key judgements and estimates

In applying Finance's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events. Judgements and estimates that are material to the financial statements are found in the following notes:

C1 General insurance activities

C2 Investment funds

C3 Superannuation

D1 Financial instruments

D3 Non-financial assets

E1 Employee benefits

With the exception of judgements and estimates applied in the above notes, no allowance is made for the effect of changing prices on the results or the financial position.

New Australian Accounting Standards (AAS)

All new, revised or amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material financial impact on Finance's financial statements.

## B. Budgetary Variance Reporting

# B. Budgetary Variance Reporting

The below table provides explanations for significant variances between Finance's original budget estimates, as published in the 2018-19 Portfolio Budget Statements and the actual financial performance and position for the year.

Affected line Items	Explanation
Domestic property portfolio expenses	Events that have impacted the financial performance associated with the Commonwealth's non-defence domestic property portfolio include:
Non-financial asset write-downs and impairments Gains Land Buildings Investment property Return of equity - special accounts Asset revaluation	<ul> <li>Revaluation gains from independent valuations for land, buildings and investment property arising from strong market conditions particularly for the Commonwealth Law Courts (various states) and Post Entry Quarantine facilities</li> <li>Gains from the divestment of properties including Customs House (Sydney, NSW), with the proceeds payable to the Consolidated Revenue Fund as a 'Return of equity - special accounts'</li> <li>Reclassification of properties as held for sale resulting from the Commonwealth's continued divestment strategy</li> <li>Underspends for domestic property portfolio expenses on Commonwealth owned properties due primarily to reallocation of</li> </ul>
reserve Insurance claims expenses Outstanding insurance claims Premium revenue	funding to high priority capital works. The outstanding insurance claims liability is independently valued each year and is subject to inherent uncertainty in the estimation process as the ultimate outcome of claims is subject to events that have not yet occurred. Claim expenses were impacted in 2018-19 due to the development of several large property claims arising from storm damage and other events. These movements were partially offset by a general decrease in the amount provisioned in the Liability portfolio where overall experience for very large claims had been more favourable than expected. A decrease in premium revenue collected was reflective of a review of risks applicable for offshore property assets.
Employee benefits Employee provisions	The provision has been updated for post-employment benefits for certain entitlements for former Prime Ministers, including staff, office and vehicle costs, where future recurrent expenditure assumptions are set having regard to historical data and adjusted for inflation.
Superannuation expense Superannuation provisions	Budget variances are due to differences in the discount rates used for budgeting and financial reporting. The budgeted superannuation provision and expense use the discount rate in the Long Term Cost Reports to reduce volatility that would occur if the long-term government bond rate, which is required by AAS for financial reporting, was applied. Any change in the rates used for budget and financial reporting purposes significantly impacts on the superannuation provisions and
	Domestic property portfolio expenses Non-financial asset write-downs and impairments Gains Land Buildings Investment property Return of equity - special accounts Asset revaluation reserve Insurance claims expenses Outstanding insurance claims Premium revenue Employee benefits Employee provisions Superannuation expense Superannuation

B. Budgetary Variance Reporting

Note Reference	Affected line Items	Explanation
B5 Investment funds	Investment funds distributions Investment funds revenues, expenses and gains Investment funds assets and liabilities	<ul> <li>Due to the volatile nature of investment markets it is difficult to predict the final outcomes and values of some individual line items such as foreign exchange gains and losses. For budgeting of net asset balances, earnings and expenditure, Finance forecasts at an aggregated level.</li> <li>The net asset balance for the investment funds is higher than originally budgeted for due to:</li> <li>Cessation of the Building Australia Fund and Education Investment Fund not occurring due to delays in the passage of the enabling legislation through Parliament</li> <li>Establishment of the Aboriginal and Torres Strait Islander Land and Sea Future Fund on 1 February 2019</li> <li>Ongoing negotiations on the National Partnership Agreement for the DisabilityCare Australia Fund. As a consequence, only partial reimbursement was provided to the Commonwealth</li> <li>Better than expected financial performance of the funds.</li> </ul>

C. General Business Disclosures

## C. General Business Disclosures

This section includes disclosures for operations which are significant in size and/or nature for Finance.

#### C1 General insurance activities

Finance provides insurance and risk management services to Australian General Government Sector entities. The classes of business cover include: Liability, Property, Motor Vehicle, and Personal Accident and Travel.

These services are funded from the Comcover Special Account, refer to Note F3.1.

Policy and measurement

#### Premium revenue

Premium revenue includes amounts charged excluding Goods and Services Tax (GST). Premiums are recognised as revenue over the period insured which is from 1 July to 30 June each year.

#### Notional reinsurance expense

A notional reinsurance charge of \$5.0 million is paid to the Official Public Account (OPA) each year.

#### Reinsurance and other recoveries

Reinsurance and other recoveries received or receivable in respect of gross claims paid and movements in reinsurance and other recovery assets are recognised as revenue in the year they occur.

Reinsurance and other recovery assets are actuarially assessed as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

#### Claims expense and outstanding claims liabilities

Claims expense represents claims payments and the movement in the gross outstanding claims liability.

The outstanding claims liability is actuarially assessed and measured at the central estimate of the present value of expected future payments of claims incurred at the reporting date with an additional risk margin to allow for inherent uncertainty in the central estimate. The expected future payments include those in relation to unpaid reported claims; claims incurred but not reported (IBNR); claims incurred but not enough reported (IBNER); and indirect expenses that are expected to be incurred in settling these claims. Changes in claims estimates are recognised in the surplus/(deficit) in the year in which the estimates are changed.

#### Assets backing general insurance liabilities

The balance of the Comcover Special Account and receivables from insurance activities are held to back general insurance liabilities. For further information in relation to the Comcover Special Account, refer to Note F3.1.

#### Key judgements and estimates

Finance takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The claim estimates and judgements are regularly evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

Finance's activities are classified into two main categories: **Property** (Property, Motor Vehicle and Personal Accident and Travel) and **Liability**. Different actuarial methods and assumptions are applied at a more granular level taking into account the characteristics of the class of business, claim type and the extent of the development of each past accident period.

The estimation of IBNR and IBNER are generally subject to a greater degree of uncertainty where claims notification and settlement may not happen for many years after the event giving rise to the claim. For this reason, Liability classes of business the structure that the structure of the structure structure of the structure structure of the structure st

business typically display greater variability between the initial estimates and final outcomes.

C. General Business Disclosures

Key actuarial assumptions

The key actuarial assumptions for the determination of the outstanding claims liabilities are set out in the table below:

	30 June	2019	30 June 2	2018
	Property	Liability	Property	Liability
Average discount rate	1.0%	1.0%	2.0%	2.2%
Average inflation rate	2.2%	3.2%	2.4%	3.4%
Average weighted term to settlement (years)	1.7	2.6	1.6	2.7
Expense rate	1.0%	1.6%	1.4%	1.6%
Risk margin	19.1%	19.3%	16.0%	19.0%

Process used to determine actuarial assumptions

Discount rate	To allow for the time value of money, projected payments are discounted at a risk free rate derived from market yields on Australian Government securities at the reporting date.
Inflation rate	Claims inflation is incorporated into the resulting projected payments to allow for both expected levels of economic inflation and superimposed inflation. Economic inflation is based on economic indicators such as the Consumer Price Index (CPI) and/or increases in average weekly earnings. Superimposed inflation is past claims inflation in excess of wage inflation. A review of past claims reveals no evidence of superimposed inflation.
Average weighted term to settlement	The average weighted term to settlement is based on historic payment patterns.
Expense rate	Claims handling expenses are calculated by reference to Finance's claims handling remuneration agreements for direct expenses and internal costs for indirect expenses.
Risk Margin	The risk margin is assessed by examining the historical variability of the claims experience, considering industry studies and benchmarks and applying actuarial judgement, especially in respect of uncertainties not reflected in the claims data. This assessment is performed for each class of business. Diversification benefit is allowed for, with consideration given to industry studies and benchmarks.

## Sensitivity analysis

Finance has conducted sensitivity analysis to quantify the impact of changes in the key underlying assumptions on the surplus/(deficit). The sensitivity analysis has been performed for each variable independently of all other changes and is net of reinsurance and other recoveries. The table below describes how a change in each assumption will affect the surplus/(deficit).

		30 June	2019	30 June	2018
		Property	Liability	Property	Liability
Assumption	Movement	\$'000	\$'000	\$'000	\$'000
Average discount rate	+1%	4,054	6,437	2,415	6,360
Average discount rate	-1%	(3,886)	(6,122)	(2,319)	(6,048)
Average inflation anto	+1%	(4,000)	(6,302)	(2,485)	(6,601)
Average inflation rate	-1%	4,092	6,493	2,539	6,810
	+1 year	(2,887)	(5,336)	(626)	(2,490)
Average weighted term to settlement (years)	-1 year	3,482	5,634	261	2,078
	+1%	(2,284)	(2,393)	(1,438)	(2,324)
Expense rate	-1%	2,284	2,393	1,438	2,324
Diale manufin	+1%	(1,936)	(2,039)	(1,257)	(1,984)
Risk margin	-1%	1,936	2,039	1,257	1,984

The movements are the absolute movement in the assumption (e.g. +1% increase in the expense rate for Property from 1.0% to 2.0%).

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#### Notes to and forming part of the financial statements

C. General Business Disclosures

Insurance risk management

Finance is exposed to insurance risk, which is discussed below.

Objectives, policies and processes for managing insurance risk

Finance provides insurance and risk management services to deliver a net benefit to the Australian Government over the longer term. The transfer of insurance risk from participating general government sector entities offers the most comprehensive and cost effective approach to the management of risk exposures. The provision of a captive fund focuses on improving risk identification and management in entities and increases in transparency and accountability to the Australian Government and the public.

Key processes to manage the insurable risk exposure of the Commonwealth include:

- Detailed risk exposure surveys
- Actuarial modelling of claims history, exposures and industry experience to provide an estimate of expected claims costs for the insured year and to determine the annual premium collection
- Claim management and investigation processes
- · Appointment of an independent actuary for valuation services of the outstanding claims liability
- Whole of government policy development and risk management advisory and education services to improve risk
  awareness and capability of Fund Members.

Concentration of insurance risk

No reinsurance policies were placed in 2018-19 (2017-18: nil), reflecting the capacity of the Australian Government to cost-effectively self-insure against infrequent large claims.

C1.1 Underwriting result

C1.1 Underwriting result		
	Departmer	ntal
	30 June	30 June
	2019	2018
	\$'000	\$'000
Direct premium revenue		
Premium revenue	128,452	138,344
Premium revenue eliminated on consolidation	1,139	1,181
Total direct premium revenue	129,591	139,525
Notional reinsurance expense	(5,000)	(5,000)
Net premium revenue	124,591	134,525
Net incurred claims		
Insurance claims	(180,191)	(97,246)
Reinsurance and other recoveries revenue	1,142	299
Total net claims	(179,049)	(96,947)
Other underwriting expenses	(8,863)	(8,282)
Underwriting result	(63,321)	29,296
Revenue from Government	7,743	8,004
Operating surplus/(deficit)	(55,578)	37,300

C. General Business Disclosures

C1.2 Net claims incurred

	30	) June 201	9	3	30 June 2018	3
	Current	Prior		Current	Prior	
	year	years	Total	year	years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross claims incurred						
Undiscounted	142,295	24,128	166,423	110,459	(15,748)	94,711
Discount and discount movement	(3,748)	12,479	8,731	(6,262)	4,857	(1,405)
Gross claims incurred discounted	138,547	36,607	175,154	104,197	(10,891)	93,306
Reinsurance and other recoveries						
Undiscounted	(769)	(197)	(966)	(678)	454	(224)
Discount and discount movement	2	(178)	(176)	2	(77)	(75)
Reinsurance and other recoveries						
discounted	(767)	(375)	(1,142)	(676)	377	(299)
Net claims incurred	137,780	36,232	174,012	103,521	(10,514)	93,007
Claims handling expense			5,037			3,940
Total net claims			179,049			96,947

The \$36.2m increase in prior years net claims is due to changes in the expected cost for two property claims incurred in 2017-18. These movements were partially offset by valuation decreases in the liability portfolio for prior year claims where development in the very large class of claims has been more favourable than expected.

C1.3 Reinsurance and other recoveries receivable

	Departme	ental
	30 June	30 June
	2019	2018
	\$'000	\$'000
Reinsurance and other recoveries		
Reinsurance and other recoveries	2,411	3,363
Discount to present value	(153)	(329)
Total reinsurance and other recoveries	2,258	3,034

C1.4 Outstanding claims liability

	Departme	ental
	30 June	30 June
	2019	2018
	\$'000	\$'000
Gross claims liability - undiscounted	401,454	335,740
Discount to present value	(9,120)	(16,456)
Gross claims liability - discounted	392,334	319,284
Claims handling expense	5,130	4,860
Gross central estimate	397,464	324,144
Risk margin	76,271	57,768
Outstanding claims liability	473,735	381,912
Risk margin adopted	19.2%	17.8%
Probability of adequacy of the risk margin	75%	75%

C. General Business Disclosures

# Notes to and forming part of the financial statements

Reconciliation of the movement in discounted outstanding claims liability

			30 June	30 June
			2019	2018
	Property	Liability	Total	Total
	\$'000	\$'000	\$'000	\$'000
Net outstanding claims liability at the beginning of the year	145,371	233,507	378,878	432,699
Incurred claims	68,345	69,435	137,780	103,521
Claims payments	(42,064)	(39,349)	(81,413)	(146,828)
Unwinding of discount	1,816	4,866	6,682	5,043
Risk margin release	(5,382)	(6,017)	(11,399)	(7,869)
Changes in assumptions and experience	61,968	(21,019)	40,949	(7,688)
Net outstanding claims liability at the end of the year	230,054	241,423	471,477	378,878
Reinsurance and other recoveries	491	1,767	2,258	3,034
Gross outstanding claims liability at the end of the year	230,545	243,190	473,735	381,912

C1.5 Claims development table

ected claims for the 10 most recent accident vears relative to the ultimate Oliteta n to d ant of the estimated undis the de The following table sho

£	Prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
÷.	\$.000	\$.000	\$,000	\$,000	000.\$	000.\$	000.\$	000.\$	000.\$	000.\$	000.\$	000.\$
Estimate of net ultimate claims costs	ts											
At end of accident year		50,778	121,801	61,550	66,779	114,162	102,138	91,686	86,286	93,055	117,798	
One year later		48,922	108,067	70,345	63,441	106,114	119,144	87,813	91,391	139,062		
Two years later		47,317	100,453	67,843	65,399	96,653	218,627	96,971	89,415			
Three years later		70,257	91,789	68,396	62,028	89,631	215,052	92,516				
Four years later		65,808	84,123	67,312	58,498	82,685	205,636					
Five years later		65,956	82,395	62,705	55,203	75,963						
Six years later		51,423	80,279	59,872	54,526							
Seven years later		49,163	80,399	61,182								
Eight years later		48,760	85,097									
Nine years later		49,230										
Estimate of net ultimate claims costs		49,230	85,097	61,182	54,526	75,963	205,636	92,516	89,415	139,062	117,798	
Cumulative payments		(48,782)	(79,188)	(53,694)	(48,868)	(56,227)	(165,809)	(53,812)	(38,291)	(22,828)	(6,607)	
Net claims liability -												
undiscounted 6,	6,103	448	5,909	7,488	5,658	19,736	39,827	38,704	51,124	116,234	108, 191	399,422
Discount to present value	(86)	(2)	(86)	(62)	(52)	(258)	(663)	(800)	(1,173)	(2,677)	(3,098)	(8,993)
Net claims liability - discounted 6,	6,017	443	5,823	7,393	5,606	19,478	39, 164	37,904	49,951	113,557	105,093	390,429
Claims handling expense												5,130
Net central estimate												395,559
Net risk margin												75,918
Total net outstanding claims liability	~											471,477
Reinsurance and other recoveries												2,258
Total gross outstanding claims liability	ilitev											A72 72E

The claims development table discloses amounts net of reinsurance and other recoveries to give the most meaningful insight into the impact on surplus/(deficit).

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Notes to and forming part of the financial statements

C. General Business Disclosures

## C2 Investment funds

Finance provides advice on the investment mandates and governance arrangements for the investment funds. This includes advice on the credit of amounts to and debits of amounts from the investment funds. The Future Fund Board of Guardians (the Board), supported by the Future Fund Management Agency (FFMA), is responsible for the management and investment of the assets of the investment funds. The investment funds consist of the respective special accounts and the investments of the:

- Building Australia Fund (BAF) an investment fund established by the Nation-building Funds Act 2008 to make
  payments in relation to the creation or development of transport, communication, eligible national broadband network,
  energy and water infrastructure. Legislation to close the BAF received Royal Assent on 30 July 2019 and is now
  subject to proclamation for the date of effect.
- Education Investment Fund (EIF) an investment fund established by the Nation-building Funds Act 2008 to make
  payments in relation to the creation or development of higher education, research, vocational education and training,
  and eligible education infrastructure and to make transitional Higher Education Endowment Fund payments. The EIF
  is expected to be closed during 2019-20, subject to the passage of legislation.
- DisabilityCare Australia Fund (DCAF) an investment fund established by the DisabilityCare Australia Fund Act 2013 to reimburse the Commonwealth, states and territories for costs incurred in relation to the National Disability Insurance Scheme Act 2013.
- Medical Research Future Fund (MRFF) an investment fund established under the Medical Research Future Fund Act 2015 to support medical research and innovation into the future.
- Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF) an investment fund established under the Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018 to make annual and discretionary payments to the Indigenous Land and Sea Corporation.

Key judgements and estimates

In applying Finance's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events. Judgements and estimates which are material to the financial statements are located throughout the investment funds disclosure.

Policy and measurement

#### Investment mandate

Each fund has an investment mandate that is determined by the responsible Ministers under legislation. For the BAF, EIF and DCAF the investment mandates set a target benchmark return of the Australian three month bank bill swap rate + 0.3% per annum calculated on a rolling 12 month basis (net of fees). The investment mandates also require the Board to invest in such a way as to minimise the probability of capital losses over a 12 month horizon.

The investment mandate for the MRFF sets an average return of at least the Reserve Bank of Australia (RBA) Cash Rate target + 1.5% to 2.0% per annum, net of investment fees, over a rolling 10 year term as the benchmark return on the Fund. In targeting the benchmark return, the Board must determine an acceptable but not excessive level of risk measured in terms such as the probability of losses in a particular year.

The investment mandate for the ATSILSFF sets an average return over the long term of at least the CPI + 2.0% to 3.0% per annum, net of costs, as the benchmark return on the fund. In constructing the portfolio, the Board must determine an acceptable but not excessive level of risk for the fund.

C. General Business Disclosures

#### Investments

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value, net of transaction costs that are directly attributable to acquisition or issue of the investment.

Investments in collective investment vehicles are recorded at fair value on the date which consideration is provided to the contractual counterparty under the terms of the relevant subscription agreement. Any associated due diligence costs in relation to these investments are expensed when incurred.

The following methods are adopted by the investment funds in determining the fair value of investments:

- Listed securities, exchange traded futures and options and investments in listed managed investment schemes are
  recorded at the quoted market prices on relevant stock exchanges.
- Unlisted managed investment schemes and collective investment vehicles are re-measured based on the estimated fair value of the net assets of each scheme or vehicle at the reporting date. Collective investment vehicles are entities that enable investors to pool their money and invest the pooled funds, rather than buying securities directly.
   Collective investment vehicles are used to invest in private equity funds, hedge funds, debt funds, listed equity funds, infrastructure funds and property funds and are usually structured as interests in limited partnerships and limited liability companies.

In determining the fair value of the net assets of unitised unlisted managed investment schemes and collective investment vehicles, reference is made to the underlying unit price provided by the manager (where available), capital account statements and the most recent audited financial statements of each scheme or vehicle.

Manager valuation reports are reviewed to ensure the underlying valuation principles are materially compliant with AAS and applicable industry standards including International Private Equity and Venture Capital Valuation Guidelines as endorsed by the Australian Private Equity and Venture Capital Association Limited.

- Derivative instruments including forward foreign exchange contracts, interest rate swaps, credit default swaps and
  futures are recorded at their fair value on the date the contract is entered into and are subsequently re-measured to
  their fair values at each reporting date. The investment funds have entered into derivative contracts to manage their
  exposure to foreign exchange risk, interest rate risk, equity market risk and credit risk. The investment funds also use
  derivatives to gain indirect exposure to market risks. Further disclosures regarding the use of derivatives by the
  investment funds are presented in Note C2.3.
- Asset backed securities, bank bills, negotiable certificates of deposit, mortgaged backed securities, government securities and corporate debt securities which are traded in active markets are valued at the quoted market prices. Securities for which no active market is observable are valued at current market rates using broker sourced market quotations and/or independent pricing services as at the reporting date.

#### MRFF Investment Companies (MRFFICs)

Whilst all investments are held by the Board in respect of the relevant investment fund, some investments are indirectly held through wholly owned investment holding companies, MRFFICs.

The MRFFICs are funded primarily via loan arrangements from the MRFF. These loans are designated as financial assets and measured at fair value with changes in their fair value recognised in the Administered Schedule of Comprehensive Income. Loan assets are repayable on demand. Interest rates are set on the loans having regard to the 10-year government bond rate in the market in which the underlying investment is made.

As the MRFFICs hold a material portion of the investments of the investment funds, these are recorded on a net assets basis in Finance's Administered primary schedules. Additional disclosures detailing the underlying investments held by the MRFFICs are provided in Notes C2.2 and C2.3 to provide users with additional information in relation to the investment portfolio and Finance's exposure.

C. General Business Disclosures

## Income

Interest income is interest earned on cash and cash equivalents. Dividends, franking credits and distribution income are recognised when the right to receive payment is established.

Net realised gains/losses on investments held at FVPL includes:

- Realised interest income including coupon payments received during the year
- Net realised gains/losses including realised gains and losses as compared to the original cost of the investment
- Net realised changes in the fair value including the current year unrealised gains/losses on investments held at reporting date.

## Foreign currency

Items included in the financial statements of the investment funds are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the functional and presentation currency.

All foreign currency transactions during the period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit and loss in the period in which they arise.

C2.1 Investment funds operating results

						30 June 2019	30 June 2018
	BAF	EIF	DCAF	MRFF	ATSILSFF	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
Interest	27.090	26,533	121,385	17.765	23	192,796	140,885
Dividends and	21,000	20,000	121,000	,	20	,	,
distributions	-	-	-	250,404	-	250,404	36,716
Total revenue	27,090	26,533	121,385	268,169	23	443,200	177,601
Gains on financial							
investments	102,554	125,665	342,517	308,264	18,361	897,361	763,532
Total income	129,644	152,198	463,902	576,433	18,384	1,340,561	941,133
Expenses							
Supplier expenses	3,719	4,215	10,836	13,969	308	33,047	26,736
Foreign exchange losses	34,975	57,859	121,609	56,635	-	271,078	225,700
Total expenses	38,694	62,074	132,445	70,604	308	304,125	252,436
-							
Net investment funds							
return	90,950	90,124	331,457	505,829	18,076	1,036,436	688,697
less Investment funds distributions	_	2,000	2,087,755	204,863	-	2,294,618	129,897
Net surplus/(deficit)	90,950	88,124	(1,756,298)	300,966	18,076	(1,258,182)	558,800

C. General Business Disclosures

C2.2 Investment	funds financial	position
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ial position BAF					30 June	30 June
BAF						
BAF					2019	2018
	EIF	DCAF	MRFF	ATSILSFF	Total	Tota
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1,326,627			1,203,281			7,901,06
-			-			70 5 4
12,311	20,772	25,777	49,906	8	108,774	78,543
1 220 020	4 207 420	0.040.007	4 050 407	400	40.000.000	7 070 044
1,330,930	1,307,430	0,249,397	1,253,187	423	10,229,383	7,979,610
2.622.417	2.576.830	10.922.024	3.597.427	2.025.435	21.744.133	18,234,420
-	-			-	1,796,135	914,188
			, ,			. ,
-	-	-	1,638,076	-	1,638,076	1,099,917
-	-	57,401	1,475,696	-	1,533,097	1,412,778
8,775	12,188	42,993	55,616	-	119,572	149,919
7,707	9,841	19,055	12,161	-	48,764	32,971
						21,844,193
3,977,837	3,986,297	17,290,870	9,828,298	2,025,858	37,109,160	29,823,803
4 005	4 000	4 000	1 000	470	44 700	7 000
						7,302
11,863	21,003	49,985	35,263	-	118,114	83,730
12 249	22.205	E4 614	20 496	172	120.006	91.032
13,240	22,300	54,014	39,400	175	129,900	91,032
7,857	11,712	31,638	34,183	-	85,390	157,327
7,857	11,712	31,638	34,183	-	85,390	157,327
21,105	34,097	86,252	73,669	173	215,296	248,359
3 956 732	3 952 200	17,204,618	9 754 629	2,025,685	36,893,864	29,575,444
	12,311 1,338,938 2,622,417 - 8,775 7,707 2,638,899 3,977,837 1,385 11,863 13,248 7,857 7,857 7,857 21,105	1,338,938 1,387,438 2,622,417 2,576,830  8,775 12,188 7,707 9,841 2,638,899 2,598,859 3,977,837 3,986,297 1,385 1,382 11,863 21,003 13,248 22,385 7,857 11,712 7,857 11,712 7,857 11,712 21,105 34,097	12,311         20,772         25,777           1,338,938         1,387,438         6,249,397           2,622,417         2,576,830         10,922,024           -         -         -	12,311         20,772         25,777         49,906           1,338,938         1,387,438         6,249,397         1,253,187           2,622,417         2,576,830         10,922,024         3,597,427           -         -         1,796,135           -         -         1,796,135           -         -         57,401           1,475,696         35,561           7,707         9,841           19,055         12,161           2,638,899         2,598,859           11,385         1,382         4,629           4,223         11,863         21,003         49,985           13,248         22,385         54,614         39,486           7,857         11,712         31,638         34,183           7,857         11,712         31,638         34,183	12,311         20,772         25,777         49,906         8           1,338,938         1,387,438         6,249,397         1,253,187         423           2,622,417         2,576,830         10,922,024         3,597,427         2,025,435           -         -         1,796,135         -           -         -         1,796,135         -           -         -         1,638,076         -           -         -         1,475,696         -           8,775         12,184         42.93         55,616         -           7,707         9,841         19,055         12,161         -           2,638,899         2,598,859         11,041,473         8,575,111         2,025,858           3,977,837         3,986,297         17,290,870         9,828,298         2,025,858           1,385         1,382         4,629         4,223         173           11,863         21,003         49,985         35,263         -           13,248         22,385         54,614         39,486         173           7,857         11,712         31,638         34,183         -           7,857         11,712         31,638	1         20,772         25,777         49,906         8         840,000           12,311         20,772         25,777         49,906         8         108,774           1,338,938         1,387,438         6,249,397         1,253,187         423         10,229,383           2,622,417         2,576,830         10,922,024         3,597,427         2,025,435         21,744,133           -         -         1,796,135         -         1,796,135         -         1,796,135           -         -         -         1,638,076         -         1,638,076           -         -         57,401         1,475,696         -         1,533,097           8,775         12,184         42,993         55,616         -         119,572           7,707         9,841         19,055         12,161         -         48,764           2,638,899         2,598,859         11,041,473         8,575,111         2,025,858         37,109,160           1,385         1,382         4,629         4,223         173         11,792           11,863         21,003         49,985         35,263         -         118,114           13,248         22,385         54,614

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#### Notes to and forming part of the financial statements

#### Collective investment vehicles

The investment funds, directly and via the MRFFICs, have committed to provide capital to various collective investment vehicles. The total of these commitments at reporting date is \$1,303 million (2018: \$386 million). The investment fund's commitments, being capital calls, are set out in the various underlying subscription documents. While the actual timing of the capital calls to be made by the managers of these vehicles is uncertain, as it is dependent on the managers sourcing suitable investment opportunities, the investment funds have recorded the commitments are being current in accordance with the underlying legal documents. The investment funds have appropriate liquidity planning in place to ensure a suitable allocation of resources will be available to cover these future commitments of capital.

The table below provides more detailed information on the commitments and outstanding calls of collective investment vehicles held directly by the MRFF, DCAF and via MRFFICs at reporting date:

			30 Ju	ne 2019	
			Outstanding		
Description of underlying	Capit	al committed	commitments	Net capital cost	Fair value AUD
Strategy	lo	ocal currency	AUD equivalent	AUD equivalent	equivalent
		\$'000	\$'000	\$'000	\$'000
Directly held by MRFF and DCA	AF				
Alternatives	AUD	1,200,120	-	1,054,085	1,020,591
Debt	AUD	275,000	-	275,025	289,425
Debt	USD	40,000	17,100	36,774	37,624
Global infrastructure	USD	250,000	339,952	14,782	13,795
Listed equities	AUD	25,000	-	25,000	23,317
Property	USD	212,017	161,908	136,772	148,345
Total			518,960	1,542,438	1,533,097
Via MRFFICs					
Alternatives	AUD	568,217	143,352	425,195	416,121
Alternatives	USD	185,000	1,540	247,338	263,361
Debt	USD	40,000	42,724	13,987	15,123
Private equity	AUD	100,707	48,484	47,100	51,629
Private equity	EURO	52,682	15,178	23,963	41,768
Private equity	USD	601,194	511,188	263,060	362,346
Property	USD	22,983	21,575	10,120	11,781
Total			784,041	1,030,763	1,162,129

#### C2.3 Managing financial risk

The investment funds have entered into forward foreign exchange currency contracts to manage its exposure to foreign exchange risk. The investment funds also use interest rate futures and swaps to manage their exposure to interest rate risk and credit default swaps to manage their exposure to credit risk and/or gain indirect exposure to credit risk. The use of derivative financial instruments by the investment funds is governed by the *Nation-building Funds Act 2008*, the *DisabilityCare Australia Fund Act 2013*, the *Medical Research Future Fund Act 2015* and the *Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018*.

C2.3.1 Market risk

Market risk is the risk of loss arising from movements in the prices of various assets flowing from changes in interest rates and foreign currency risk.

#### C. General Business Disclosures

#### Interest rate risk

Interest rate risk exposure

The investment funds are exposed to risk of loss arising from movement in the prices of various assets flowing through interest rate changes. The total exposure for each class of financial asset is set out below.

	Variable	Fixed interest	Non-interest	
Financial assets exposed to interest rate risk	interest rate	rate	bearing	Total
30 June 2019	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	9,280,609	-	-	9,280,609
Cash held in OPA	-	-	840,000	840,000
Interest bearing securities	4,577,795	17,215,252	-	21,793,047
Other financial assets	-	-	5,195,504	5,195,504
Total investment	13,858,404	17,215,252	6,035,504	37,109,160
Total interest rate swaps (notional amount)				
Pay	(140,943)	(276,009)	-	
Receive	276,009	140,943	-	
30 June 2018				
Cash and cash equivalents	7,901,067	-	-	7,901,067
Interest bearing securities	5,680,397	12,603,583	-	18,283,980
Other financial assets	-	-	3,638,755	3,638,755
Total investment	13,581,464	12,603,583	3,638,755	29,823,802
Total interest rate swaps (notional amount)				
Pay	(310,252)	(213,668)	-	
Receive	213,668	310,252	-	

Interest rate derivative contracts

The investment funds had open positions in exchange traded interest rate futures contracts and interest rate swap agreements at the reporting date. Interest rate derivative contracts are used by the investment fund's managers to manage the exposure to interest rate risk and to ensure it remains within approved limits. The notional value of the open contracts and their fair value are set out below.

	30 June	2019	30 June 2018		
	Notional	Notional Fair market		Fair market	
	value	value	value	value	
	\$'000	\$'000	\$'000	\$'000	
Open contracts					
Buy domestic interest rate futures contracts	92,347	393	379,080	2,625	
Sell domestic interest rate futures contracts	(1,296,430)	(707)	(1,187,986)	(474)	
Buy international interest rate futures contracts	391,724	7,444	531,321	3,219	
Sell international interest rate futures contracts	(2,093,961)	(10,856)	(2,221,695)	(1,690)	
Receiver (fixed) interest rate swap agreements	(127,497)	3,979	310,252	(1,642)	
Payer (fixed) interest rate swap agreements	276,009	(2,351)	(213,668)	722	
Buy forward contracts on mortgage backed					
securities	166,796	228	-	-	
Sell forward contracts on mortgage backed					
securities	(32,369)	(47)	-	-	
Total open contracts		(1,917)		2,760	

C. General Business Disclosures

#### Interest rate sensitivity analysis

The investment funds are exposed to interest rate risk in relation to their investments. The impact of a change in interest rates is disclosed in the table below, with all other variables held constant. The table demonstrates the impact on the operating result of a 20 basis point (2018: 20 basis point) change in bond yields with all other variables held constant. It is assumed that the 20 basis point change occurs as at the reporting date and there are concurrent movements in interest rates and parallel shifts in the yield curves. A 20 basis point movement would impact on the debt portfolios' (including derivatives) contribution to the investment funds operating result. The impact on the operating result includes the increase/(decrease) in interest income on variable rate securities from the basis point change.

Sensitivity by year	Risk variable	Change in risk variable	Net cost of services
			\$'000
2019	Discount rate	+0.2%	54,644
		-0.2%	(54,034)
2018	Discount rate	+0.2%	21,257
		-0.2%	(21,230)

## Foreign currency risk

The investment funds undertake certain transactions denominated in foreign currencies and are therefore exposed to the effects of exchange rate fluctuations. Exposure to foreign currency risk is managed utilising forward foreign exchange contracts. The exposure in AUD equivalents to foreign currency risk at reporting date is as follows.

Financial assets exposed to currency risk 30 June 2019	USD \$'000	EURO \$'000	GBP \$'000	Other \$'000	Total \$'000
Cash and cash equivalents	204,175	73,277	20,671	7,069	305,192
Interest bearing securities	2,653,071	855,210	1,219,104	1,034,808	5,762,193
Listed equities	924,357	137,983	81,092	595,125	1,738,557
Collective investment vehicles	852,920	41,768	-	-	894,688
Other investments	21,510	14,820	831	7,195	44,356
Receivables	59,168	3,904	868	2,373	66,313
Payables	(84,548)	(10,848)	(7,698)	(13,106)	(116,200)
Total physical exposure	4,630,653	1,116,114	1,314,868	1,633,464	8,695,099
Forward exchange contracts					
Buy foreign currency	1,102,601	326,347	26,437	182,833	1,638,218
Sell foreign currency	(4,912,955)	(1,283,496)	(1,332,196)	(1,026,280)	(8,554,927)
Total derivative exposure	(3,810,354)	(957,149)	(1,305,759)	(843,447)	(6,916,709)
Net exposure	820,299	158,965	9,109	790,017	1,778,390

Financial assets exposed to currency risk

30 June 2018					
Cash and cash equivalents	142,278	91,625	8,409	11,167	253,479
Interest bearing securities	2,705,853	869,000	1,114,505	828,299	5,517,657
Listed equities	447,992	62,082	31,704	286,987	828,765
Collective investment vehicles	420,209	52,569	-	-	472,778
Other investments	(6,971)	(305)	154	(1,025)	(8,147)
Receivables	52,820	2,733	163	1,184	56,900
Payables	(67,906)	(9,027)	-	(6,723)	(83,656)
Total physical exposure	3,694,275	1,068,677	1,154,935	1,119,889	7,037,776
Forward exchange contracts					
Buy foreign currency	968,692	296,923	236	19,556	1,285,407
Sell foreign currency	(3,844,478)	(1,379,591)	(1,160,985)	(740,684)	(7,125,738)
Total derivative exposure	(2,875,786)	(1,082,668)	(1,160,749)	(721,128)	(5,840,331)
Net exposure	818,489	(13,991)	(5,814)	398,761	1,197,445

## C. General Business Disclosures

## Foreign currency sensitivity analysis

The sensitivity analysis table below demonstrates the impact on the operating result of a movement in the value of the AUD relative to the actual net exposures as at year end, with all other variables held constant.

Sensitivity by year	Risk variable	Change in risk variable	Net cost of services \$'000
2019	Exchange rate	+8.7%	291,826
		-8.7%	(291,826)
2018	Exchange rate	+9.2%	266,457
		-9.2%	(266,457)

## Other price risk

The MRFF and MRFFICs are exposed to price risk arising from equity investments. The equity price risk is the risk that the value of the MRFF equity portfolio will decrease as a result of changes in the levels of equity indices and the price of individual stocks. The MRFF and MRFFICs are held at FVPL. The exposure to equity price risk at the reporting date was as follows:

30 June 2019	\$'000
Domestic equities and managed investment schemes	428,846
International equities and managed investment schemes	1,209,230
Total equity price risk exposure	1,638,076

#### Equity derivative contracts

Equity futures are used to manage the exposure to equity price risk. The notional value and fair value of the MRFF open positions at the reporting date are set out in the following table.

	Notional	Fair market
	value	value
30 June 2019	\$'000	\$'000
Buy domestic equity futures contracts	3,935	27
Sell domestic equity futures contracts	(138,395)	(760)
Buy international equity futures contracts	85,712	2,677
Sell international equity futures contracts	(115,336)	(1,071)
Total equity derivative contracts	(164,084)	873

#### Equity price sensitivity analysis

The analysis below demonstrates the impact of the following movements on the MRFF and MRFFIC's operating result.

+/- 20% on Australian equities

+/- 15% on International equities

The sensitivity analysis has been performed to assess the direct risk of holding equity instruments. The analysis is undertaken on the base currency values of the underlying exposures.

Impact on operating results	
30 June 2019	\$'000
20% increase in Australian equities	79,520
15% increase in International equities	440,472
Total	519,992
20% decrease in Australian equities	(79,608)
15% decrease in International equities	(440,519)
Total	(520,127)

C. General Business Disclosures

## C2.3.2 Liquidity risk

Liquidity risk is the risk that the investment funds will not be able to meet their obligations as they fall due. The Nation-building funds, DCAF and ATSILSFF are currently invested in cash and cash like instruments under the investment mandate. Accordingly, the risk of these funds not being able to meet their obligations is low. The MRFF must be in a position to meet the distribution payments required of it up to the amount periodically declared as distributable by the Board, which is managed under the short-term liquidity risk policy. This includes a short-term crash test which is applied to the portfolio to ensure it is able to meet its immediate cash flow obligations under a plausible but very severe market dislocation.

## C2.3.3 Credit risk management

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of a traded financial instrument as a result of changes in credit risk on that instrument. The Board sets limits on the credit ratings of debt investments when appointing investment managers. These limits are reflected in the underlying investment mandates and are monitored by the FFMA with compliance reported to the Board. The investment funds maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the investment funds financial position.

	30 June	30 June	As at 30 June 2019, the investment funds
	2019	2018	had an exposure of greater than 58% of
Interest bearing securities issued by	\$'000	\$'000	its net assets to interest bearing
Commonwealth Bank of Australia	8,525,941	7,397,106	securities issued by domestic banks and
Westpac Banking Corporation	2,756,847	1,679,351	cash deposits held with banks. Exposures
National Australia Bank	4,110,034	3,228,698	to individual counterparties greater than
Australia and New Zealand Banking Group	5,723,329	4,824,166	5% of the net assets of the investment
Total	21,116,151	17,129,321	funds are identified in this table.

Credit exposure by credit rating

	30 June 2019 \$'000	30 June 2018 \$'000	The investment funds use Moody's and
Long-term rated securities AAA AA A BBB Below investment grade/not rated Short-term rated securities A-1+ A-1 A-2 Other US Government Guaranteed Total debt securities held Other non-debt financial assets Total financial assets	3,017,691 10,191,578 2,081,814 238,683 711,778 13,614,394 817,799 92,918 <u>307,001</u> 31,073,656 6,035,504 37,109,160	3,578,802 8,165,458 2,481,610 161,697 588,923 10,988,986 42,826 	Standard & Poors credit rating scales to report exposure to credit risk. The long term credit risk exposures range from 'AAA' (extremely strong capacity to meet financial commitments) to 'below investment grade/not rated'. The investment grade/not rated'. The investment grade are held in debt mandates. This table provides information regarding the credit risk exposures of the debt instruments held by the investment funds at reporting date according to the credit ratings of the underlying debt instruments.

## C. General Business Disclosures

## Credit risk derivatives

The investment funds managers utilise credit default swaps to gain exposure to, and to hedge, credit risk. The investment funds transact in credit default swaps in the form of centrally cleared over-the-counter contracts. Centrally cleared transactions are cash margined at least daily. Managers are required to fully cash back all sold credit protection positions. Outstanding positions are marked to market and collateralisation of out of the money positions is required by the central clearing exchange.

	Notional value 30 June 2019 \$'000	Fair market value 30 June 2019 \$'000	
			The notional value of the open credit default
Buy credit protection	104,150	(6,109)	swap positions, the impact on increasing or
Sell credit protection	(51,942)	2,311	reducing credit exposures and their fair value
Total	52,208	(3,798)	are set out in this table for the MRFF.

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### Notes to and forming part of the financial statements

C. General Business Disclosures

C3 Superannuation

C3.1 Overview of schemes

Finance administers the following defined benefit superannuation schemes on behalf of the Australian Government:

- Commonwealth Superannuation Scheme (CSS), including the 1922 Scheme
- Public Sector Superannuation Scheme (PSS)
- Parliamentary Contributory Superannuation Scheme (PCSS)
- Governor-General Pension Scheme (G-GPS)
- Judges' Pensions Scheme (JPS)
- Federal Circuit Court Judges Death and Disability Scheme (FCCJDDS).

The CSS, PSS and PCSS are closed to new members.

Finance recognises an Administered liability for the present value of the Australian Government's expected future payments arising from the PCSS, JPS, G-GPS and FCCJDDS and the unfunded components of the CSS and PSS. These liabilities are based on an annual actuarial assessment. The funded components of these schemes are reported in the financial statements of the respective schemes. Finance also has the responsibility to record the Australian Government's transactions in relation to the above schemes.

Policy and measurement

Actuarial gains or losses are recognised in other comprehensive income (OCI) in the year in which they occur. Interest on the net defined benefit liability is recognised in the surplus/(deficit); the return on plan assets excluding the amount included in interest income is recognised in OCI.

Superannuation liabilities are calculated annually as the present value of future benefit obligations less the fair value of scheme assets. The rate used to discount future benefits is determined by reference to the government bond rate at the reporting date.

Amounts recognised in the Schedule of Comprehensive Income and Schedule of Assets and Liabilities

	Other						
	CSS	PSS	PCSS	G-GPS	JPS	FCCJDDS	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2019							
Revenues	70,520	1,121,948	536	-	-	-	1,193,004
Expenses	2,463,042	5,838,714	42,048	663	89,761	962	8,435,190
OCI	(13,766,260)	(31,832,327)	(223,591)	(1,918)	(309,215)	921	(46,132,390)
Liabilities	95,503,267	134,289,616	1,389,754	23,232	1,845,902	938	233,052,709
30 June 2018							
Revenues	87,592	1,125,818	628	-	-	-	1,214,038
Expenses	2,551,579	5,777,690	45,821	744	82,735	893	8,459,462
OCI	(1,379,037)	(5,248,775)	(25,436)	(957)	(134,461)	804	(6,787,862)
Liabilities	82,895,248	97,480,728	1,167,342	22,188	1,500,165	1,362	183,067,033

The expected employer productivity contributions for 2020 are: \$9.3 million for the CSS and \$150.5 million for the PSS (2019 actual: \$11.1 million for the CSS and \$167.2 million for the PSS).

C. General Business Disclosures

C3.2 Scheme information

The funding arrangements for the various schemes:

Scheme	Funding arrangements
1922 Scheme	Unfunded. There are no longer any members contributing under this Act. Benefits are paid to members from the Consolidated Revenue Fund (CRF).
CSS and PSS	Partially funded. Contributions generally comprise basic member contributions and employer productivity (up to 3%) contributions. Benefits are paid to members from the CRF.
PCSS	Unfunded. Member contributions are a fixed percentage of: parliamentary allowance; salary for Ministers of State; and allowance by way of salary for office holders, which is paid into the CRF. Benefits are paid to members from the CRF.
G-GPS, JPS and FCCJDDS	Unfunded. Members are not required to contribute towards the cost of their benefit during their term of appointment. Benefits are paid to members from the CRF.

The nature of the benefits provided under the schemes:

Scheme	Benefits Paid
1922 Scheme	The benefit payable is a lifetime indexed pension (indexed in January and July in line with changes in the CPI). The payments and liabilities in respect of these members are included in the CSS amounts.
CSS	The types of benefits payable are a lifetime indexed pension (indexed in January and July in line with changes in the CPI), a lifetime non-indexed pension and a lump sum payment. The main retirement benefit is the employer-financed indexed pension that is calculated by a set formula based on a member's age, years of contributory service and final salary.
	Where a member has preserved their benefit in the scheme, when the benefit becomes payable the employer financed indexed pension is calculated by applying age-based factors to the amount of two and a half times the member's accumulated basic member contributions and interest.
	Member's basic contributions, employer productivity contributions and interest can be taken as a lump sum or an additional non-indexed lifetime pension. This benefit is determined by the value of contributions and investment returns, and in the case of the non-indexed pension by applying age- based factors.
PSS	The types of benefits payable are a lifetime indexed pension (indexed in January and July in line with changes in the CPI) and a lump sum payment. On retirement a lump sum benefit is payable which is calculated based on the member's length of contributory membership, their rate of member contributions and final average salary (average of a member's superannuation salary on their last three birthdays).
	Where a member preserves their benefit in the scheme, generally the member's lump sum benefit at that time is crystallised with the funded component of the benefit accumulating with interest and the unfunded component accumulating with changes in the CPI, until the benefit becomes payable.
	Generally members can convert 50% or more of their lump sum to a lifetime indexed pension. The indexed pension is calculated by applying age-based factors to the amount of the lump sum to be converted to a pension.
PCSS	The benefit payable is a lifetime pension or lump sum depending on length of service and additional offices held.
	Where a retiring member has sufficient parliamentary service to meet the pension qualification period for a lifetime pension (which is payable as set out in the Act), pension benefits are expressed as a percentage of the superannuation salary applicable for the PCSS and are indexed by movements in that superannuation salary.

C. General Business Disclosures

	A PCSS member who qualifies for a pension can also elect to convert up to half of their benefit to a lump sum. Lump sum benefits are payable to PCSS members who do not have sufficient parliamentary service to qualify for a lifetime pension.
G-GPS	The benefit payable is a lifetime pension equal to 60% of the salary of the Chief Justice of the High Court of Australia. There is no minimum qualification period.
JPS	The benefit payable is a lifetime pension equal to 60% of the judicial salary, payable where a judge has 10 or more years' service and is 60 years of age or older. Provisions are made for part pension (pro-rated based on length of service) where a judge retires on reaching the maximum retirement age with at least 6 years but less than 10 years service.
FCCJDDS	Federal Circuit Court Judges who retire due to permanent disability are provided with a pension equal to 60% of the salary the Judge would have received if they had not retired, and is payable until the earlier of the Judge attaining age 70, or his/her death.
	In addition, a Judge continues to receive employer superannuation contributions in respect of this pension until they reach age 65.

Generally, benefits may also be payable to any surviving eligible spouse and children on the death of a member or pensioner.

### **Regulatory Framework**

The following table details the enabling legislation for each of the individually disclosed defined benefit schemes and whether the scheme must comply with the requirements of the *Superannuation Industry (Supervision) Act* 1993, as well as a number of other Acts.

Scheme	Enabling Act	Period open to new members	Regulatory requirement
CSS	Superannuation Act 1976	1 July 1976 to 30 June 1990	Compliance with the Superannuation
PSS	Superannuation Act 1990	1 July 1990 to 30 June 2005	Industry (Supervision) Act 1993 required for these schemes.
1922 Scheme	Superannuation Act 1922	1 July 1922 to 30 June 1976	
PCSS	Parliamentary Contributory Superannuation Act 1948	Up to 8 October 2004	These schemes are exempt from
G-GPS	Governor-General Act 1974	To present	<ul> <li>Superannuation Industry (Supervision)</li> <li>Act 1993.</li> </ul>
JPS	Judges' Pensions Act 1968	To present	- ACL 1995.
FCCJDDS	Federal Circuit Court of Australia Act 1999	To present	

### Governance

The Commonwealth Superannuation Corporation (CSC) was established under the Governance of Australian Government Superannuation Schemes Act 2011 and is the trustee for the CSS and PSS. CSC is responsible for:

- providing administration services for each scheme
- management and investment of scheme assets
- compliance with superannuation taxation and other applicable laws
- compliance with relevant legislation including the Governance of Australian Government Superannuation Schemes Act 2011.

CSC is supported by a custodian and other specialist providers.

The PCSS is administered by Finance on behalf of the Minister for Finance. The Parliamentary Retiring Allowances Trust (the Trust) has responsibility for matters where discretion has been given under the *Parliamentary Contributory Superannuation Act 1948*. The Trust consists of five trustees - the Minister for Finance (or a Minister authorised by the Minister for Finance) who is the presiding trustee, plus two Senators and two Members of the House of Representatives appointed by their respective Houses.

C. General Business Disclosures

The enabling Acts for the 'other' defined benefit superannuation schemes confer certain powers to the Secretary of Finance in relation to administration of each scheme. Day-to-day administration of the schemes is undertaken by Finance.

C3.3 Risks and assumptions

The schemes are exposed to interest rate risk, investment risk, longevity risk and salary risk. The following pages identify and explain the amounts reported in these financial statements and detail the principal actuarial assumptions underpinning each of the major schemes, including an analysis of the sensitivity of changes in these assumptions to the amounts reported in the financial statements.

Composition of scheme assets

The fair value of scheme assets for CSS and PSS at 30 June 2019 is \$21.8 billion (30 June 2018 was \$21.5 billion). The assets are diversified in the following sectors:

	CSS	PSS
Australian equities	24%	24%
International equities	26%	26%
Private capital	6%	6%
Property and infrastructure	11%	12%
Corporate bonds	4%	5%
Alternative strategies	15%	15%
Cash and sovereign bonds	14%	12%

This includes \$361.3 million (2018: \$345.3 million) of Australian Government bonds.

Key judgements and estimates

### CSS, PSS, and PCSS

Assumptions have been made regarding rates of retirement, death (for active, preserved and pension members), mortality improvements, invalidity, resignation, retrenchment, retention and take up rates of pensions in the scheme. Assumptions have also been made for the ages of spouses and rates of member contributions. These assumptions are consistent to those used within the 2017 Long Term Cost Reports (LTCRs).

Membership data as at 30 June 2018 has been rolled forward to 30 June 2019 by making allowance for estimated investment earnings, contributions, salary increases, benefit payments and benefit accruals, using the actuarial assumptions from the LTCRs where other information is not available. The defined benefit obligation calculated is based on the rolled forward membership data that was then adjusted to reflect the difference between expected benefit payments and actual benefit payments to 30 June 2019.

The fair value of scheme assets as at 30 June 2019 (CSS and PSS only) were estimated using the unaudited net scheme assets available to pay benefits at 31 May 2019 rolled forward to 30 June 2019 with cash flow items provided by the CSC. An estimate of the actual rate of investment return earned by the scheme during June 2019 was used in determining the fair value of scheme assets.

Other Schemes (G-GPS, JPS and FCCJDDS)

Membership data as at 31 May 2019 has been rolled forward to 30 June 2019. Other actuarial assumptions are consistent to those used within the LTCRs.

## C. General Business Disclosures

Key actuarial assumptions

The key actuarial assumptions for the defined benefit obligation are set out in the table below:

	CSS	PSS	Other
Discount rate	1.7%	1.9%	1.9%
Salary growth rate up to June 2023	2.0%	2.0%	4.0%
Salary growth rate from July 2023	3.5%	3.5%	4.0%
Expected pension increase rate	2.5%	2.5%	2.5%
Maturity profile (years)	14.1 (CSS 1976)	22.4	16.7 (PCSS)
	8.1 (CSS 1922)		9.0 (G-GPS)
			15.7 (JPS)
			1.0 (FCCJDDS)

Process used to determine actuarial assumptions

vernment Treasury Bond rates were used for the fit obligation. short-term rate use is based on the government's g policy plus assumed promotional increases. er is determined by taking into consideration the d liabilities, economy-wide wage growth, ationary expectations plus assumed promotional
ng policy plus assumed promotional increases. er is determined by taking into consideration the d liabilities, economy-wide wage growth,
e salary increases has been determined having ected long-term outlook for the national wage
nsistent with those used in the LTCRs for the
sions are increased in line with changes in the CPI. sumed rate for the pension increases has been to the average expected long-term outlook for the
average duration of each schemes defined benefit

Sensitivity analysis for significant actuarial assumptions

Finance has conducted a sensitivity analysis to quantify the impact of changes in the key underlying assumptions on the defined benefit obligation. The defined benefit obligation has been recalculated by changing the assumptions as outlined below, whilst retaining all other assumptions.

Assumption	Movement	CSS \$'000	PSS \$'000	Other \$'000
Discount rate <sup>1</sup>	+ 0.5%	(6,385,445)	(15,283,379)	(244,276)
	- 0.5%	7,126,519	17,795,221	275,059
Salary growth rate	+ 0.5%	80,680	3,196,461	260,054
	- 0.5%	(108,933)	(3,000,098)	(234,031)
Pension increase rate	+ 0.5%	5,727,773	12,242,286	n/a
	- 0.5%	(5,215,984)	(10,924,528)	n/a

<sup>1</sup> An increase in the discount rate between financial years generates a decrease in the defined benefit obligation and a gain in OCI. Conversely, a decrease in the discount rate between financial years causes an increase in the defined benefit obligation and a loss to OCI.

C3.4 Superannuation Schemes				
	CSS	PSS	Other	Total
30 June 2019	\$'000	\$'000	\$'000	\$'000
Reconciliation of the present value of the defined				
benefit obligation				
Value at beginning of the year	85,515,007	116,390,016	2,691,057	204,596,080
Current service cost	115,268	2,842,106	51,543	3,008,917
Interest expense	2,418,143	3,575,243	81,891	6,075,277
Contribution from scheme participants	36,719	524,331	-	561,050
Productivity contribution	11,131	167,236	-	178,367
Actuarial losses/(gains) in liabilities arising from:				
Changes in financial assumptions	13,862,530	31,875,054	540,946	46,278,530
Liability experience	(56,902)	726,046	(7,143)	662,001
Benefits paid	(4,125,905)	(2,237,026)	(98,468)	(6,461,399)
Taxes, premiums and expenses paid	(1,770)	(25,382)	-	(27,152)
Closing value of the defined benefit obligation	97,774,221	153,837,624	3,259,826	254,871,671
Reconciliation of the fair value of plan assets				
Value at beginning of the year	2,619,759	18,909,288	-	21,529,047
Interest income	70,369	578,635	-	649,004
Actual return on scheme assets less interest income	39,368	768,773	-	808,141
Contribution from scheme participants	36,719	524,331	-	561,050
Productivity contribution	11,131	167,236	-	178,367
Net appropriation from the CRF	3,621,283	862,153	98,468	4,581,904
Benefits paid	(4,125,905)	(2,237,026)	(98,468)	(6,461,399)
Taxes, premiums and expenses paid	(1,770)	(25,382)	-	(27,152)
Closing fair value of plan assets	2,270,954	19,548,008	-	21,818,962
Reconciliation of the defined benefit liability				
Value at beginning of the year	82,895,248	97,480,728	2,691,057	183,067,033
Current service cost	115,268	2,842,106	51,543	3,008,917
Net interest	2,347,774	2,996,608	81,891	5,426,273
Actual return on scheme assets less interest income	(39,368)	(768,773)	-	(808,141)
Actuarial losses/(gains) in liabilities arising from:				
Changes in financial assumptions	13,862,530	31,875,054	540,946	46,278,530
Liability experience	(56,902)	726,046	(7,143)	662,001
Net appropriation from the CRF	(3,621,283)	(862,153)	(98,468)	(4,581,904)
		(,0)	(,	, .,,,,

The fair value of CSS and PSS scheme assets relates to investments in the Pooled Superannuation Trust (PST).

C. General Business Disclosures

Notes to and forming part of the infancial statements			C. General Busin	less Disclosules
	CSS	PSS	Other	Tota
30 June 2018	\$'000	\$'000	\$'000	\$'000
Reconciliation of the present value of the defined benefit obligation				
Value at beginning of the year	85,330,627	104,949,301	2,495,412	192,775,340
Current service cost	137,970	2,746,886	44,516	2,929,372
Interest expense	2,490,486	3,639,645	85,678	6,215,809
Contribution from scheme participants	43,528	551,536	-	595,064
Productivity contribution	12,319	182,610	-	194,929
Actuarial losses/(gains) in liabilities arising from:				
Changes in demographic assumptions	161,056	(947,376)	16,165	(770,155)
Changes in financial assumptions	945,300	6,750,306	150,415	7,846,021
Liability experience	426,974	464,374	(6,530)	884,818
Benefits paid	(4,031,319)	(1,919,616)	(94,599)	(6,045,534)
Taxes, premiums and expenses paid	(1,934)	(27,650)	-	(29,584)
Closing value of the defined benefit obligation	85,515,007	116,390,016	2,691,057	204,596,080
Reconciliation of the fair value of plan assets Value at beginning of the year	2,791,270	17,631,802	-	20,423,072
Interest income	76,877	608,841	-	685,718
Actual return on scheme assets less interest income	154,293	1,018,529	-	1,172,822
Contribution from scheme participants	43,528	551,536	-	595,064
Productivity contribution	12,319	182,610	-	194,929
Net appropriation from the CRF	3,574,725	863,236	94,599	4,532,560
Benefits paid	(4,031,319)	(1,919,616)	(94,599)	(6,045,534)
Taxes, premiums and expenses paid	(1,934)	(27,650)	-	(29,584)
Closing fair value of plan assets	2,619,759	18,909,288	-	21,529,047
Reconciliation of the defined benefit liability				
Value at beginning of the year	82,539,357	87,317,499	2,495,412	172,352,268
Current service cost	137,970	2,746,886	44,516	2,929,372
Net interest	2,413,609	3,030,804	85,678	5,530,091
Actual return on scheme assets less interest income	(154,293)	(1,018,529)	-	(1,172,822
Actuarial losses/(gains) in liabilities arising from:				
Changes in demographic assumptions	161,056	(947,376)	16,165	(770,155
Changes in financial assumptions	945,300	6,750,306	150,415	7,846,021

426,974

(3,574,725)

82,895,248

464,374

(863,236)

97,480,728

(6,530)

(94,599)

2,691,057

884,818

(4,532,560)

183,067,033

Notes to and forming part of the financial statements

Liability experience

Net appropriation from the CRF

Closing value of the net defined benefit liability

D. Operating Resources

### D. Operating Resources

This section provides further information about major assets and liabilities held or administered by Finance, significant estimates and judgements made and the management of risk in relation to these items.

## D1 Financial instruments

Policy and measurement

## Financial assets

With the implementation of AASB 9 Financial Instruments for the first time from 1 July 2018, Finance classifies its financial assets in the following categories:

- · Financial assets measured at amortised cost
- · Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at FVPL.

The classification is based on Finance's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when Finance becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

### Financial assets at amortised cost

Includes cash and cash equivalents which are readily convertible to cash, trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market. Amortised cost is determined using the effective interest rate.

Impairment is assessed at the end of the reporting period using the simplified approach for trade and other receivables which measures the loss allowance as the amount equal to the lifetime credit losses.

Income is recognised on an effective rate basis.

### Financial assets at FVOCI

Includes designated equity investments in Commonwealth entities and companies which are not held for trading. Any gains or losses as a result of a fair value measurement or recognition of an impairment loss allowance are recognised in other comprehensive income.

### Financial assets at FVPL

Includes financial assets that are not classified as financial assets at amortised cost or at FVOCI (i.e. mandatorily held at FVPL) and is generally held for trading. Any gains or losses as a result of a fair value measurement are recognised through profit and loss.

### **Financial liabilities**

Financial liabilities are classified as either financial liabilities at FVPL or at amortised cost. Financial liabilities are recognised and derecognised upon trade date.

### Financial liabilities at amortised cost

Includes suppliers and other payables with a fixed or determinable amount to be paid that are not quoted in an active market. Financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

### Financial liabilities at FVPL

Includes derivatives held by the investment funds. Financial liabilities are initially measured at fair value with subsequent adjustments recognised in profit and loss.

D. Operating Resources

## Classification of financial instruments

Changes from the original classification of financial assets and financial liabilities under AASB 139 Financial Instruments: Recognition and Measurement upon initial recognition was applicable to:

- Financial assets at amortised cost (AASB 139: Loans and receivables)
- Financial assets at FVOCI (AASB 139: Available-for-sale financial assets).

There were no changes to the measurement of financial assets or financial liabilities upon initial recognition of AASB 9.

D1.1 Categories of financial instruments

		Departn	nental	Admin	istered
		30 June	30 June	30 June	30 June
		2019	2018	2019	2018
	Note ref	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Financial assets measured at amortised cost					
Cash and cash equivalents					
OPA balance	H2	-	-	2,405,081	1,730,174
Special account cash held by Finance	F3.1	4,807	15,244	-	-
Operating cash balance		10,616	1,580	2,891	858
Special account cash held in OPA	F3.1	706,038	755,470	-	-
Trade receivables		22,002	4,064	909	1,826
Investment funds	C2.2	-	-	10,229,383	7,979,610
State and territory government loans		-	-	126,152	133,121
Accrued revenue	_	5,305	5,889	1,291	9,583
Total financial assets measured at amortised co	st _	748,768	782,247	12,765,707	9,855,172
Financial assets designated at FVOCI					
Commonwealth entities and companies	_	-	-	1,188,009	904,868
Total financial assets designated at FVOCI	_	-	-	1,188,009	904,868
Financial assets measured at FVPL					
Investment funds	C2.2	-	-	26,879,777	21,844,193
Total financial assets measured at FVPL	_	-	-	26,879,777	21,844,193
Total financial assets		748,768	782,247	40,833,493	32,604,233
Financial Liabilities					
Financial liabilities measured at amortised cost					
Trade creditors and accruals		35,749	36,241	12,707	12,141
Investment funds	C2.2	-	-	129,906	91,032
OPA overnight cash payable	H2	-	-	1,803,516	1,326,409
Finance leases	_	1,022	3,736	-	-
Total financial liabilities measured at amortised	cost	36,771	39,977	1,946,129	1,429,582
	_				
Financial liabilities measured at FVPL					
Investment funds	C2.2	-	-	85,390	157,327
Total financial liabilities measured at FVPL	-	-	-	85,390	157,327
Total financial liabilities	-	36,771	39,977	2,031,519	1,586,909

D. Operating Resources

D1.2 Fair value information by financial asset class

The following table sets out the fair value, valuation techniques and inputs used for Administered financial instruments. The techniques used to value financial instruments have not changed during the year.

Financial instruments have been valued using inputs under the following fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Finance can access at measurement date
- Level 2: observable inputs that are derived from prices in active markets
- Level 3: inputs that are not observable and involve significant judgement.

Fair value measurements at the end of the reporting period

Fair value measurements at the end of the report	ing pen	00			
				Admin	istered
				30 June	30 June
		Inputs	Valuation	2019	2018
	Level	used	technique	\$'000	\$'000
Financial assets					
State and territory government loans	2	N/A	Income approach	219,654	215,893
Investments in CECs	3	NET	Cost approach	901,201	597,405
Investments in CECs	3	WACC	Income approach	286,808	307,463
Investment funds - financial assets at EVPL					
Other investments	1	N/A	Market approach	2,316,674	1,248,694
Interest bearing securities	2	N/A	Price Index <sup>1</sup>	21.642.238	18.129.857
Derivative assets	2	N/A	Market approach	48.764	32.971
Derivative assets	2		Market approach	40,704	52,571
		Earnings			
Interest bearing securities	3	multiple	Market approach	150,809	154,124
Other investments	3	NET	Market approach	2,697,583	2,274,729
Total financial assets				28,263,731	22,961,136
Electronic to the billion					
Financial liabilities					
Investment funds - derivative liabilities	2	N/A	Market approach	85,390	157,327
Total financial liabilities				85,390	157,327
<sup>1</sup> Price Index values based on observable market	data rel	ating to price	s, industry accepted p	ricing models	and
broker/dealer quotes.					

### Notes to and forming part of the financial statements

D. Operating Resources

Key judgements and estimates

Loans to state and territory governments

Concessional loan balances receivable from states and territories are measured at amortised cost and no security is held for these. Repayments are based on a reducing balance method. The amortised cost differs from the fair value disclosed in Note D1.2.

Investments in Commonwealth entities and companies (CECs)

CECs are wholly owned by the Commonwealth and managed by Finance on behalf of the Commonwealth. CECs are not controlled by Finance and have been reported as investments and measured at FVOCI. The following are details of Finance's CECs:

- CSC is a trustee and administrator of the Commonwealth superannuation schemes. The value of CSC has been
  measured using the net assets (NET) reported in its financial statements. A change in the net assets would result in
  an equal change in reported fair value.
- Australian Naval Infrastructure Pty Ltd (ANI) is a Commonwealth Company that is prescribed as a Government Business Enterprise (GBE). ANI's primary objective is to support the Commonwealth's naval shipbuilding program through acquiring, holding, managing and developing critical infrastructure and related facilities used in connection with this program. ANI is currently redeveloping the Osborne Naval Shipyard and will establish access arrangements with naval shipbuilding prime contractors in due course. The value of ANI has been measured using the net assets reported in its financial statements. A change in the net assets would result in an equal change in reported fair value.
- ASC Pty Ltd (ASC) is a Commonwealth Company that is prescribed as a GBE. ASC is responsible for the ongoing
  sustainment of the Collins Class submarine fleet and provides submariner-training services to the Royal Australian
  Navy. ASC is also responsible for the Hobart Class Air Warfare Destroyer (AWD) program as part of the AWD
  Alliance and delivery of the first two Arafura Class Offshore Patrol Vessels. The value of ASC has been measured
  using the estimated future cash flows of the company sourced from the 2019-24 Corporate Plan, discounted using a
  weighted average cost of capital (WACC). The WACC is calculated using inputs derived from either professional
  judgement or observable historical market data of comparable entities. The impact of WACC changes is included in
  the Market Risk analysis at Note D2.1.

### ASC Shipbuilding Sovereign Share

In December 2018, ASC Shipbuilding (which was a wholly owned subsidiary of ASC) was transferred by the Commonwealth to BAE Systems Australia Limited (BAE Systems) to support delivery of the Hunter Class Frigate program and develop sovereign naval shipbuilding capability that will be capable of independently designing, developing and leading the construction of complex, large naval warships. The Commonwealth retains a sovereign share in ASC Shipbuilding that provides a number of protective rights, whilst ensuring that BAE Systems is fully responsible and accountable for the delivery of the frigates. The Commonwealth also has a call option to re-purchase the ordinary shares in ASC Shipbuilding from BAE Systems at the end of the contract for a nominal amount. Together, the sovereign share and call option ensure the retention in Australia of intellectual property, a highly skilled workforce and the associated equipment at the end of the program. For accounting purposes, the sovereign share and call option are recognised at nil fair value.

## D. Operating Resources

Movements of recurring level 3 financial assets

	Admini	stered
	30 June	30 June
	2019	2018
	\$'000	\$'000
Opening balance of investments in CECs	904,868	573,417
Equity injections	301,450	279,500
Total gains/(losses) recognised in other comprehensive income	(18,309)	51,951
Closing balance of investments in CECs	1,188,009	904,868
Opening balance of investment funds - financial assets at FVPL	2,428,853	1,321,396
Purchase	839,906	1,274,101
Sales	(457,605)	(206,253)
Transfers into level 3	217	-
Total gains/(losses) recognised in net cost of services	44,524	44,172
Transfers out of level 3	(7,503)	(4,563)
Closing balance of investment funds - financial assets at FVPL	2,848,392	2,428,853

D1.3 Net gains or losses on financial assets

D1.3 Net gains or losses on financial assets					
		Departm	nental	Adminis	stered
		30 June	30 June	30 June	30 June
		2019	2018	2019	2018
	Note ref	\$'000	\$'000	\$'000	\$'000
Financial assets at amortised cost					
Interest revenue earned on:					
OPA deposits		-	-	15,258	15,215
State and territory government loans		-	-	13,893	14,579
Government securities		-	-	-	47
Other		-	3	-	-
Impairment of financial assets	_	(31)	(66)	(4)	(1)
Net gains/(losses) on financial assets at					
amortised cost	_	(31)	(63)	29,147	29,840
Financial assets at FVOCI					
Dividends		-	-	26,900	16,100
Gains/(losses) on Commonwealth entities and					
companies	D1.2	-	-	(18,309)	51,951
Net gains/(losses) on financial assets at FVOCI	_	-	-	8,591	68,051
Financial assets measured as FVPL					
Investment funds					
Interest	C2.1	-	-	192,796	140,885
Dividends and distributions	C2.1	-	-	250,404	36,716
Gains on financial investments	C2.1	-	-	897,361	763,532
Foreign exchange losses	C2.1	-	-	(271,078)	(225,700)
Net gains/(losses) on financial assets at FVPL	_	-	-	1,069,483	715,433
Net gains/(losses) on financial assets		(31)	(63)	1,107,221	813,324

## D. Operating Resources

Finance is generally exposed to a low level of risk in relation to its financial instruments with the exception of the investment funds which are exposed to a moderate level of risk commensurate with the types of financial instruments held and the markets in which those instruments are traded. These risks are discussed as part of the investment funds (Note C2). Non-investment fund risks are discussed below.

Sensitivity analysis of interest rate risk exposure

30 June 2019         Risk variable         %         \$'000           Overnight cash deposits with the RBA         Deposit rate         +0.2%         2,481           Investments in CECs         Discount rate         +0.2%         -           30 June 2018         %         \$'000           Overnight cash deposits with the RBA         Deposit rate         %         \$'000           Overnight cash deposits with the RBA         Deposit rate         %         \$'000           Investments in CECs         Discount rate         -0.2%         -(2,435)           Investments in CECs         Discount rate         -0.2%         -		Cł	nange in risk variable	Surplus/ (deficit)	
Overnight cash deposits with the RBA     Deposit rate     -0.2%     (2,481)       Investments in CECs     Discount rate     +0.2%     -       30 June 2018     %     \$'000       Overnight cash deposits with the RBA     Deposit rate     +0.2%     -       10 June 2018     %     \$'000       0 Vernight cash deposits with the RBA     Deposit rate     +0.2%     2,435       -0.2%     (2,435)     +0.2%     -	30 June 2019	Risk variable	%	\$'000	
-0.2%         (2,481)           Investments in CECs         Discount rate         +0.2%         -           30 June 2018         % \$'000         -         -           Overnight cash deposits with the RBA         Deposit rate         +0.2%         2,435           Investments in CECs         Discount rate         +0.2%         2,435	Overnight cash deposite with the PRA	Donosit rato	+0.2%	2,481	
Investments in CECs         Discount rate         -0.2%         -           30 June 2018         %         \$'000           Overnight cash deposits with the RBA         Deposit rate         +0.2%         2,435           Investments in CECs         Discount rate         +0.2%         -	Overhight cash deposits with the RBA	Deposit fate	-0.2%	(2,481)	
30 June 2018         %         \$'000           Overnight cash deposits with the RBA         Deposit rate         +0.2%         2,435           Investments in CECs         Discount rate         +0.2%         -	Investments in CECs	Discount rate	+0.2%	-	
Overnight cash deposits with the RBA     Deposit rate     +0.2%     2,435       -0.2%     (2,435)       Investments in CECs     Discount rate     +0.2%		Discount rate	-0.2%	-	
Overnight cash deposits with the RBA Deposit rate -0.2% (2,435) Investments in CECs Discount rate +0.2% -	30 June 2018		%	\$'000	
-0.2% (2,435) Investments in CECs Discount rate	Overnight each dependent with the PPA	Donosit rata	+0.2%	2,435	
Investments in CECs Discount rate	Overhight cash deposits with the RBA	Deposit rate	-0.2%	(2,435)	
	Invostments in CECs	Discount rate	+0.2%	-	
		Discount rate	-0.2%	-	

## D2.2 Liquidity risk

Liquidity risk is the risk that an entity will be unable to pay its debts when they fall due. As Finance is appropriation funded, the risk of not meeting its obligations associated with financial liabilities is highly remote. Internal policies and procedures are also in place to ensure there are appropriate resources available to meet obligations. Credit terms for goods and services are payment within 30 days. Disclosures in relation to the investment funds are included as part of Note C2.3.2.

## D2.3 Credit risk

Credit risk is the risk that entities owing debts to Finance will not pay those debts as and when they fall due. Finance is exposed to a moderate level of credit risk in relation to the investment fund's assets; all other financial assets are considered to be low risk. Trade and other receivables (excluding state and territory government loans) have standard 30 days terms. Additional disclosures for the investment funds credit risk are included in Note C2.3.3.

D. Operating Resources

D3 Non-financial assets

Non-defence domestic property portfolio

Finance manages a diverse portfolio of approximately 70 non-defence Commonwealth-owned properties in Australia. The portfolio includes office buildings, law courts, special purpose facilities, heritage assets, vacant land, contaminated sites and major capital works projects under construction.

Properties held for investment purposes are predominately leased to other Commonwealth entities with rental income recognised systematically over the period of the lease. Where these properties operate in an active rental market, a competitive neutrality charge is applied to cover indirect taxes such as payroll tax, council rates, stamp duty, land tax and income tax which is paid to the OPA.

Surplus funds arising from property operations and divestment proceeds are paid to the OPA in the following financial year as a return of equity.

Policy and measurement

Non-financial assets (excluding assets held for sale) are not expected to be sold or realised within the next 12 months.

### Asset recognition threshold

Purchases of property, plant and equipment and intangibles are recognised where they meet an individual asset recognition threshold of \$5,000. All purchases under this threshold are expensed in the year of acquisition, other than when they form part of a group of similar items which are significant in total in which case they are recognised on a group basis.

The recognition and measurement policy for each asset class is outlined below:

Asset class (includes work in progress)	Initial Recognition	Subsequent Recognition	Revaluation Frequency	Fair value measured at
Land			Assessed annually by management to	Market selling price or discounted cash flows
Buildings			determine whether it is likely that the carrying amount is materially	Market selling price, discounted cash flows or current replacement cost
Leasehold improvements	At cost	Fair value	different from fair value. If likely, revaluations are conducted by	Current replacement cost
Infrastructure, plant and equipment	~ 		independent valuers and revaluation adjustments are made on a class basis.	Market selling price or current replacement cost
Investment property	At cost, except where acquired at nominal cost, then fair value	Fair value	Annually	Market selling price or discounted cash flows
Intangibles (including internally developed and externally acquired software)	At cost	Cost less accumulated amortisation and accumulated impairment losses	N/A	N/A

## Revaluations

Revaluation adjustments are made on a class basis. For property, plant and equipment, revaluation increments are credited to equity under the heading of asset revaluation reserve except to the extent it reverses a previous revaluation decrement of the same asset class that was 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 reversed a previous revaluation increment for that class.

Gains or losses arising from changes in the fair value of investment property are recognised in the surplus/(deficit) in the year in which they arise.

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

D. Operating Resources

### Decontamination, restoration and decommissioning costs

Obligations relating to the dismantling, removal, remediation and restoration are recognised in the cost of property, plant and equipment where reliably estimated, with a corresponding provision for remediation costs.

There are also a small number of properties with potential remediation issues that are currently subject to further investigation. A provision is recognised for remediation of these properties only when there is agreement from government that Finance will meet the costs of the remediation, the liability can be reliably measured and the funding is legally available.

### Depreciation/amortisation

Depreciable assets are written down to their estimated residual values over their estimated useful lives using 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 and future reporting periods as appropriate. Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

Asset class	2019 & 2018 (no change)				
Buildings on freehold land	3 to 100 years				
Leasehold improvements	Lesser of useful life or lease term				
Intangibles	3 to 7 years				
Infrastructure, plant and equipment	1 to 45 years				

### Assets held for sale

Assets held for sale includes properties that have been fully prepared for sale, are being actively marketed at fair value and are likely to settle within the next 12 months. Also included are properties that are currently under offer or contract (contract issued or exchanged but not yet settled) as at the end of the reporting period. These properties are valued at the lower of carrying amount and fair value less costs to sell.

### Key judgements and estimates

### Valuation of non-financial assets

Independent valuations are obtained annually for land, buildings and investment property. Where possible, assets are valued based upon observable inputs to the extent available. Where this information is not available, valuation techniques rely on unobservable inputs.

For land and buildings, the valuations include calculations of estimated market cash flows which are adjusted to take into account physical, economic and external factors such as sale prices of comparable assets, replacement cost, expected useful life and adjustments for obsolescence.

For investment property, judgements include income and expenditure, as well as average vacancy periods and costs of establishing a new tenant, as leases become due for renewal and properties become vacant.

Some properties within the portfolio are subject to remediation or have heritage value and this is taken into account by the valuer in assessing the market value of the property.

There are a small number of properties where the highest and best use differs from the current use. While the fair values for these properties have been measured in the financial statements using the highest and best use for each, they are not being utilised at their highest and best use as Finance is not in the business of property development.

Leasehold improvements and plant and equipment is subject to a formal independent valuation at least once every three years dependent upon an annual risk assessment. In years where a formal valuation is not undertaken, assets are subject to a desktop review. An independent valuation in relation to leasehold improvements and plant and equipment was undertaken as at 30 June 2017.

Finance reviews all reports received from independent valuers to ensure valuations align with its own assumptions and understanding of the respective assets and their circumstances.

D. Operating Resources

D3.1 Property, infrastructure, plant and equipment and intangibles Departmental

		Departm	nental				
			Leasehold		Plant and		
			improve-	ment	equip-	Intang-	
	Land	Buildings	ments	property	ment	ibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2018							
Gross book value	376,014	595,221	28,314	783,282	34,721	163,505	1,981,057
Accumulated depreciation,							
amortisation and impairment	-	-	(3,002)	-	(8,306)	(74,254)	(85,562)
Opening balance as at 1 July 2018	376,014	595,221	25,312	783,282	26,415	89,251	1,895,495
Additions	247	35,940	207	18,731	1,133	35,298	91,556
Revaluations recognised in OCI	94,088	68,257	-	-	-	-	162,345
Impairments recognised in NCOS	-	-	-	-	(58)	(1,567)	(1,625)
Revaluations recognised in NCOS	-	-	-	29,875	-	-	29,875
Depreciation and amortisation	-	(13,685)	(1,524)	-	(8,877)	(21,516)	(45,602)
Transfers to assets held for sale	(38,160)	-	-	-	-	-	(38,160)
Disposals							
Transfers to agencies	-	-	-	(2,900)	-	-	(2,900)
Write-downs	-	-	(91)	-	(4)	-	(95)
Other	(995)	-	-	-	-	-	(995)
Closing balance as at 30 June 2019	431,194	685,733	23,904	828,988	18,609	101,466	2,089,894
Total as at 30 June 2019 represented	by						
Gross book value							
Fair value (gross)	431,194	629,075	28,120	815,786	34,920	-	1,939,095
Internally developed software	-	-	-	-	-	152,153	152,153
Purchased software	-	-	-	-	-	13,582	13,582
Work in progress - at fair value	-	56,658	-	13,202	870	-	70,730
Work in progress - at cost	-	-	-	-	-	30,594	30,594
Accumulated depreciation,							
amortisation and impairment	-	-	(4,216)	-	(17,181)	(94,863)	(116,260)
Total as at 30 June 2019	431,194	685,733	23,904	828,988	18,609	101,466	2,089,894

D. Operating Resources

	Ad	ministered			
	Leasehold				
	improve-		Plant and		
	ments	Infrastructure	equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2018					
Gross book value	41,252	69,716	9,546	1,449	121,963
Accumulated depreciation, amortisation					
and impairment	(15,227)	-	(2,891)	(781)	(18,899)
Opening balance as at 1 July 2018	26,025	69,716	6,655	668	103,064
Additions	8,296	1,692	6,501	142	16,631
Revaluations recognised in OCI	-	4,038	-	-	4,038
Depreciation and amortisation	(10,504)	(2,280)	(1,757)	(516)	(15,057)
Disposals - Write-downs	(123)	-	(63)	(80)	(266)
Closing balance as at 30 June 2019	23,694	73,166	11,336	214	108,410
Total as at 30 June 2019 represented by					
Gross Book Value					
Fair value (gross)	46,731	73,166	7,569	-	127,466
Purchased software	-	-	-	276	276
Work in progress - at fair value	1,878	-	7,888	-	9,766
Work in progress - at cost	-	-	-	142	142
Accumulated depreciation, amortisation					
and impairment	(24,915)	-	(4,121)	(204)	(29,240)
Total as at 30 June 2019	23.694	73.166	11,336	214	108,410

Further information

Non-financial assets include the Intra Government Communication Network (ICON), leasehold improvements and IT assets for electoral and state offices and other information technology assets to support Administered outcomes.

D. Operating Resources

D3.2 Fair value information by non-financial asset class

Fair value measurements

Finance only holds non-financial assets in the following two levels of the fair value hierarchy:

- Level 2: observable inputs (other than quoted prices in active markets) are used to calculate the fair value of the
  asset
- Level 3: inputs used to calculate the fair value are not observable.

The following tables set out (by asset class) the valuation technique, inputs used and the level of the fair value hierarchy per AASB 13 Fair Value Measurement.

				Depart	Departmental		tered
				30 June	30 June	30 June	30 June
				2019	2018	2019	2018
			Valuation				
Non-financial assets	Level	Inputs used	technique	\$'000	\$'000	\$'000	\$'000
Land	2	AMT	Market approach	132,491	135,910	-	-
Land	2	AMT	Income approach	298,703	240,104	-	-
Buildings	2	AMT	Market approach	25	18	-	-
Buildings	2	AMT	Income approach	323,751	297,799	-	-
Buildings	2	RCN	Cost approach	361,957	297,404	-	-
Leasehold improvements	3	RCN, CEB	Cost approach	23,904	25,312	23,694	26,025
Infrastructure	3	RCN, CEB	Cost approach	-	-	73,166	69,716
Investment property	2	AMT	Market approach	74,535	70,104	-	-
Investment property	2	AMT	Income approach	754,453	713,178	-	-
Plant and equipment	2	AMT	Market approach	11,436	13,049	2,767	3,713
Plant and equipment	3	RCN, CEB	Cost approach	7,173	13,366	8,569	2,942
Assets held for sale - land	2	AMT	Market approach	38,160	12,254	-	-
Assets held for sale - building	2	AMT	Income approach	-	15,900	-	-
Total fair value 30 June 2019				2,026,588	1,834,398	108,196	102,396

Inputs used

Adjusted Market Transactions (AMT): market transactions of comparable assets, adjusted to reflect differences in price sensitive characteristics.

Replacement Cost of New Assets (RCN): the amount a market participant would pay to acquire or construct a new substitute asset of comparable utility.

Consumed Economic Benefits (CEB): obsolescence of assets, physical deterioration, functional or technical obsolescence and conditions of the economic environment specific to the asset.

D. Operating Resources

## D4 Other provisions

Policy and measurement

Finance recognises a provision when it has a legal or constructive obligation to make a payment, it is probable that payment will be made and the amount to be paid can be reliably measured.

	Departme	ental	Administered	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Excess lease space	-		120	496
Remediation costs	19,141	20,648	6,421	6,310
Act of Grace	-		9,618	9,015
Same Sex Relationships Act	-	-	1,825	1,529
Total other provisions	19,141	20,648	17,984	17,350
Movements of other provisions				
Opening balance	20,648	8,815	17,350	18,314
Additional provisions made	-	13,773	2,501	1,916
Amounts used	(1,233)	(1,473)	(1,727)	(2,457)
Amounts reversed	(274)	(467)	(140)	(423)
Closing balance	19,141	20,648	17,984	17,350

Further information

## Excess lease space

A provision has been recognised for excess lease space which reflects the present value of future lease payments for unoccupied office space.

## Act of Grace

The Act of Grace mechanism is a discretionary power found in section 65 of the PGPA Act, which allows payments to be made if it is appropriate and a decision maker considers there are special circumstances. In most cases these relate to pension payments to spouses of former members of the Commonwealth defined benefit superannuation schemes.

### Same Sex Relationships Act

The Same Sex Relationships (Equal Treatment in Commonwealth Laws – General Reform) Act 2008 removes discrimination against same-sex couples and their dependent children from a wide range of Commonwealth laws and programs. These relate to pension payments to partners of former members of the Commonwealth defined benefit superannuation schemes.

## D5 Restructuring

There were no restructures in 2018-19. In 2017-18, Finance had the following restructures:

- Transfer of the whole of government Information and Communications Technology policy, procurement and strategyrelated functions (net assets of \$25.2 million) to the Digital Transformation Agency
- Transfer of the ownership and property management of the Prime Minister's official establishments (net assets of \$49.8 million) to PM&C
- Transfer of the administration of the Parliamentary Retirement Travel Act 2002 (liabilities of \$2.8 million) to the Independent Parliamentary Expenses Authority.

## E. Our People

This section describes the employment and post-employment benefits provided to our people and our relationships with other key people.

Finance provides salary and related benefits to:

- staff employed by current and former Members of Parliament under the Members of Parliament (Staff) Act 1984 (MOP(S) Act)
- Parliamentarians' under the Parliamentary Business Resources Act 2017 (PBR Act).

Finance provides post-employment benefits to former Prime Ministers under the PBR Act.

## E1 Employee benefits

Policy and measurement

Liabilities for short-term employee benefits and termination benefits expected within 12 months of the end of the reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured at the present value of the defined benefit obligation at the end of the reporting period.

## Leave

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

The 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 Finance's superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out at termination.

## Separation and redundancy

Provision is made for separation and redundancy benefit payments. Finance recognises a provision for restructuring when it has a detailed formal plan for the restructuring and has informed those employees affected that it will carry out the restructuring.

### Superannuation

Finance employees are members of the CSS, PSS, PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme. The liability for defined benefits is recognised in Finance's Administered statements and reported in Note C3. Finance 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. Finance accounts for the contributions as if they were contributions to defined contribution plans.

## E. Our People

### Notes to and forming part of the financial statements E. Our People

Key judgements and estimates

Leave

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

Leave liabilities for employees engaged under the MOP(S) Act are calculated with reference to an actuarial assessment. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

A provision for severance payments is made for employees engaged under the MOP(S) Act in the event their employment is terminated, other than through resignation. These are measured as the defined benefit obligation adjusted for future salary increases discounted back to present value using yields on government bonds.

Post-employment benefits

Provision is made for certain entitlements for former Prime Ministers, including staff, office and vehicle costs. The liability is calculated with reference to an actuarial assessment for each former Prime Minister individually where future recurrent expenditure assumptions are set having regard to historical data adjusted for inflation.

E1.1 Employee benefit expenses

	Departmental		Administe	ered
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	119,293	121,933	268,112	223,568
Superannuation expense				
Defined contribution plans	11,298	10,848	35,843	33,569
Defined benefit plans	11,636	12,575	5,878	5,677
Leave and other entitlements	22,263	15,580	22,156	20,021
Post-employment benefits	-	-	84,682	(3,934)
Separations and redundancies	-	7,312	7,055	5,315
Other employee expenses	255	229	15,820	14,520
Total employee benefit expenses	164,745	168,477	439,546	298,736

E1.2 Employee provisions

	Departme	Departmental		Administered	
	30 June	30 June	30 June	30 June	
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
Leave	61,604	56,290	46,889	41,708	
Separation and redundancies	2,500	6,011	30,256	23,475	
Post-employment benefits			248,547	170,646	
Total employee provisions	64,104	62,301	325,692	235,829	

## E. Our People

## E2 Key management personnel remuneration

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of Finance. Finance has determined the KMP to be the Finance Minister, the Assistant Minister for Finance and the members of the Finance Executive Board which includes the Secretary, Deputy Secretaries and two SES on a rotational basis. KMP remuneration is reported in the table below.

	Departmental		
	30 June	30 June	
	2019	2018	
	\$'000	\$'000	
Short-term employee benefits	2,693	2,670	
Post-employment benefits	436	425	
Other long-term benefits	141	104	
Total key management personnel remuneration <sup>1</sup>	3,270	3,199	
Number of key management personnel included in the table above <sup>2</sup>	9	10	

<sup>1</sup> The above table excludes the remuneration and other benefits of the Finance Minister and the Assistant Minister for Finance whose remuneration and other benefits are set by the Remuneration Tribunal.

<sup>2</sup> Represents the total number of persons who held a KMP position during the year, or part thereof (Finance's Executive Board consists of seven positions at any one time).

### E3 Related parties

Finance is an Australian Government controlled entity. Related parties to Finance are KMP, Cabinet Ministers and other Australian Government entities. KMP remuneration for members of the Executive Board is disclosed in Note E2.

### Transactions with related parties

Finance undertakes a number of functions on behalf of the Australian Government, as detailed in the financial statements. In performing these functions, Finance transacts with other Australian Government controlled entities for normal day-to-day business operations provided under normal terms and conditions or on a cost recovery basis. This includes general insurance activities and the collection of rental income. Finance also administers payments for work expenses, allowances and entitlements of Parliamentarians (including Cabinet Ministers). These payments are made in the normal course of Administered operations and are paid in accordance with legislation and appropriate frameworks.

Giving consideration to the relationships with related parties and the transactions entered into during the year, it has been determined that there were no related party transactions to be separately disclosed.

F. Funding

## Notes to and forming part of the financial statements

## F. Funding

Departmental appropriations (adjusted for any formal additions and reductions) are recognised as revenue from government when Finance gains control. Appropriations receivable are recognised at the nominal amounts.

Administered appropriations are not recognised as revenue in the Schedule of Comprehensive Income. They are included in the Administered Reconciliation Schedule at the date they are drawn down to Finance's bank account for payment against the appropriation for annual and special appropriations, or the date stated in the determination for other Administered amounts.

## F1 Annual appropriations

F1.1 Annual appropriations ('recoverable GST exclusive')

	Departm	ental	Administered	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Ordinary annual services				
Annual Appropriation				
Ordinary annual services	258,962	262,782	299,764	273,579
Capital budget	8,488	6,480	5,054	4,983
Section 74 receipts of PGPA Act	46,553	71,726	443	224
Section 75 transfers of PGPA Act <sup>1</sup>	-	(205)	-	-
Total	314,003	340,783	305,261	278,786
Appropriation applied <sup>2</sup>	(352,702)	(334,338)	(295,309)	(266,148)
Variance	(38,699)	6,445	9,952	12,638
Other services				
Annual appropriation				
Equity injection	42,211	74,853	-	-
Assets and liabilities	-	-	231,500	512,546
Total	42,211	74,853	231,500	512,546
Appropriation applied <sup>2</sup>	(47,189)	(27,991)	(312,826)	(292,338)
Variance	(4,978)	46,862	(81,326)	220,208

<sup>1</sup>An amount of \$0.2 million was transferred to PM&C under a section 75 determination following an Administrative Arrangements Order on 30 November 2017.

<sup>2</sup> Appropriation applied includes cash payments made from current and prior year appropriations.

CSC has spent money from the CRF on behalf of Finance. The money spent has been included in the table above.

Departmental and Administered capital budgets are appropriated through Appropriation Acts (No.1, 3, 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

F. Funding

F1.2 Unspent annual appropriations ('recoverable GST exclusive')

	Departn	Departmental		stered
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Appropriation Act (No. 1) 2018-191	49,862	n/a	25,258	n/a
Appropriation Act (No. 1) 2018-19 - Capital	1,183	n/a	3,792	n/a
Appropriation Act (No. 2) 2018-19	39,217	n/a	100,285	n/a
Appropriation Act (No. 3) 2018-19	1,292	n/a	25,579	n/a
Appropriation Act (No. 3) 2018-19 - Capital	170	n/a	-	n/a
Appropriation Act (No. 4) 2018-19	-	n/a	40,476	n/a
Appropriation Act (No. 1) 2017-18	22,006	79,263	300	39,566
Appropriation Act (No. 1) 2017-18 - Capital	1,183	2,689	-	4,983
Appropriation Act (No. 2) 2017-18 <sup>2</sup>	64,202	64,202	10	221,956
Appropriation Act (No. 3) 2017-18	4,107	4,107	-	-
Appropriation Act (No. 4) 2017-18	9,128	3,878	-	142
Appropriation Act (No. 1) 2016-17 <sup>3</sup>	-	16,591	3,936	3,936
Appropriation Act (No. 1) 2016-17 - Capital	-	474	-	428
Appropriation Act (No. 2) 2016-17	-	32,254	-	-
Appropriation Act (No. 3) 2016-17	-	2,955	-	-
Supply Act (No. 1) 2016-17 - Capital	-	474	-	-
Supply Act (No. 2) 2016-17	-	17,190	-	-
Appropriation Act (No. 1) 2015-16	-	30	-	105
Appropriation Act (No. 1) 2015-16 - Capital	-	-	-	3,189
Appropriation Act (No. 2) 2015-16	-	-	-	218
Appropriation Act (No. 3) 2015-16	-	-	-	1,847
Appropriation Act (No. 4) 2015-16	-	-	-	153
Total unspent appropriations	192,350	224,107	199,636	276,523

Reconciliation to appropriations receivable (other departmental undrawn)

	Departmental		
	30 June	30 June	
	2019	2018	
	\$'000	\$'000	
Total unspent appropriations	192,350	224,107	
Adjustments			
Cash at bank - 30 June	(10,616)	(1,690)	
Expected GST refund outstanding at year end	(1,334)	(1,283)	
Recorded against special accounts receivable in ledger	(4,655)	(1,591)	
Recorded against capital receivable for special account in ledger	(47,296)	(62,589)	
PGPA s 51 quarantine - modernisation fund reprioritisation	(50)	-	
Closing appropriations receivable balance	128,399	156,954	

<sup>1</sup> The balance includes cash at bank as at 30 June 2019 of \$10.6 million plus expected GST refund of \$1.3 million (2018: cash at bank \$1.7 million, GST refund \$1.3 million).

 $^{2}% \left( The balance includes a quarantine for modernisation fund reprioritisation.$ 

<sup>3</sup> The balance remaining in this appropriation has been withheld under section 51 of the PGPA Act as it is a 2016-17 Administered appropriation that is no longer required (the former section 11 process).

F. Funding

F2 Special appropriations		
F2.1 Special appropriations ('recoverable GST exclusive')		
	Appropri	ations applied
	30 June	30 June
	2019	2018
	\$'000	\$'000
Administered		
Commonwealth of Australia Constitution Act s 66 (Ministers of State Act 1952 s 5) <sup>1</sup>	(5,077)	(5,032
Federal Circuit Court of Australia Act 1999	(465)	(456)
Governance of Australian Government Superannuation Schemes Act 2011	(138)	(470)
Governor-General Act 1974	(1,537)	(1,549)
Judges' Pensions Act 1968	(53,267)	(50,216
Medibank Private Sale Act 2006	(20)	(55
Parliamentary Business Resources Act 2017	(234,813)	(94,497)
Parliamentary Contributory Superannuation Act 1948	(43,253)	(42,409)
Parliamentary Entitlements Act 1990 <sup>2</sup>	(154)	(91,513)
Parliamentary Retirement Travel Act 2002 formerly Members of Parliament (Life Gold		
Pass) Act 2002	-	(240)
Parliamentary Superannuation Act 2004	(7,358)	(7,111)
Public Governance, Performance and Accountability Act 2013 (PGPA Act) s 77	(2,058)	(356)
Same-Sex Relationships (Equal Treatment in Commonwealth Laws –		
Superannuation) Act 2008	(62)	(61)
Superannuation Act 1922	(67,060)	(74,160
Superannuation Act 1976 <sup>3</sup>	(4,459,709)	(4,348,600)
Superannuation Act 1990 <sup>3</sup>	(2,397,465)	(2,057,933)
Total special appropriations applied <sup>4</sup>	(7,272,436)	(6,774,658

<sup>1</sup> For the 2018-19 reporting period this appropriation was limited to \$5.5 million.

<sup>2</sup> This Act was repealed on 1 January 2018, however the *Parliamentary Business Resources (Consequential and Transitional Provisions) Act 2017* allows for payments to be made for expenses incurred prior to the date of repeal.

<sup>3</sup> Payments include amounts that are not an additional cost to the Australian Government and are funded from a return of superannuation benefit funded component associated with retirements of scheme members and reimbursements from the emerging cost entities.

<sup>4</sup> The difference between 'total special appropriations applied' and the special appropriations reported in the Administered Reconciliation Schedule (ARS) is due to the inclusion of equity movements such as transfers for funded superannuation benefits in the ARS. 'Total appropriations applied' only reflects the appropriations used.

## Third party drawing arrangements

Agency	Appropriations drawn on (amounts included in the table above)
CSC	Superannuation Act 1922, Superannuation Act 1976, Superannuation Act 1990, Governance of Australian Government Superannuation Schemes Act 2011, PGPA Act, s 77, Same-Sex Relationships (Equal Treatment in Commonwealth Laws - Superannuation) Act 2008.
Department of the House of Representatives and the Department of the Senate	Parliamentary Superannuation Act 2004 Commonwealth of Australia Constitution Act s 66 (Ministers of State Act 1952) Parliamentary Business Resources Act 2017 (PBR Act)
Attorney-General's Department, Department of Employment, Skills, Small and Family Business and the Department of Parliamentary Services	Parliamentary Business Resources Act 2017 (PBR Act)
Fair Work Commission	Judges Pension Act 1968

F. Funding

Appropriations applied

The following special appropriations were not drawn upon in the current or prior year:

- ACT Government Loan Act 2014
- Airports (Transitional) Act 1996
- Loans Securities Act 1919
- Parliamentary Retiring Allowances (Increases) Act 1967 Parliamentary Retiring Allowances (Increases) Act 1971
- AICD Sale Act 1997 • Lands Acquisition Act 1989
- Moomba-Sydney Pipeline System Sale Act 1994
  - - Public Works Committee Act 1969
- Public Accounts and Audit Committee Act 1951 • Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Act 2014
- Superannuation Legislation (Consequential Amendments and Transitional Provisions) Act 2011
- Transferred Officers' Allowances Act 1948

Investments were made for the investment funds (under the Nation-Building Funds Act 2008 s 32 & s 151), the MRFF (under the Medical Research Future Fund Act 2015 s 37) and the DCAF (under the DisabilityCare Australia Fund Act 2013 s 27). Please refer to note C2 for further information.

F2.2 Disclosure by agent in relation to annual and special appropriations ('recoverable GST exclusive') The following table discloses appropriations Finance drew on behalf of other agencies:

		Appropriati	ons applied
		30 June	30 June
		2019	2018
	Relationship	\$'000	\$'000
Attorney-General's Department			
Total receipts	Solicitors-General pension payments	460	451
Total payments	Solicitors-General pension payments	(460)	(451)

F. Funding

Notes to and forming part of the financial statements

### F3 Special accounts

A special account is an appropriation mechanism that notionally sets aside an amount within the CRF to be expended for specific purposes. The type of appropriation provided by a special account is a special appropriation. The appropriation mechanism remains available until the special account is abolished. The amount of appropriation that may be drawn from the CRF, via a special account, is limited to the balance of the particular special account.

A special account can be established either by the Finance Minister making a determination under section 78 of the PGPA Act, or by legislation as recognised under section 80 of the PGPA Act.

F3.1 Departmental special accounts

30 June 2019         \$'000         \$'000         \$'000         \$'000         \$'000         \$'000           Balance brought forward         480,467         315,943         36,893         -         833,003           Appropriations credited         7,743         78,689         1,201         -         87,633           Other receipts         131,507         114,491         24,579         2,560         273,137           Payments made         (101,453)         (311,426)         (23,053)         -         (435,932)           Balance carried forward         518,264         197,697         39,620         2,560         758,141           Balance represented by         -         -         47,296         -         -         47,296           Cash held by Finance         1,793         315         229         2,470         4,807           Cash held in OPA         516,471         150,086         39,391         90         706,038           Capital appropriation receivable <sup>1</sup> -         47,296         -         -         47,296           Special account balance         518,264         197,697         39,620         2,560         758,141           30 June 2018         -         -         47,2
Appropriations credited         7,743         78,689         1,201         -         87,633           Other receipts         131,507         114,491         24,579         2,560         273,137           Payments made         (101,453)         (311,426)         (23,053)         -         (435,932)           Balance carried forward         518,264         197,697         39,620         2,560         758,141           Balance represented by         -         1,793         315         229         2,470         4,807           Cash held by Finance         1,793         315         229         2,470         4,807           Cash held in OPA         516,471         150,086         39,391         90         706,038           Capital appropriation receivable <sup>1</sup> -         47,296         -         -         47,296           Special account balance         518,264         197,697         39,620         2,560         758,141           30 June 2018         -         -         47,296         -         -
Other receipts         131,507         114,491         24,579         2,560         273,137           Payments made         (101,453)         (311,426)         (23,053)         -         (435,932)           Balance carried forward         518,264         197,697         39,620         2,560         758,141           Balance represented by         -         1,793         315         229         2,470         4,807           Cash held by Finance         1,793         315         229         2,470         4,807           Cash held in OPA         516,471         150,086         39,3931         90         706,038           Capital appropriation receivable <sup>1</sup> -         47,296         -         -         47,296           Special account balance         518,264         197,697         39,620         2,560         758,141           30 June 2018         -         -         47,296         -         -
Payments made         (101,453)         (311,426)         (23,053)         -         (435,932)           Balance carried forward         518,264         197,697         39,620         2,560         758,141           Balance represented by         -         -         758,141         -         -         4,807           Cash held by Finance         1,793         315         229         2,470         4,807           Cash held in OPA         516,471         150,086         39,391         90         706,038           Capital appropriation receivable <sup>1</sup> -         47,296         -         -         47,296           Special account balance         518,264         197,697         39,620         2,560         758,141           30 June 2018         -         -         47,296         -         -         47,296
Balance carried forward         518,264         197,697         39,620         2,560         758,141           Balance represented by         -         -         -         -         -         -         -         -         -         -         -         -         47,296         -         -         -         47,296         -         -         47,296         -         -         -         47,296         -         -
Balance represented by         Cash held by Finance         1,793         315         229         2,470         4,807           Cash held in OPA         516,471         150,086         39,391         90         706,038           Capital appropriation receivable <sup>1</sup> -         47,296         -         -         47,296           Special account balance         518,264         197,697         39,620         2,560         758,141           30 June 2018         -         -         -         -         -         -
Cash held by Finance         1,793         315         229         2,470         4,807           Cash held in OPA         516,471         150,086         39,391         90         706,038           Capital appropriation receivable <sup>1</sup> -         47,296         -         -         47,296           Special account balance         518,264         197,697         39,620         2,560         758,141           30 June 2018         -         -         -         -         -         -
Cash held in OPA         516,471         150,086         39,391         90         706,038           Capital appropriation receivable <sup>1</sup> -         47,296         -         -         47,296           Special account balance         518,264         197,697         39,620         2,560         758,141           30 June 2018         -         -         -         -         -         -
Capital appropriation receivable!         -         47,296         -         -         47,296           Special account balance         518,264         197,697         39,620         2,560         758,141           30 June 2018         -<
Special account balance         518,264         197,697         39,620         2,560         758,141           30 June 2018
30 June 2018
Balance brought forward         496,273         183,496         127,302         n/a         807,071
Appropriations credited 8,004 81,522 1,201 n/a 90,727
Other receipts         142,755         209,251         23,008         n/a         375,014
Payments made (166,565) (158,326) (114,618) n/a (439,509)
Balance carried forward         480,467         315,943         36,893         n/a         833,303
Balance represented by
Cash held by Finance 1,526 13,697 21 n/a 15,244
Cash held in OPA 478,941 239,657 36,872 n/a 755,470
Capital appropriation receivable <sup>1</sup> - 62,589 - n/a 62,589
Special account balance         480,467         315,943         36,893         n/a         833,303

<sup>1</sup> These amounts have been specifically appropriated for the purposes of the Property Special Account but remain undrawn against Appropriation Acts 2 and 4.

## Comcover Special Account

Establishing instrument: PGPA Act Determination (Comcover Special Account 2018) commenced 5 December 2018 (Previously: Financial Management and Accountability Determination 2009/05 — Comcover Special Account Establishment 2009 which sunset on 1 April 2019. A balance of \$578.6 million was transferred to the new special account on 5 December 2018). Purpose: For receipts and expenditure relating to the promotion of risk management to General Government Sector entities; to administer the Commonwealth's general insurance fund; and to make payments in respect of any uninsured superannuation liability claims against an insured Commonwealth entity. This account is non-interest bearing. The special account determination sunsets on 1 April 2029.

## Property Special Account 2014

Establishing instrument: *PGPA Act (Property Special Account 2014 – Establishment) Determination 04.* Purpose: Facilitates the management of the Commonwealth's non-Defence domestic property portfolio. This account is non-interest bearing. The special account determination sunsets on 1 April 2025.

## Coordinated Procurement Contracting Special Account (CPCSA)

Establishing instrument: PGPA Act Determination (Coordinated Procurement Contracting Special Account 2018) commenced on 20 September 2018 (Previously: Financial Management and Accountability Determination 2008/08 — Coordinated Procurement Contracting Special Account Establishment 2008 which sunset on 20 September 2018 with

F. Funding

the balance of \$43.4 million transferred to the new special account). Purpose: For expenditure relating to the whole of government contract for providing fleet management and leasing services, centralised government advertising activities and other coordinated procurement contracts for the benefit of government entities. The account is non-interest bearing. The special account determination sunsets on 1 October 2028.

## Service Delivery Office Special Account (SDOSA)

Establishing instrument: *PGPA Act Determination (SDO Special Account 2018)* commenced 5 December 2018. Purpose: To enable the Department of Finance to facilitate the activities of the Service Delivery Office, a provider hub under the government's shared services program. The account is non-interest bearing. The special account determination sunsets on 1 April 2029.

F3.2 Administered special a	ccounts					
	BAF	EIF	DCAF	MRFF	ATSILSFF	Total
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward	-	-	-	-	-	-
Contributions from						
Government	-	-	4,280,443	2,288,550	2,007,609	8,576,602
Investments realised	5,268,165	5,468,869	22,463,934	15,557,300	4,121,770	52,880,038
Other receipts	64,908	55,813	256,810	136,000	18,383	531,914
Purchase of investments	(5,329,786)	(5,518,796)	(24,065,213)	(17,763,978)	(6,147,619)	(58,825,392)
Payments made	(3,287)	(5,886)	(2,095,974)	(217,872)	(143)	(2,323,162)
Balance carried forward	-	-	840,000	-	-	840,000
Balance represented by						
Cash held in the OPA	-	-	840,000	-	-	840,000
30 June 2018						
Balance brought forward	-	-	-	-	n/a	-
Contributions from						
Government	-	-	4,195,461	2,242,200	n/a	6,437,661
Investments realised	4,045,965	4,477,315	16,168,876	9,019,804	n/a	33,711,960
Other receipts	78,300	79,414	203,245	137,480	n/a	498,439
Purchase of investments	(4,120,536)	(4,552,665)	(20,431,354)	(11,388,410)	n/a	(40,492,965)
Payments made	(3,729)	(4,064)	(136,228)	(11,074)	n/a	(155,095)
Balance carried forward	-	-	-	-	n/a	-

### Building Australia Fund (BAF) Special Account

Establishing instrument: *Nation-building Funds Act 2008*, s 13. Purpose: For making payments in relation to transport infrastructure, communications infrastructure (including the National Broadband Network), energy infrastructure and water infrastructure. The balance of the special account is invested by the Board. The Board may invest amounts standing to the credit of the special account in financial assets, although the special account itself is non-interest bearing.

### Education Investment Fund (EIF) Special Account

Establishing instrument: *Nation-building Funds Act 2008*, s 132. Purpose: For making payments in relation to higher education infrastructure, research infrastructure, vocational education and training infrastructure and any other eligible education infrastructure. The balance of the special account is invested by the Board. The Board may invest amounts standing to the credit of the special account in financial assets, although the special account itself is non-interest bearing.

## DisabilityCare Australia Fund (DCAF) Special Account

Establishing instrument: *DisabilityCare Australia Fund Act 2013*, s 11. Purpose: For making reimbursements to State, Territory and Commonwealth Governments in relation to expenditure incurred under the *National Disability Insurance Scheme Act 2013*. The balance of the special account is invested by the Board. The Board may invest amounts standing to the credit of the special account in financial assets, although the special account itself is non-interest bearing.

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Notes to and forming part of the financial statements

F. Funding

### Medical Research Future Fund (MRFF)

Establishing instrument: *Medical Research Future Fund Act 2015*, s 14. Purpose: For making payments in relation to medical research and medical innovation. The balance of the special account is invested by the Board. The Board invests amounts standing to the credit of the special account, although the special account itself is non-interest bearing.

## Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF)

Establishing instrument: Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2019, s 12. Purpose: For making payments to the Indigenous Land and Sea Corporation. The balance of the special account is invested by the Board. The Board may invest amounts standing to the credit of the special account in financial assets, although the special account itself is non-interest bearing. The ATSILSFF was established on 1 February 2019 with the balance of the Aboriginal and Torres Strait Islander Land Account transferred from the Department of Prime Minister and Cabinet to the ATSILSFF.

### The following Special Accounts have not been used during the current and comparative years:

### Lands Acquisition Special Account

Establishing instrument: *Lands Acquisition Act 1989*, s 89A. Purpose: For holding amounts of compensation due to be paid to a person in respect of compulsory acquisition of land where the amount of compensation payable to the person has been determined under the *Lands Acquisition Act 1989*, but after three months the amount remains unpaid due to default or delay on the part of the claimant. To date there have been no transactions through this account.

### Services for Other Entities and Trust Moneys (SOETM) Special Account - Department of Finance

Establishing instrument: *Financial Management and Accountability (Establishment of SOETM Special Account – Finance) Determination 2012/08.* Purpose: For the receipt of moneys temporarily held in trust for other persons other than the Commonwealth and for the payment to a person other than the Commonwealth, on behalf of the government, that are not PGPA Act agencies, or as permitted by an Act. The account is non-interest bearing. This special account was established on 26 June 2012 and the determination will sunset on 1 October 2022.

## G. Managing Other Uncertainties

This section includes additional information about commitments and other events that may have an impact on future financials. These amounts have not been recorded elsewhere in the statements.

## G1 Commitments

Commitments are defined as:

 a) Intentions to create liabilities or assets for the receiving entity, as evidenced by undertakings or agreements to make/obtain future payments to/from other entities; and

- b) Are executory contracts that are not recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets (i.e. not onerous); but
- c) Do not include future appropriations.

Commitments are disclosed per requirements of AASB 117 Leases, AASB 138 Intangible Assets and AASB 116 Property, Plant and Equipment.

	Departme	ental	Administ	ered
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
BY TYPE				
Commitments receivable				
Domestic property portfolio - rent receivable <sup>1</sup>	799,830	745,546	-	-
Subleasing - rent receivable <sup>2</sup>	7,700	9,464	-	-
Net GST recoverable	37,162	37,529	12,309	12,699
Total commitments receivable	844,692	792,539	12,309	12,699
Commitments payable <sup>3</sup>				
Capital commitments				
Land and buildings <sup>4</sup>	68,184	42,298	-	185
Intangible assets development	5,002	14,076	175	-
Infrastructure, plant & equipment	-	142	1,015	3,299
Total capital commitments	73,186	56,516	1,190	3,484
Other commitments				
Operating leases <sup>5</sup>	334,250	351,129	151,159	152,137
Finance leases <sup>6</sup>	1,344	5,481	-	-
Net GST payable	72,712	67,777	-	-
Total other commitments	408,306	424,387	151,159	152,137
Total commitments payable	481,492	480,903	152,349	155,621
Net commitments by type	363,200	311,636	(140,040)	(142,922)
BY MATURITY				
Commitments receivable				
Within 1 year	78,699	73,040	3,385	3,582
Between 1 to 5 years	299,637	277,465	7,596	6,838
More than 5 years	466,356	442,034	1,328	2,279
Total commitments receivable	844,692	792,539	12,309	12,699
Commitments payable				
Capital commitments				
Within 1 year	57,394	48,466	1,190	3,484
Between 1 to 5 years	15,792	8,050	-	-
Total capital commitments	73,186	56,516	1,190	3,484
Operating lease commitments				
Within 1 year	17,689	15,729	38,064	37,784
Between 1 to 5 years	68,354	67,752	92,263	82,637
More than 5 years	248,207	267,648	20,832	31,716
Total operating lease commitments	334,250	351,129	151,159	152,137
Finance lease commitments				
Within 1 year	1,344	3,245	-	-
Between 1 to 5 years	-	2,236	-	-
Total finance lease commitments	1,344	5,481	-	-

G. Managing Other Uncertainties

### Notes to and forming part of the financial statements

	Departmental		Adminis	tered
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Other commitments				
Within 1 year	6,357	5,925	-	-
Between 1 to 5 years	26,010	23,879	-	-
More than 5 years	40,345	37,973	-	-
Total other commitments	72,712	67,777	-	-
Total commitments payable	481,492	480,903	152,349	155,621
Net commitments by maturity	363,200	311,636	(140,040)	(142,922)

<sup>1</sup> Domestic property portfolio rent receivable includes rent to be received from the non-defence domestic property portfolio within Australia.

<sup>2</sup> Subleasing rent receivable arrangements exist with the Department of Human Services for One Canberra Avenue. <sup>3</sup> Commitments relating to goods and services contracts for current and prior years are not required to be disclosed. <sup>4</sup> Land and buildings mainly represent outstanding contractual commitments for construction projects.

<sup>5</sup> Operating leases mainly comprise office accommodation for Finance business operations (Departmental) and electorate offices for parliamentarians, Commonwealth Parliament Offices and COMCAR depots (Administered). Implementation of AASB 16 Leases effective from 1 July 2019 will result in the recognition of a right-of-use asset and lease liability.

<sup>6</sup> Finance leases represent outstanding contractual commitments relating to IT equipment and software.

## G2 Contingencies

Contingent assets and contingent liabilities 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 an asset or liability, 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 recognised when settlement is greater than remote.

Finance does not have any significant quantifiable contingent assets or liabilities, nor does it have any unquantifiable contingent assets.

### Unquantifiable contingent liabilities

In the normal course of business (including the non-defence domestic property portfolio and general insurance functions), Finance has a number of matters that are unquantifiable or subject to litigation. At the date of this report, Finance does not consider the outcome of any such matters likely to have a significant effect on its operations or financial position.

## G3 Subsequent events

There were no subsequent events after the reporting period.

### H. Other Information

## H. Other Information

This section includes additional financial information which is considered relevant to assist users in understanding the financial statements.

### H1 Aggregate assets and liabilities Departmental Administered 30 June 30 June 30 June 30 June 2019 2018 2019 2018 \$'000 \$'000 \$'000 \$'000 Assets expected to be recovered in No more than 12 months 977.515 873.117 31.602.961 22.165.966 More than 12 months 2,094,373 2,070,110 9,387,303 10,561,914 Total assets 3,071,888 2,943,227 40,990,264 32.727.880 Liabilities expected to be settled in 341.497 432 428 8,907,799 8 660 144 No more than 12 months More than 12 months 390,065 317,105 226,558,179 176,296,004 Total liabilities 731,562 749,533 235,465,978 184.956.148

## H2 Other policy and disclosures

This section of the report provides additional information in relation to line items in the primary statements that do not have specific disclosures in the preceding notes. They are additional disclosures directed at the interests of particular users and their needs.

### Resources received free of charge

Resources free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would be purchased if they had not been donated. Use of the resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature. Resources received free of charge predominantly relate to Australian National Audit Office audit fees for Finance's financial statements and whole of government financial statements (2019: \$1.4 million).

Resources received free of charge includes rent for office space in the Ministerial Wing of Parliament House.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash held with outsiders, cash in special accounts and demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Cash is recognised at its nominal amount. Cash and cash equivalents held for investment purposes are classified as investments.

### Official Public Account (OPA)

The OPA consists of the central bank accounts administered by Finance where the aggregate balance represents the government's daily cash position. Cash in bank accounts held by non-corporate Commonwealth entities (NCE) are consolidated in the OPA each night. The amounts to be returned to the NCEs before the next business day is reported in the Administered financial statements as OPA overnight cash payable. Transfers to and from the OPA with other Commonwealth entities represents receipts collected on behalf of the Commonwealth and the Commonwealth payments drawn from the Appropriation Acts.

Glossary

## Notes to and forming part of the financial statements

# Glossary

AAS	Australian Accounting Standards	IBNER	Incurred but not enough reported
AASB	Australian Accounting Standards Board	Investment funds	Administered investment funds managed by the Future Fund Board of Guardians
AMT	Adjusted Market Transactions	JPS	Judges' Pensions Scheme
ANI	Australian Naval Infrastructure Pty Ltd	LTCRs	2017 Long Term Cost Reports
ASC	ASC Pty Ltd	MOP(S) Act	Members of Parliament (Staff) Act 1984
ATSILSFF	Aboriginal and Torres Strait Islander Land and Sea Future Fund	MRFF	Medical Research Future Fund
AUD	Australian dollar	MRFFICs	Medical Research Future Fund Investment Companies
BAF	Building Australia Fund	NCEs	Non-corporate Commonwealth entities
CEB	Consumed Economic Benefits	NCOS	Net Cost of Services
CECs	Commonwealth entities and companies	NET	Net Assets
CRF	Consolidated Revenue Fund	OCI	Other comprehensive income
CPCSA	Coordinated Procurement Contracting Special Account	OPA	Official Public Account
CPI	Consumer Price Index	PBR Act	Parliamentary Business Resources Act 2017
CSC	Commonwealth Superannuation Corporation	PBS	Portfolio Budget Statements
CSS	Commonwealth Superannuation Scheme	PGPA Act	Public Governance, Performance and Accountability Act 2013
DCAF	DisabilityCare Australia Fund	PM&C	Department of the Prime Minister and Cabinet
EIF	Education Investment Fund	PCSS	Parliamentary Contributory Superannuation Scheme
FCCJDDS	Federal Circuit Court Judges Death and Disability Scheme	PSS	Public Sector Superannuation Scheme
FFMA	Future Fund Management Agency	PSSap	Public Sector Superannuation accumulation plan
FRR	PGPA (Financial Reporting) Rule 2015	RBA	Reserve Bank of Australia
FVOCI	Fair Value through Other Comprehensive Income	RCN	Replacement Cost of New Assets
FVPL	Fair value through profit or loss	SDO	Service Delivery Office
GBP	British pound	SDOSA	Service Delivery Office Special Account
G-GPS	Governor-General Pension Scheme	The Board	Future Fund Board of Guardians
GST	Goods and Services Tax	USD	United States dollar
IBNR	Incurred but not reported	WACC	Weighted average cost of capital

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