

Financial Report for the year ended 30 June 2025

**Military Superannuation and
Benefits Scheme**

ABN: 50 925 523 120



Military Superannuation and Benefits Scheme
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Military Superannuation and Benefits Scheme

DIRECTOR'S REPORT

For the financial year ended June 2025

DIRECTORS' REPORT

The Directors of Commonwealth Superannuation Corporation (CSC, the Trustee), as trustee for the Military Superannuation and Benefits Scheme (MSB, the Scheme), submit this financial report of the Scheme for the financial year ended 30 June 2025. In compliance with the provisions of the *Corporations Act 2001*, the Directors of the Trustee report as follows:

Principal activities

The Military Superannuation and Benefits Scheme ('Scheme') is a hybrid accumulation-defined benefits scheme which provides benefits to its members under the *Military Superannuation and Benefits Act 1991*. The Scheme is operated for the purpose of providing members of the Australian Defence Force (and their dependants or beneficiaries) with lump sum and pension benefits upon retirement, termination of service, death or disablement. For the purposes of the Scheme, the Military Superannuation and Benefits Fund No. 1 (Fund) manages and invests the assets of the Scheme until such time as a benefit is paid. The Fund accepts employer contributions from the Department of Defence, other government contributions, members' contributions, transfers from other superannuation funds, and contributions made by members for the benefit of their spouse. The Scheme was closed to new members from 30 June 2016 and a new accumulation plan, Australian Defence Force Superannuation Scheme (ADF) was established for new members of the Australian Defence Force from 1 July 2016, together with a new invalidity scheme, Australian Defence Force Cover.

Review of operations

Investment performance

By diversifying our investments across high quality assets, including innovative businesses that are typically not accessible either easily, or cost effectively to smaller investors, we've been able to deliver our return objectives for our members, at different stages in their working lives:

- Our Aggressive option, designed for people earlier in their working life, generated a very strong 11.5% return this year.
- Our Balanced option, designed for our specific customer base, delivered a healthy 10.6% for the 2024-25 financial year.
- Our income-focused option, designed for those with a lower appetite for capital-value variation, delivered 7.3%, which is very high for an option of this type, outperforming many of its industry peers.
- And our Cash option underperformed against peer products because it is a pure cash option in accordance with APRA's guidelines for investment options labelled as 'cash', whereas the comparison group contains some 'cash-like' funds with higher risk.

CSC's primary investment objective is to maximise long-term, real (that is, above inflation) returns for customers, with a target of 3.5% real return per annum over rolling three-year periods for our default option, while keeping risk to an acceptable level (defined as a probability of loss in no more than five years out of 20). This investment objective is designed to provide adequacy in retirement for our average customer. 'Adequacy' is defined by the Australian Superannuation Fund Association (ASFA) as a 'comfortable standard' which accounts for post-retirement cost-of-living adjustments.

Military Superannuation and Benefits Scheme
DIRECTOR'S REPORT
For the financial year ended June 2025
Review of operations (continued)

Investment returns¹ to 30 June 2025

Option	1 year (% pa)	3 years (% pa)	5 years (% pa)	7 years (% pa)	10 years (% pa)	15 years (% pa)
MSBS						
Cash	3.9	3.4	2.1	1.8	1.7	2.2
Income Focused	7.2	6.0	4.9	5.0	5.3	5.4
Balanced (Default)	10.7	9.6	8.5	7.0	6.9	7.2
Aggressive	11.5	11.2	10.4	9.0	8.6	9.0
Australian inflation	2.1	4.0	4.4	3.3	2.8	2.6

¹ All returns are calculated as the annually compounded average rate of earnings after fees and taxes. Past performance is not indicative of future performance. CPI inflation shown to assist with comparison to objectives.

Membership

Membership	As at 30 June 2025	As at 30 June 2024	Difference	%
Contributors	26,007	27,954	-1,947	-7.0%
Preserved	121,650	122,466	-816	-0.7%
Pensioners	34,898	32,081	2,817	8.8%
Total	182,555	182,501	54	0.0%

Funds Under Management (FUM)

Option	As at 30 June 2025 (\$m)	As at 30 June 2024 (\$m)	Difference (\$m)	%
MSBS				
Cash	141.308	107.762	33.546	31.1%
Income Focused	106.286	82.644	23.642	28.6%
Balanced	12,567.661	11,741.514	826.147	7.0%
Aggressive	2,354.158	1,979.799	374.359	18.9%
Operational Risk Reserve	54.166	49.009	5.157	10.5%
Total	15,223.579	13,960.728	1,262.851	9.0%

Changes in state of affairs

There have been no significant changes in the state of affairs of the Scheme during the financial year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

Military Superannuation and Benefits Scheme

DIRECTOR'S REPORT

For the financial year ended June 2025

Future developments

Transformed customer operating model

The Trustee is currently implementing a transformation program across its customer servicing technologies and processes. The engagement platform and initial process redesign elements of the transformation program have been delivered. The next years of the transformation program focus on transitioning several legacy scheme administration platforms into one, modern scheme administration platform. The combined impact of the transformation program across technology, data, people and process is expected to support major uplifts in customer experience (through, for example, data driven and increasing personalised servicing) and improved operational efficiency (through redesigned processes, increased automation and effective eco-system integrations).

Environmental regulations

The Scheme is subject to prudential standards issued by APRA under *the Superannuation Industry (Supervision) Act 1993 (SIS Act)*. This includes 'SPS 530 Investment Governance', which contains a requirement for RSE's to consider Environmental, Social and Governance (ESG) risks and opportunities as part of its Investment Governance framework. The Trustee believes it has sound practices in place to achieve long-term sustainable value and positive environmental and social impact across all customers' portfolios.

The Scheme is not subject to any other significant environmental regulations under the law of the Commonwealth or of a State or Territory of Australia.

Non-audit services

The Australian National Audit Office (ANAO) is the appointed auditor of the Scheme. Deloitte Touche Tohmatsu (Deloitte) is contracted by the ANAO to provide audit services on its behalf. There were no non-audit services provided by ANAO or Deloitte to the Scheme during the year.

Remuneration for audit services provided during the period (including financial statements audit, associated regulatory return audits and compliance audits) are disclosed in Note 11 of the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 15.

Rounding off of amounts

The Scheme is an entity of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, and in accordance with that Corporations Instrument amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Military Superannuation and Benefits Scheme
DIRECTOR'S REPORT
For the financial year ended June 2025

REMUNERATION REPORT

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of the key management personnel of the Scheme for the financial year ended 30 June 2025. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. The prescribed details for each person covered by this report are detailed under the following headings:

- Key management personnel
- Remuneration of key management personnel
- Variable remuneration – 2024-25 financial year
- Deferred variable remuneration
- Transitional payments
- Key terms of employment contracts

Key management personnel

The Directors of the Trustee and other key management personnel of the Trustee during or since the end of the financial year were:

Directors of the Trustee

Name	Nominated by	Member of the Scheme
Ariane Barker (Term ended 30 June 2025)	Minister for Finance	No
Juliet Brown	Minister for Finance	No
Melissa Donnelly	President of the ACTU	No
Lee Goddard	Chief of the Defence Force	Yes
Andrea Hall	Minister for Finance	No
Jacqueline Hey	Minister for Finance	No
Garry Hounsell (Chair) (Term ended 31 December 2024)	Minister for Finance	No
David Mulhall	Chief of the Defence Force	Yes
Arundhati Tandel (Appointed 1 July 2025)	Minister for Finance	No
Janet Torney (Chair) (Appointed 31 March 2025)	Minister for Finance	No
Alistair Waters (Term ended 30 June 2025)	President of the ACTU	No

Other key management personnel

Name	Position	Member of the Scheme
Paul Abraham	Executive Manager, Investment Services (Until 27 April 2025)	No
Catharina Armitage	Chief People Officer	No
Robert Firth	Chief Risk Officer (Ceased 4 July 2025)	No
Damian Hill	Chief Executive Officer	No
Andrew Matuszczak	Chief Transformation and Information Officer	No
Adam Nettheim	Chief Customer Officer	No
Alana Scheiffers	General Counsel (Ceased 27 May 2025)	Yes
Alison Tarditi	Chief Investment Officer	No
Nevein Versace	Chief Risk and Compliance Officer (Appointed 18 August 2025)	No
Andy Young	Chief Operating Officer	No

The terms and conditions of membership of the Scheme for any key management personnel are the same as for any other member who are not key management personnel.

Military Superannuation and Benefits Scheme
DIRECTOR'S REPORT
For the financial year ended June 2025
Remuneration of key management personnel

The figures below represent the total remuneration of key management personnel paid by CSC. The Scheme does not employ any staff, the Trustee provides management services to the Scheme. The key management personnel of the Trustee are the key management personnel of the Trusts and for the superannuation schemes for which CSC is Trustee.

Directors of the Trustee

Name	Position	Date commenced	Date ceased	Year	Short-term benefits				Post-employment benefits	Long-term benefits		Total
					Director fees	Variable remuneration - cash	Variable remuneration - deferred	Other benefits and allowances		Superannuation contributions	Long service leave	
					\$	\$	\$	\$	\$	\$	\$	\$
Ariane Barker	Director	13/09/2016	30/06/2025	2025	74,796	-	-	-	8,611	-	-	83,407
				2024	71,990	-	-	-	7,929	-	-	79,919
Juliet Brown	Director	13/09/2021	N/A	2025	83,871	-	-	-	9,658	-	-	93,529
				2024	82,900	-	-	-	9,130	-	-	92,030
Melissa Donnelly	Director	1/07/2020	N/A	2025	83,871	-	-	-	12,916	-	-	96,787
				2024	80,720	-	-	-	12,431	-	-	93,151
Lee Goddard	Director	1/07/2022	N/A	2025	82,947	-	-	-	9,550	-	-	92,497
				2024	79,140	-	-	-	8,715	-	-	87,855
Andrea Hall	Director	1/07/2023	N/A	2025	92,936	-	-	-	10,702	-	-	103,638
				2024	87,260	-	-	-	9,611	-	-	96,871
Jacqueline Hey	Director	21/10/2021	N/A	2025	74,796	-	-	-	8,613	-	-	83,409
				2024	71,990	-	-	-	7,929	-	-	79,919
Garry Hounsell	Chair	25/07/2021	31/12/2024	2025	79,078	-	-	-	9,094	-	-	88,172
				2024	150,490	-	-	-	16,574	-	-	167,064
David Mulhall	Director	2/05/2023	N/A	2025	89,948	-	-	-	10,357	-	-	100,305
				2024	86,516	-	-	-	9,528	-	-	96,044
Janet Torney	Chair	31/03/2025	N/A	2025	39,539	-	-	-	4,571	-	-	44,110
				2024	-	-	-	-	-	-	-	-
Alistair Waters	Director	25/02/2020	30/06/2025	2025	74,796	-	-	-	11,519	-	-	86,315
				2024	71,990	-	-	-	11,086	-	-	83,076
Total				2025	776,578	-	-	-	95,591	-	-	872,169
				2024	782,996	-	-	-	92,933	-	-	875,929

**Military Superannuation and Benefits Scheme
DIRECTOR'S REPORT**

For the financial year ended June 2025

Remuneration of key management personnel (continued)

Other key management personnel

Name	Position	Date commenced	Date ceased	Year	Short-term benefits				Post-employment Long-term benefits				Total remuneration
					Base Salary	remuneration - cash	remuneration - deferred allowances ¹	and Superannuation contributions	Long service leave	Termination benefits	Long service leave	Termination benefits	
Paul Abraham	Executive Manager, Investment Services	21/03/2016	27/04/2025	2025	274,772	91,085	-	24,808	12,159	-	-	402,824	
Catharina Armitage	Chief People Officer ⁴	17/05/2019	N/A	2025	308,608	72,963	-	27,568	7,606	-	-	416,745	
Robert Firth	Chief Risk Officer	1/01/2017	4/07/2025	2025	352,625	104,504	-	30,115	18,119	-	-	505,363	
		2024		2024	331,220	71,858	-	27,568	11,001	-	-	441,647	
		2025		2025	389,187	-	-	30,892	17,256	418,350	-	855,685	
		2024		2024	345,883	82,285	-	27,568	10,292	-	-	466,028	
Philip George	Executive Manager, Transformation and Technology Strategy and Advice ²	3/02/2020	30/06/2024	2025	-	-	-	-	-	-	-	-	
		2024		2024	367,254	71,879	-	6,806	10,393	-	-	456,332	
Damian Hill	Chief Executive Officer	13/07/2020	N/A	2025	993,233	91,086	119,408	108,189	31,772	-	-	1,373,803	
		2024		2024	842,458	69,660	89,501	81,224	19,622	-	-	1,130,033	
Andrew Matuszczak	Chief Transformation and Information Officer	31/08/2020	N/A	2025	482,817	82,655	49,065	-	16,621	-	-	661,273	
		2024		2024	459,703	96,984	-	-	12,221	-	-	596,476	
Adam Nettheim	Chief Customer Officer ³	1/01/2023	NA	2025	409,927	117,320	-	-	16,334	-	-	573,696	
		2024		2024	400,341	80,303	-	-	9,399	-	-	517,611	
Alana Scheiffers	General Counsel	1/07/2018	27/05/2025	2025	358,590	-	-	-	13,962	469,594	-	871,338	
		2024		2024	376,710	79,289	-	-	9,027	-	-	492,594	
Alison Tarditi	Chief Investment Officer	1/07/2011	N/A	2025	881,349	590,127	350,308	174,480	63,449	-	-	2,089,828	
		2024		2024	824,816	396,576	230,908	130,860	21,066	-	-	1,631,794	
Andy Young	Chief Operating Officer	30/07/2012	N/A	2025	520,481	92,147	54,700	29,700	33,559	-	-	760,702	
		2024		2024	469,561	104,271	-	-	27,568	-	-	614,766	
Total				2025	4,662,981	1,168,924	573,481	312,369	265,582	233,231	887,944	8,094,512	
				2024	4,726,554	1,126,068	320,409	212,084	254,918	123,993	-	6,764,026	

No key management personnel received share based compensation during the period. No key management personnel appointed during the period received a payment as part of their consideration for agreeing to hold the position.

¹ Other benefits and allowances include transitional payments for the performance period ended 30 June 2025 and carparking benefits.

² Previously Executive Manager, Transformation until 15 Apr 2024

³ Previously Acting Chief Customer Officer until 9 Jul 2023

⁴ Previously Executive Manager, People until 27 April 2025

**Military Superannuation and Benefits Scheme
DIRECTOR'S REPORT
For the financial year ended June 2025**

Remuneration of key management personnel (continued)

Apportioned compensation in relation to the Plan is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control. The following tables outline apportioned compensation of the key management personnel of the Trustee in relation to the Scheme:

Directors of the Trustee

Name	Position	Commenced	Date	Date ceased	Year	Short-term benefits				Post-employment benefits			Long-term benefits	Total remuneration
						Director fees	Variable remuneration - cash	Variable remuneration - deferred	Other benefits and allowances	Superannuation contributions	Long service leave	Termination benefits		
						\$	\$	\$	\$	\$	\$	\$	\$	\$
Ariane Barker	Director	13/09/2016	N/A	2025	2024	6,693	-	-	-	771	-	-	7,464	7,464
				2025	2024	6,351	-	-	-	699	-	-	7,050	7,050
Juliet Brown	Director	13/09/2021	N/A	2025	2024	7,505	-	-	-	864	-	-	8,369	8,369
				2025	2024	7,313	-	-	-	805	-	-	8,118	8,118
Melissa Donnelly	Director	1/07/2020	N/A	2025	2024	7,505	-	-	-	1,156	-	-	8,661	8,661
				2025	2024	7,121	-	-	-	1,097	-	-	8,218	8,218
Lee Goddard	Director	1/07/2022	N/A	2025	2024	7,422	-	-	-	855	-	-	8,277	8,277
				2025	2024	6,982	-	-	-	769	-	-	7,751	7,751
Andrea Hall	Director	1/07/2023	N/A	2025	2024	8,316	-	-	-	958	-	-	9,274	9,274
				2025	2024	7,698	-	-	-	848	-	-	8,546	8,546
Jacqueline Hey	Director	21/10/2021	N/A	2025	2024	6,693	-	-	-	771	-	-	7,464	7,464
				2025	2024	6,351	-	-	-	699	-	-	7,050	7,050
Garry Hounsell	Chair	25/07/2021	31/12/2024	2025	2024	7,076	-	-	-	814	-	-	7,890	7,890
				2025	2024	13,276	-	-	-	1,462	-	-	14,738	14,738
David Mulhall	Director	2/05/2023	N/A	2025	2024	8,049	-	-	-	927	-	-	8,976	8,976
				2025	2024	7,632	-	-	-	841	-	-	8,473	8,473
Janet Torney	Chair	31/03/2025	N/A	2025	2024	3,538	-	-	-	409	-	-	3,947	3,947
				2025	2024	-	-	-	-	-	-	-	-	-
Alister Waters	Director	25/02/2020	30/06/2025	2025	2024	6,693	-	-	-	1,031	-	-	7,724	7,724
				2025	2024	6,351	-	-	-	978	-	-	7,329	7,329
Total				2025	2024	69,490	-	-	-	8,556	-	-	78,046	78,046
				2025	2024	69,075	-	-	-	8,198	-	-	77,273	77,273

**Military Superannuation and Benefits Scheme
DIRECTOR'S REPORT
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Remuneration of key management personnel (continued)

Other key management personnel

Name	Position	Commence d	Date ceased	Year	Short-term benefits			Post-employment benefits			Long-term benefits	Total
					Base Salary	Variable remuneration - cash	Variable remuneration - deferred	Other benefits and allowances ¹	Superannuation contributions	Long service leave		
					\$	\$	\$	\$	\$	\$	\$	\$
Paul Abraham	Executive Manager, Investment Services	21/03/2016	27/04/2025	2025	24,587	8,151	-	-	2,220	1,088	-	36,046
				2024	27,225	6,437	-	-	2,432	671	-	36,765
Catharina Armitage	Chief People Officer ⁴	17/05/2019	N/A	2025	31,554	9,351	-	-	2,695	1,621	-	45,221
				2024	29,220	6,339	-	-	2,432	971	-	38,962
Robert Firth	Chief Risk Officer	1/01/2017	4/07/2025	2025	34,826	-	-	-	2,764	1,544	37,435	76,569
				2024	30,514	7,259	-	-	2,432	908	-	41,113
	Executive Manager, Transformation and Technology Strategy and Advice ²	3/02/2020	30/06/2024	2024	32,399	6,341	-	-	600	917	-	40,257
Damian Hill	Chief Executive Officer	13/07/2020	N/A	2025	88,878	8,151	10,685	9,681	2,695	2,843	-	122,933
				2024	74,321	6,145	7,896	7,166	2,432	1,731	-	99,691
Andrew Matuszczak	Chief Transformation and Information Officer	31/08/2020	N/A	2025	43,204	7,396	4,390	-	2,695	1,487	-	59,172
				2024	40,555	8,556	-	-	2,432	1,078	-	52,621
Adam Nettheim	Chief Customer Officer ³	1/01/2023	NA	2025	36,682	10,498	-	-	2,695	1,462	-	51,337
				2024	35,318	7,084	-	-	2,432	829	-	45,663
Alana Scheiffers	General Counsel	1/07/2018	27/05/2025	2025	32,088	-	-	-	2,612	1,249	42,021	77,970
				2024	33,233	6,995	-	-	2,432	796	-	43,456
Alison Tarditi	Chief Investment Officer	1/07/2011	N/A	2025	78,866	52,806	31,347	15,613	2,695	5,678	-	187,005
				2024	72,765	34,986	20,371	11,544	2,432	1,858	-	143,956
Andy Young	Chief Operating Officer	30/07/2012	N/A	2025	46,574	8,246	4,895	2,658	2,695	3,003	-	68,071
				2024	41,425	9,199	-	-	2,432	1,179	-	54,235
Total				2025	417,259	104,599	51,317	27,952	23,766	19,975	79,456	724,324
				2024	416,975	99,341	28,267	18,710	22,488	10,938	-	596,719

¹ Other benefits and allowances include transitional payments for the performance period ended 30 June 2024 and carparking benefits.

² Previously Executive Manager, Transformation until 15 Apr 2024

³ Previously Acting Chief Customer Officer until 9 Jul 2023

⁴ Previously Executive Manager, People until 27 April 2025

Military Superannuation and Benefits Scheme
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For the financial year ended June 2025
Variable remuneration - 2024-25 financial year

Individual short term performance variable remuneration outcomes							
Name	Maximum potential short term variable remuneration opportunity ¹	Individual remuneration outcome	% of maximum opportunity earned ¹	% of maximum opportunity forfeited ¹	Cash	Deferred	Present Value of Deferred ²
	\$	\$			\$	\$	\$
Paul							
Abraham ³	93,516	91,085	97%	3%	91,085	-	-
Catharina							
Armitage	113,100	104,504	92%	8%	104,504	-	-
Damian Hill	285,000	227,715	80%	20%	91,086	136,629	119,408
Andrew							
Matuszczak	141,435	137,758	97%	3%	82,655	55,103	49,065
Adam							
Nettheim	130,500	117,320	90%	10%	117,320	-	-
Alison Tarditi	1,009,800	983,545	97%	3%	590,127	393,418	350,308
Andy Young	166,210	153,578	92%	8%	92,147	61,431	54,700
Total	1,939,561	1,815,505	94%	6%	1,168,924	646,581	573,481

¹ The total variable remuneration opportunity for each member of key management personnel is based on the performance criteria outlined later in this report. These criteria may also include stretch targets in the Corporate and Individual performance components. As such the maximum potential variable remuneration opportunity does not reflect a threshold level of performance, and it is likely that for any given reporting period there will be a percentage of the total opportunity not awarded (forfeited).

² The deferred component is discounted to present value using the Reserve Bank of Australia bond rate for the period of deferral.

³ Variable remuneration reported for Mr. Paul Abraham has been apportioned to represent amounts relating to his service as a member of key management personnel (until 27 April 2025).

The cash variable remuneration disclosed above was granted on 21 August 2025 with regard to performance for the financial year ended 30 June 2025 and the amounts granted were paid in full (100%) on 25 September 2025.

Military Superannuation and Benefits Scheme
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Variable remuneration - 2024-25 financial year (continued)

Nature of the variable remuneration granted

Individual employment contracts indicate the maximum percentage of the total fixed remuneration package (TRP) that the Board may determine to pay as a short-term cash variable remuneration each year, however variable remuneration payments are made entirely at the discretion of the Board of Directors.

Performance criteria

The performance criteria that the Board of Directors had regard to when determining the variable remuneration payments made during the financial year are disclosed in the table below.

Component	Measurement basis	Weighting
Investment performance	(a) 50% upon achievement of a 3.5% real investment return (i.e. after adjusting for inflation) for the default investment option (MySuper Balanced) over a rolling 3 year period; (b) If (a) is not achieved, 25% if the investment return of the default investment option (MySuper Balanced) exceeds the reference (passive) portfolio over a rolling 3 year period; (c) If both (a) and (b) not achieved, then 0%.	50%
Corporate performance	Directors' assessment of the achievement of the strategic and operational targets agreed by and reported to the Board of Directors.	20%
Individual performance	Achievement of key individual performance objectives agreed at the start of each financial year.	20%
Adherence to CSC values	Qualitative assessment of adherence to CSC values (Customer Driven, United, Accountable, Future Focused)	10%
Total		100%

To qualify to participate in the short-term variable remuneration scheme mentioned above, key management personnel are required to receive an 'adherence to CSC values' rating of "consistently" or above, receive an individual performance rating of 'fully effective' or above, and achieve a pre-determined risk objective. The Board has the discretion to 'clawback' variable remuneration paid to an employee in previous years in situations where new information is received that indicates misconduct, significant adverse member outcomes, significant failures or significant errors have occurred in a particular performance period.

Military Superannuation and Benefits Scheme DIRECTOR'S REPORT

For the financial year ended June 2025

Deferred variable remuneration

The CSC deferred variable remuneration policy (Deferral Policy) came into effect from 1 July 2023. Variable remuneration that has met the threshold for a portion to be deferred under APRA Prudential Standard *CPS 511 – Remuneration* (CPS511), is expected to be paid in instalments between four to six years into the future. The Board has discretion where appropriate to revise deferred amounts payable under the Deferral Policy. Part or all of any deferred remuneration may be forfeited in the event of misconduct, significant failures and/or significant adverse outcomes. The Deferral Policy sets out the circumstances in which, on cessation of employment the Board may decide to either pay all or part of the deferred variable remuneration up front, or for it to lapse either in part or in its entirety. No prior year deferred remuneration was forfeited during the 2024-25 financial year.

The table below summarises all outstanding deferred variable remuneration amounts as at 30 June 2025. The amounts represent the maximum possible value to be paid when the benefit vests in the future. The minimum possible values are \$nil.

Deferred variable remuneration							
Name	Performance period ending	Grant date	Deferred Amount	Expected payment timing			
				September 2027	September 2028	September 2029	September 2030
			\$	\$	\$	\$	\$
Damian Hill	30 June 2024	22/08/2024	104,490	34,830	34,830	34,830	-
	30 June 2025	21/08/2025	136,629	-	45,543	45,543	45,543
Andrew Matuszczak	30 June 2025	21/08/2025	55,103	-	27,551	27,552	-
Alison Tarditi	30 June 2024	22/08/2024	264,384	132,192	132,192	-	-
	30 June 2025	21/08/2025	393,418	-	196,709	196,709	-
Andy Young	30 June 2025	21/08/2025	61,431	-	30,715	30,716	-
Total			1,015,455	167,022	467,540	335,350	45,543

Transitional payments

The Chief Executive Officer, Chief Investment Officer and Chief Operating Officer may be eligible for 'transitional payments' to partially compensate for the requirement under CPS 511 to defer the vesting of a portion of their variable remuneration in relation to any performance periods commencing post 1 July 2023. Future transitional payments are estimated to be as follows.

Performance period ending	Transitional payments	
	30 June 2026	30 June 2027
Expected payment timing	1 September 2026	1 September 2027
	\$	\$
Damian Hill	108,000	54,000
Alison Tarditi	174,480	-
Andy Young	29,700	-

The Board has the discretion to revise any transitional payment upwards or downwards, or to not grant a transitional payment at all. The executive must also remain employed with CSC for the full duration of the relevant performance period to receive a transitional payment. Details of transitional payments made under this arrangement will be disclosed in the Remuneration report for the relevant performance year.

Military Superannuation and Benefits Scheme

DIRECTOR'S REPORT

For the financial year ended June 2025

Key terms of employment contracts

Details of employment contracts negotiated between the Trustee and members of key management personnel during the financial year ended 30 June 2025 are outlined below.

Directors of the Trustee

- A contract for Ms Janet Torney was finalised in March 2025 upon appointment to the position of Director and Chair of Commonwealth Superannuation Corporation on 31 March 2025.
- A contract for Ms Arundhati Tandel was finalised in June 2025 ahead of her appointment to the position of Director of Commonwealth Superannuation Corporation on 1 July 2025.

The remuneration packages for CSC Directors are determined by the independent Remuneration Tribunal, a legislative requirement for all CSC directors under the *Governance of Australian Government Superannuation Schemes Act 2011* (GAGSS Act). The remuneration packages consist of fixed remuneration (including superannuation entitlements) and are commensurate with the responsibilities of the position, including membership on Board Committees.

Other key management personnel

In April 2025, the Executive team was restructured. As a result of this change, some key management personnel employment contracts were renegotiated as follows:

- Mr Andy Young (Chief Operating Officer) had his remuneration adjusted in April 2025 as a result of changes to the scope of his role. Remuneration was reviewed in line with CSC's Board-approved Remuneration Policy and Remuneration Framework. A change in base salary (fixed remuneration) was implemented following benchmarking against the Financial Institutions Remuneration Group's (FIRG) market surveys. There were no other changes to the remuneration package as a result of this change.
- The employment contract for Mr Robert Firth (Chief Risk Officer) was extended in April 2025, with a new end date for his fixed term contract of 4 July 2025. A termination payment was agreed in June 2025 before cessation of employment, comprising of contractual and legislative redundancy entitlements as well as an ex-gratia payment. There were no other changes to the remuneration package.
- A termination payment was agreed in May 2025 for Mrs Alana Scheiffers (General Counsel) before cessation of employment, comprising of payment in lieu of notice, contractual and legislative redundancy entitlements as well as an ex-gratia payment. There were no other changes to the remuneration package.

Directors' resolution

This Directors report is signed in accordance with a resolution of the Directors of the Trustee made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors of the Trustee



Janet Torney

Chair

25 September 2025



Directors of the Commonwealth Superannuation Corporation
Military Superannuation and Benefits Scheme
7 London Circuit
Canberra ACT 2601

MILITARY SUPERANNUATION AND BENEFITS SCHEME FINANCIAL REPORT 2024–25
AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of the Military Superannuation and Benefits Scheme for the year ended 30 June 2025, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

A handwritten signature in black ink, appearing to be 'Fiona Sheppard'.

Fiona Sheppard
Executive Director

Delegate of the Auditor-General

Canberra
25 September 2025

Military Superannuation and Benefits Scheme (ABN 50 925 523 120)
Statement by the Trustee of the Military Superannuation and Benefits Scheme ('Scheme')

The Directors of the Trustee hereby state that in their opinion:

- (a) the accompanying financial statements of the Military Superannuation and Benefits Scheme are properly drawn up so as to present fairly the financial position of the Scheme as at 30 June 2025 and the financial performance, changes in equity, changes in member benefits and cash flows of the Scheme for the year ended on that date;
- (b) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;
- (c) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with subsection 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements, the *Corporations Act 2001* and *Corporations Regulations 2001*;
- (d) the financial statements have been prepared based on properly maintained financial records; and
- (e) the operations of the Scheme were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011*, the *Military Superannuation and Benefits Act 1991*, the Trust Deed establishing the Scheme, the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the relevant requirements of the *Corporations Act 2001* and regulations (to the extent applicable).

Signed this 25th day of September 2025 in accordance with a resolution of Directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.



Janet Torney
Chair



Andrea Hall
Director

Military Superannuation and Benefits Scheme
Statement of Financial Position
For the year ended 30 June 2025

	Note	2025 \$'000	2024 \$'000
Assets			
Cash and cash equivalents		21,411	25,474
Employer sponsor receivable		84,586,905	80,744,845
Other receivables	4	7,651	5,883
Investments in pooled superannuation trust	5	<u>15,223,579</u>	<u>13,960,728</u>
Total assets		<u>99,839,546</u>	<u>94,736,930</u>
Benefits payable		(8,487)	(7,903)
Income tax payable		(12,333)	(17,456)
Other payables		(549)	(548)
Deferred tax liabilities	8(c)	<u>(11)</u>	<u>(14)</u>
Total liabilities excluding member benefits		<u>(21,380)</u>	<u>(25,921)</u>
Net assets available for member benefits		<u>99,818,166</u>	<u>94,711,009</u>
Member liabilities	9	<u>(99,764,000)</u>	<u>(94,662,000)</u>
Net assets		<u>54,166</u>	<u>49,009</u>
Equity			
Operational risk reserve		<u>(54,166)</u>	<u>(49,009)</u>
Total equity		<u>(54,166)</u>	<u>(49,009)</u>

Military Superannuation and Benefits Scheme
Income Statement
For the year ended 30 June 2025

	Note	2025 \$'000	2024 \$'000
Investment revenue			
Interest		1,055	1,051
Changes in fair value of investments	6(c)	<u>1,478,164</u>	<u>1,179,493</u>
Total revenue		<u>1,479,219</u>	<u>1,180,544</u>
Total expenses			
	7(c)	<u>-</u>	<u>-</u>
Operating results / (loss)		<u>1,479,219</u>	<u>1,180,544</u>
Net change in member benefits from investing activities		<u>(1,473,904)</u>	<u>(1,176,030)</u>
Operating result before income tax expense		<u>5,315</u>	<u>4,514</u>
Income tax expense	8(a)	<u>(158)</u>	<u>(158)</u>
Operating result after income tax expense		<u>5,157</u>	<u>4,356</u>

Military Superannuation and Benefits Scheme
Statement of Changes in Member Benefits
For the year ended 30 June 2025

	Note	2025 \$'000	2024 \$'000
Opening balance of member benefits allocated at the beginning of the financial year		94,662,000	84,574,000
Contributions:			
Member contributions	7(a)	199,635	203,803
Employer contributions	7(a)	135,819	138,880
Government co-contributions	7(a)	93	141
Low income superannuation tax offset	7(a)	73	82
Income tax on contributions	8(b)	(20,391)	(20,869)
Net after tax contributions		315,229	322,037
Net appropriation from Consolidated Revenue Fund	7(b)	2,157,290	1,770,826
Benefits to members	7(b)	(2,686,483)	(2,208,800)
Net change in member benefits from investing activities		1,473,904	1,176,030
Net change in member benefits to be funded by employers		3,842,060	9,027,907
Closing balance of member benefits allocated at the end of the financial year		99,764,000	94,662,000

Military Superannuation and Benefits Scheme
Statement of Changes in Equity
For the year ended 30 June 2025

	Operational risk reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2023	49,470	49,470
Operating result	4,356	4,356
Net transfers from reserves	(4,817)	(4,817)
Closing balance as at 30 June 2024	49,009	49,009
Opening balance as at 1 July 2024	49,009	49,009
Operating result	5,157	5,157
Closing balance as at 30 June 2025	54,166	54,166

Military Superannuation and Benefits Scheme
Statement of Cash Flows
For the year ended 30 June 2025

	Note	2025 \$'000	2024 \$'000
Cash flows from operating activities			
Interest received		1,078	1,031
Superannuation surcharge paid		1	34
Income tax paid		<u>(159)</u>	<u>(80)</u>
Net cash inflows from operating activities	10(b)	<u>920</u>	<u>985</u>
Cash flows from investing activities			
Purchase of investments		(315,090)	(322,000)
Proceeds from sale of investments		<u>530,403</u>	<u>438,090</u>
Net cash inflows from investing activities		<u>215,313</u>	<u>116,090</u>
Cash flows from financing activities			
Contributions received			
Employer contributions		135,819	138,880
Member contributions		199,635	203,803
Government co-contributions		93	141
Low income superannuation tax offset		73	82
Income tax paid on contributions		(25,516)	(17,640)
Benefits paid		(2,685,899)	(2,209,627)
Net appropriation from Consolidated Revenue Fund		<u>2,155,499</u>	<u>1,771,508</u>
Net cash outflows from financing activities		<u>(220,296)</u>	<u>(112,853)</u>
Net (decrease) / increase in cash held		<u>(4,063)</u>	<u>4,222</u>
Cash at the beginning of the financial year		25,474	21,252
Cash at the end of the financial year	10(a)	<u>21,411</u>	<u>25,474</u>

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the financial year ended June 2025

1. DESCRIPTION OF THE SCHEME AND THE FUND

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

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of the Scheme is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations, including AASB 1056 'Superannuation Entities', the Corporations Act 2001 and Corporations Regulations 2001. For the purposes of preparing financial statements the Scheme is a for profit for members entity.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011*.

The financial statements of the Scheme were authorised for issue by the Directors of the Trustee on 26 September 2025.

New Accounting and Sustainability Reporting Standards

At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Scheme were in issue but not yet effective.

Standard	Effective for annual reporting periods beginning after	Expected to be initially applied in the financial year ending
AASB 18 - Presentation and Disclosure in Financial Statements		
This Accounting Standard will not change the recognition and measurement of items in the financial statements but may affect presentation and disclosure, including introducing new categories and subtotals in the Income Statement, requiring the disclosure of management defined performance measures, and changing the grouping of information in the financial statements.	1 January 2028	30 June 2029
The Scheme is currently assessing the likely impacts on the financial statements of this Standard.		

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the financial year ended June 2025

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (Continued)

AASB S2 – Climate-related Disclosures

This Sustainability Reporting Standard sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. It applies to climate-related risks to which the entity is exposed, which are climate-related physical risks and climate related transition risks as well as climate-related opportunities available to the entity.

1 January 2026 30 June 2027

The effective date of this Standard for Registrable Superannuation Entities (RSE's) is dependant on the size of the RSE measured in reference to thresholds for consolidated revenue, consolidated assets and employees. This Standard will be effective for the Scheme for annual reporting periods beginning after 1 January 2026, and expected to be initially applied in the financial year ending 30 June 2027. The Scheme is currently assessing the likely impacts of this Standard.

No Accounting or Sustainability Reporting Standards have been adopted earlier than the application date as stated in the Standard.

(b) Functional and presentation currency

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

The Scheme is an entity of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, and in accordance with that Corporations Instrument amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

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

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

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

(d) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, the Directors of the Trustee have considered future events and conditions including for the period of twelve months following the approval of these financial statements. The Trustee remains confident that the Scheme will be able to continue as a going concern as the Scheme's assets significantly outweigh its liabilities and it has sufficient liquidity to meet its debts as and when they fall due.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2025 and the comparative information presented in these financial statements for the year ended 30 June 2024.

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the financial year ended June 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets

Financial assets (being investments in a pooled superannuation trust (PST), cash at bank and other receivables) are recognised on the date the Scheme becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. After initial measurement, any gains and losses from changes in fair value are recognised in the Income Statement.

Fair value is the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair values have been determined as follows:

- (i) Units in a PST are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the fair value of the underlying investments.
- (ii) Other receivables are recognised at nominal amounts due which approximate fair value. All amounts are unsecured and are subject to normal credit terms.

(c) Employer sponsor receivable

The Commonwealth Government is obliged under the *Military Superannuation and Benefits Act 1991* to meet any funding shortfall for the defined benefit member liabilities of the Scheme. The asset is measured at its 'intrinsic value' (i.e. the amount of the difference between member liability and the fair value of assets available to meet that liability). The value of the employer sponsor receivable will not necessarily be the same as the value of the corresponding liability in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions from those set out in Note 9.

(d) Foreign currency transactions

The Scheme does not undertake transactions denominated in foreign currencies.

(e) Payables

Payables (being benefits payable and other payables) are recognised at their nominal value which is equivalent to fair value.

Benefits payable

Benefits payable to a member are recognised where a valid withdrawal notice has been received from the employer sponsor, and approved, but payment has not been made by reporting date.

Other payables

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

(f) Member liabilities

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due (Note 9).

The impact of the Scheme's default death and invalidity insurance arrangements have been considered in determining member liabilities. Balances and transactions in respect of these arrangements are presented in aggregate as part of member liabilities and the benefits paid/payable balances presented in the Statement of Financial Position and Statement of Changes in Member Benefits.

(g) Contribution revenue and transfers from other funds

Employer and member contributions, superannuation co-contributions, low income superannuation tax offsets from the Commonwealth Government and transfers from other funds are recognised when control of the contribution or transfer has passed to the Scheme.

(h) Operational risk reserve

The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Scheme. The transferred assets underlying the ORR are held in a separate balanced option of the ARIA Investments Trust ('the AIT') and income earned on these assets is recognised in the reserve.

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the financial year ended June 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Derivatives

The Scheme does not directly enter into derivative financial instruments.

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Investment revenue

Interest revenue is recognised on an accrual basis.

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

(k) Expenses

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

(l) Income tax

Income tax is recognised in the Income Statement and the Statement of Changes in Member Benefits. As the Scheme invests in the AIT, which is a PST, tax on this investment revenue is paid by the AIT.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Current and deferred tax for the period

Current and deferred tax for the period is recognised as an expense or benefit in the Income Statement, except for tax on contributions, which is recognised in the Statement of Changes in Member Benefits.

(m) Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the financial year ended June 2025

4. OTHER RECEIVABLES

	2025	2024
	\$'000	\$'000
Interest receivable	73	96
Amount to be appropriated from Consolidated Revenue Fund	<u>7,578</u>	<u>5,787</u>
	<u>7,651</u>	<u>5,883</u>

There are no receivables that are past due or impaired. (2024: Nil)

5. INVESTMENTS

	2025	2024
	\$'000	\$'000
Pooled superannuation trust - ARIA Investments Trust	<u>15,223,579</u>	13,960,728
	<u>15,223,579</u>	<u>13,960,728</u>

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2025	2024
	\$'000	\$'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	1,451,718	1,162,427
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	26,446	17,066
(c) Total changes in fair value of investments	<u>1,478,164</u>	<u>1,179,493</u>

7. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions

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

Employer Contributions

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

Transferring Superannuation from Other Funds

Money invested in other superannuation funds can be rolled over to the Scheme.

Government Co-Contributions

For the financial years ended 30 June 2024 and 30 June 2025, the Commonwealth Government contributed \$0.50 for every \$1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of \$500 per member.

Low Income Superannuation Tax Offset

The low income superannuation tax offset (LISTO) is a Commonwealth Government superannuation payment of up to \$500. LISTO payments are recognised as revenue when received.

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the financial year ended June 2025

7. FUNDING ARRANGEMENTS (CONTINUED)

(b) Benefits

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

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

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

Of the total benefits payable as at 30 June 2025, \$1.9 million (2024: \$2.4 million) is payable by the Consolidated Revenue Fund. The Commonwealth Government is the corresponding debtor for this amount in accordance with the funding arrangements described above.

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

	2025	2024
	\$'000	\$'000
Gross Appropriation from Consolidated Revenue Fund	2,495,395	2,052,330
less: Transfers from Fund to Consolidated Revenue Fund	(338,105)	(281,504)
Net Appropriation	<u>2,157,290</u>	<u>1,770,826</u>
Consolidated Revenue Fund		
Lump-sum benefits	342,954	270,399
Pensions	<u>2,152,441</u>	<u>1,781,931</u>
	<u>2,495,395</u>	<u>2,052,330</u>
Military Superannuation and Benefits Fund No. 1		
Lump-sum benefits	<u>191,088</u>	156,470
Total benefits paid and payable	<u>2,686,483</u>	<u>2,208,800</u>

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the financial year ended June 2025

7. FUNDING ARRANGEMENTS (CONTINUED)

(c) Cost of managing, investing and administering the scheme

The Scheme does not directly incur expenses. Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of the AIT that are referable to the Scheme. Transactions in respect of these costs have been brought to account in the financial statements of the AIT.

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

	2025	2024
	\$'000	\$'000
Investment		
Investment manager fees	25,030	20,232
Custodian fees	1,343	1,343
Investment consultant and other service provider fees	1,852	2,001
Other investment expenses	730	1,010
Total direct investment expenses	28,955	24,586
Regulatory fees	1,617	1,444
Other operating expenses	21,081	16,944
Total costs	51,653	42,974

Administrative fees are paid to CSC by the Department of Defence to meet costs other than those incurred in managing and investing Fund assets. The sponsoring employer has contributed further administration funding of \$24.40 million (2024: \$23.82 million). Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee.

8. INCOME TAX

(a) Income tax recognised in operating results

	2025	2024
	\$'000	\$'000
Income tax expense comprises:		
Current tax expense	161	155
Deferred tax expense relating to the origination and reversal of temporary differences	(3)	3
Total income tax expense	158	158

The prima facie income tax expense on the operating result before income tax reconciles to the income tax expense in the Income Statement as follows:

Operating result before income tax expense	5,315	4,514
Income tax expense calculated at 15%	797	677
Net benefits allocated to members during the year	221,086	176,405
Changes in fair value of investment already taxed	(221,725)	(176,924)
Total income tax expense	158	158

Military Superannuation and Benefits Scheme
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8. INCOME TAX (CONTINUED)

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

	2025 \$'000	2024 \$'000
Contributions received:		
Member contributions	199,635	203,803
Employer contributions	135,819	138,880
Government co-contributions	93	141
Low income superannuation tax offset	73	82
Total contributions received	335,620	342,906
Contributions tax calculated at 15%	50,343	51,436
Member contributions not subject to tax	(29,945)	(30,570)
Government co-contributions not subject to tax	(14)	(21)
Low income superannuation tax offset not subject to tax	(11)	(12)
Rollovers in subject to tax	18	38
Under / (over) relating to the prior year	-	(2)
Total income tax on contributions	20,391	20,869

(c) Deferred tax balances

	2025 \$'000	2024 \$'000
Deferred tax liabilities:		
Temporary differences	11	14
	11	14

Taxable and deductible temporary differences arise from the following:

2025	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Gross deferred tax liabilities:			
Interest receivable	14	(3)	11
	14	(3)	11

2024	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Gross deferred tax liabilities:			
Interest receivable	11	3	14
	11	3	14

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the financial year ended June 2025

9. MEMBER LIABILITIES

The Scheme engages qualified actuaries on an annual basis to measure defined benefit liabilities. The value of the member liabilities will not necessarily be the same as the value presented in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions. The liabilities change from year to year as a result of contributions, benefit payments, interest costs and investment returns relative to the actuarial assumptions adopted.

The Scheme uses sensitivity analysis to monitor the potential impact of key changes to key variables about which the assumptions need to be made. The Scheme has identified five assumptions (being the mortality rates, the discount rate/investment returns, the rate of salary adjustment, the inflation rate and the invalidity pension commencements) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities:

- The current mortality assumptions adopted are scheme specific based on the experience observed. The actuaries have updated these assumptions from the prior year based on analysis of the Scheme's actual experience.
- The assumed discount rate has been determined by reference to the target investment returns expected on the investment portfolio, which reflect the opportunities reasonably available to the Scheme in the investment markets. There has been no change to this assumption from the prior year.
- The assumed annual salary adjustment of 3.7% nominal for 2024-25 (3.7% for 2023-24) has been determined by historical observations over a long term period and in consultation with the employer sponsor.
- The assumed inflation rate has been determined based on the mid-point of the Reserve Bank of Australia (RBA) inflation target. There has been no change to this assumption from the prior year.
- The current invalidity pension commencement assumptions adopted are scheme specific based on the experience observed. They relate to two different forms of pension commencement. The first form is via future direct exit of serving members of the ADF on to an invalidity pension. The second relates to existing preserved members who, at some stage in the future, will have their mode of exit from the ADF changed retrospectively to being a medical discharge that results in the retrospective commencement of an invalidity pension. The actuaries have updated these assumptions from the prior year based on analysis of the Scheme's actual experience, to reflect a higher anticipated number of retrospective invalidities.

Other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include resignation rates.

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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9. MEMBER LIABILITIES (CONTINUED)

The following are sensitivity calculations on a univariate basis for the mortality rates, the rate of invalidity pensions, the discount rate/investment returns, the rate of salary adjustment and the inflation rate assumptions for the Scheme.

Key assumptions	Assumed at reporting date	Reasonably Possible Change	(Increase)/Decrease in member liabilities (\$'000)
30 June 2025			
Discount rate / investment returns	6.0%	+ 1% - 1%	13,266,000 (17,237,000)
Salary adjustment rate	3.7%	+ 1% - 1%	(1,400,000) 1,257,000
Inflation rate	2.5%	+ 1% - 1%	(15,389,000) 12,189,000
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	472,000 (489,000)
Invalidity pensions	A scale developed by the Scheme actuary	40% higher retrospective invalidity pensions and contributor invalidity exit rates -40% lower retrospective invalidity pensions and contributor invalidity exit rates	(4,821,000) 5,212,000
30 June 2024			
Discount rate / investment returns	6.0%	+ 1% - 1%	13,049,000 (16,674,000)
Salary adjustment rate	3.7%	+ 1% - 1%	(1,376,000) 1,233,000
Inflation rate	2.5%	+ 1% - 1%	(14,849,000) 11,995,000
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality ¹ - 5.0% lower mortality ¹	453,000 (464,000)
Invalidity pensions	A scale developed by the Scheme actuary	40% higher retrospective invalidity pensions and contributor invalidity exit rates -40% lower retrospective invalidity pensions and contributor invalidity exit rates	(5,412,000) 5,819,000

¹ For example, if the base probability of death of 3.0%, the higher rate is 3.15% and the lower rate is 2.85%.

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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9. MEMBER LIABILITIES (CONTINUED)

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any other factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

An actuarial estimate of vested benefits at 30 June 2025 is \$85.5 billion (2024: \$78.5 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2025 and elected the option which maximised their benefit entitlement.

The vested benefits have been calculated on the basis of current legislative arrangements as at the reporting date.

10. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2025	2024
	\$'000	\$'000
Cash at bank	<u>21,411</u>	<u>25,474</u>

(b) Reconciliation of operating result after income tax expense to net cash inflows from operating activities

Operating result after income tax expense	5,157	4,356
Net change in member benefits from investing activities	1,473,904	1,176,030
Changes in fair value of investments	(1,478,164)	(1,179,493)
Decrease/(increase) in interest receivable	23	(20)
Increase in other payables	1	34
(Decrease)/increase in income tax payables	(1)	78
Net cash inflows from operating activities	<u>920</u>	<u>985</u>

11. AUDITOR'S REMUNERATION

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

	2025	2024
	\$	\$
Financial statements	70,624	70,459
Regulatory returns and compliance	<u>18,070</u>	<u>18,070</u>
Total	<u>88,694</u>	<u>88,529</u>

The audits were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the ARIA Investments Trust that are referable to the Scheme.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included in the above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Scheme during the reporting period.

Military Superannuation and Benefits Scheme
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12. FINANCIAL INSTRUMENTS

(a) Financial instruments management

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

The investments of the Scheme (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the AIT. The AIT is a PST which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Scheme's published investment strategy. The Trustee applies strategies to manage risk relating to the investment activities of the AIT. The investments of the AIT are managed on behalf of the Trustee by specialist external investment managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Material accounting policies

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

(c) Capital risk management

The Registerable Superannuation Entity ('RSE') licence of the Trustee of the Scheme requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations in the form of operational risk reserve(s), operational risk trustee capital or a combination thereof to meet the target amount of financial resources that the RSE licensee determines is necessary to respond to these losses. The Trustee of the Scheme was in compliance with this requirement throughout the reporting period.

(d) Categories of financial instruments

The financial assets and liabilities of the Scheme are recognised at fair value as at the reporting date. Changes in fair value are recognised in the Income Statement and the Statement of Changes in Member Benefits.

(e) Financial risk management objectives

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

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

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

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

Military Superannuation and Benefits Scheme
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the financial year ended June 2025

12. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Credit risk

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

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within the AIT exceeded 5% of net assets of that trust at 30 June 2025 or 30 June 2024.

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

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

	2025	2024
	\$'000	\$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	15,223,579	13,960,728
Other financial assets		
Cash and cash equivalents	21,411	25,474
Other receivables	7,651	5,883
Total financial assets	15,252,641	13,992,085

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

(g) Liquidity risk

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

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

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

Military Superannuation and Benefits Scheme
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Liquidity risk (Continued)

The following tables summarise the maturity profile of the Scheme's financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Scheme expects to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	Over 5 years \$'000	Total \$'000
30 June 2025					
Other payables	549	-	-	-	549
Benefits payable	8,487	-	-	-	8,487
Member liabilities	715,000	2,144,000	11,609,000	85,296,000	99,764,000
Total financial liabilities	724,036	2,144,000	11,609,000	85,296,000	99,773,036
30 June 2024					
Other payables	548	-	-	-	548
Benefits payable	7,903	-	-	-	7,903
Member liabilities	632,000	1,897,000	10,429,000	81,704,000	94,662,000
Total financial liabilities	640,451	1,897,000	10,429,000	81,704,000	94,670,451

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

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

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

Foreign currency risk

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

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

Interest rate risk

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

The Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2025 and 30 June 2024 had a maturity profile of less than one month.

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

Military Superannuation and Benefits Scheme
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the Scheme's sensitivity to a 0.5% p.a. (2024: 0.5%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of the reasonably possible change in interest rates as at that date. Had interest rates been lower or higher by 0.5% (2024: 0.5%) at reporting date, and all other variables were held constant, the financial result would have improved / (deteriorated) as demonstrated:

	Carrying amount \$'000	Interest rate risk \$'000			
		Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
2025		-0.50%		+0.50%	
Cash and cash equivalents	21,411	(107)	(107)	107	107
2024		-0.50%		+0.50%	
Cash and cash equivalents	25,474	(127)	(127)	127	127

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

Other price risk

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

The Scheme's investment in the AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in the AIT is carried at fair value through profit or loss, all changes in market conditions will directly affect the Scheme's net investment income.

In its capacity as trustee of the AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

Military Superannuation and Benefits Scheme
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (Continued)

Other price risk (Continued)

The following table illustrates the Scheme's sensitivity to a reasonably possible change in the value of its investment in the AIT, based on risk exposures at reporting date. The volatility factor of 4.60% (2024: 5.50%) represents the volatility in the default option unit price of the Schemes Investment in the AIT and is reflective of market conditions as at reporting date. Had the unit price been higher or lower by the volatility factor at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

Financial Assets	Change in price	Carrying amount \$'000	Price risk \$'000			
			Net Assets		Net Assets	
			Operating Result Before Tax	Available to Pay Benefits	Operating Result Before Tax	Available to Pay Benefits
ARIA Investments Trust:			(Lower price)		Higher price	
2025						
Balanced option	-/+4.60%	12,567,661	(578,112)	(578,112)	578,112	578,112
Cash option	-/+0.16%	141,308	(226)	(226)	226	226
Income focused option	-/+2.30%	106,286	(2,445)	(2,445)	2,445	2,445
Aggressive option	-/+5.60%	2,354,158	(131,833)	(131,833)	131,833	131,833
Operational risk reserve	-/+4.60%	54,166	(2,492)	(2,492)	2,492	2,492
Total		15,223,579	(715,108)	(715,108)	715,108	715,108

Financial Assets	Change in price	Carrying amount \$'000	Price risk \$'000			
			Net Assets		Net Assets	
			Operating Result Before Tax	Available to Pay Benefits	Operating Result Before Tax	Available to Pay Benefits
ARIA Investments Trust:			(Lower price)		Higher price	
2024						
Balanced option	-/+5.50%	11,741,514	(645,783)	(645,783)	645,783	645,783
Cash option	-/+0.14%	107,762	(151)	(151)	151	151
Income focused option	-/+2.60%	82,644	(2,149)	(2,149)	2,149	2,149
Aggressive option	-/+6.40%	1,979,799	(126,707)	(126,707)	126,707	126,707
Operational risk reserve	-/+5.50%	49,009	(2,695)	(2,695)	2,695	2,695
Total		13,960,728	(777,485)	(777,485)	777,485	777,485

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

(i) Fair value measurements

The Scheme's financial instruments are included in the Statement of Financial Position at fair value. The fair value is determined per the accounting policies in Note 3.

Military Superannuation and Benefits Scheme
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the Scheme's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: fair value measurements are those derived from quoted prices in active markets.

Level 2: fair value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2025				
Financial Assets				
Pooled superannuation trust	-	15,223,579	-	15,223,579
2024				
Financial Assets				
Pooled superannuation trust	-	13,960,728	-	13,960,728

There were no transfers between Level 1 and 2 in the period (2024: Nil).

Units in the PST are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 fair value measurements

There were no Level 3 financial assets or liabilities (2024: Nil).

Fair value measurements of the underlying PST's investments

The funded components of the Schemes for which CSC is the Trustee are co-invested in a PST. The following table provides an analysis of the underlying PST's investments grouped into levels 1 to 3 of the fair value hierarchy based on the degree to which their fair value is observable. The table has been prepared on a look-through basis and therefore discloses investments held in the subsidiary trusts of the PST for which the Trustee or ARIA Co Pty Ltd are also Trustee, as if they are direct investments of the PST.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2025				
Cash and cash equivalents	3,211,226	755,000	-	3,966,226
Money market investments	-	5,123,769	-	5,123,769
Fixed interest investments	-	8,530,578	265,321	8,795,899
Equity investments	39,657,320	4,108,443	13,938,290	57,704,053
Property investments	966,350	-	2,821,938	3,788,288
Derivatives contracts (net)	55,775	353,532	-	409,307
Total	43,890,671	18,871,322	17,025,549	79,787,542

2024				
Cash and cash equivalents	2,890,687	730,000	-	3,620,687
Money market investments	-	5,843,652	-	5,843,652
Fixed interest investments	-	6,569,885	410,090	6,979,975
Equity investments	34,155,962	5,007,098	13,268,804	52,431,864
Property investments	734,165	-	3,233,610	3,967,775
Derivatives contracts (net)	(17,602)	353,322	-	335,720
Total	37,763,212	18,503,957	16,912,504	73,179,673

Military Superannuation and Benefits Scheme
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying PST's investments (Continued)

The fair values of the PST's investments are determined as follows:

Public Market Investments

Money market investments are valued at the market closing price on the last business day of the reporting period and include accrued interest.

- Fixed interest investments are valued at their market value at close of business on the last business day of the reporting period. Interest is accrued over the period and is recorded in the Statement of Financial Position.
- Futures contracts are valued at market closing prices quoted on the last business day of the reporting period.
- Forward currency contracts and swaps are valued using prices obtained from independent providers as at the last business day of the reporting period (or alternatively from counterparties or fund managers where a provider does not supply a price).
- Equity securities and listed trusts are valued at the last sale price at close of business on the last business day of the reporting period.
- Exchange traded options are valued as the premium payable or receivable to close out the contracts at the last buy price at close of business on the last business day of the reporting period.

Across Public Market investments, the Trustee relies on the Custodian's independent pricing process which includes obtaining at least two prices from separate vendors on a daily basis; tolerance checks; and applying prices based on a vendor "Provider Hierarchy" that is formulated and regularly reviewed by the Custodian's pricing specialist group.

Private Market Investments

- Private equity funds are valued according to the most recent valuation obtainable from the Investment Manager. Each Investment Manager determines the valuations with reference to the valuation of the underlying portfolio companies. Investment Managers comply with the relevant valuation guidelines and/or accounting standards applicable in their jurisdictions. Where valuation standards for relevant jurisdictions are not consistent with Australian Accounting Standards, CSC will implement procedures to ensure fair value prices are received for investments.
- Direct Property and Infrastructure valuations are appraisal-based from appropriately qualified independent valuers on a quarterly basis. For smaller direct investments below the materiality threshold, independent external valuations may be conducted less frequently than quarterly but at a minimum annually.
- Indirect Property and Infrastructure valuations are either appraisal-based from appropriately qualified independent valuers; or administered by each Investment Manager with reference to the valuation of the underlying holdings in accordance with the constituent documents of that respective investment.
- Other unlisted trusts (including hedge funds) are valued by an administrator appointed by the Investment Manager who will apply independent pricing through a pricing vendor or service to the investments.

Across Private Market investments, to the extent such information is accessible, the Trustee reviews material inputs used by external Investment Managers in forming their private asset valuations; and seeks to confirm that known events in broad financial markets, as well as at the specific company / investment level, have been taken into account in forming the valuation.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include but are not limited to the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Valuation adjustments to unlisted investments

Where there is a delay in the timely receipt of valuation for unlisted investments from the investment managers, the Trustee applies a systematic quarterly valuation adjustment. This adjustment is based on the performance of a comparable public market index over the relevant period and a relevant adjustment factor representing an estimate of the change in value implied by past relationships to the selected comparable public market index.

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12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying PST's investments (Continued)

This adjustment aims to assist in preserving equitable member outcomes from the impact of delays in receipt of valuations from primarily international investment managers. A special situation valuation adjustment is able to be made when, in management's judgment an unlisted valuation does not represent fair value and is required to preserve equitable member outcomes.

As at 30 June 2025, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted Australian controlled entities of \$324.2m (\$68.8m in 2024), unlisted international trusts of \$3.4m (\$0.4m in 2024) and unlisted Australian trusts of \$2.1m (\$0.5m in 2024), representing 2.0%, 0.2% and 0.0% of the unlisted Australian controlled entities, international trusts and Australian trust portfolios respectively (0.5%, 0.0% and 0.0% in 2024).

13. RELATED PARTIES

(a) Trustee

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

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2025 and to the date of this report were:

Ariane Barker (Term ended 30 June 2025)	Garry Hounsell (Chair) (Term ended 31 December 2024)
Juliet Brown	David Mulhall
Melissa Donnelly	Arundhati Tandel (Appointed 1 July 2025)
Lee Goddard	Janet Torney (Chair) (Appointed 31 March 2025)
Andrea Hall	Alistair Waters (Term ended 30 June 2025)
Jacqueline Hey	

In addition to the Directors, the following Executives of CSC had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2025 and until the date of this report:

Paul Abraham	Executive Manager, Investment Services (Until 27 April 2025)
Catharina Armitage	Chief People Officer (Previously Executive Manager, People until 27 April 2025)
Robert Firth	Chief Risk Officer (Ceased 4 July 2025)
Damian Hill	Chief Executive Officer
Andrew Matuszczak	Chief Transformation and Information Officer
Adam Nettheim	Chief Customer Officer
Alana Scheiffers	General Counsel (Ceased 27 May 2025)
Alison Tarditi	Chief Investment Officer
Nevein Versace	Chief Risk and Compliance Officer (Appointed 18 August 2025)
Andy Young	Chief Operating Officer

Alana Scheiffers, Lee Goddard and David Mulhall are members of the Scheme. The terms and conditions of their memberships, or those of any related parties, is the same as for any other member who is not part of the key management personnel of the Scheme.

Military Superannuation and Benefits Scheme
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13. RELATED PARTIES (CONTINUED)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel in relation to the Scheme is set out below:

	2025	2024
	\$'000	\$'000
Short-term employee benefits	671	632
Post-employment benefits	32	31
Other long-term employee benefits	20	11
Termination benefits	79	-
	802	674

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

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

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

(d) Investing entities

Throughout the year ended 30 June 2025, the Scheme's only investment consisted of units in the AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

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

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

The Trustee pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the AIT that are referable to the Scheme (see Note 7(c)).

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

	Fair Value of	Fair Value of	Changes in Fair	Changes in Fair
	Investment	Investment	Value of	Value of
	2025	2024	Investments	Investments
	\$'000	\$'000	2025	2024
	\$'000	\$'000	\$'000	\$'000
ARIA Investments Trust	15,223,579	13,960,728	1,478,164	1,179,493
	15,223,579	13,960,728	1,478,164	1,179,493

14. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2025 (2024: \$Nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Scheme which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Scheme.

There were no other contingent liabilities or contingent assets for the Scheme at 30 June 2025 (2024: \$Nil).

15. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2025 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Members of the Military Superannuation and Benefits Scheme

Opinion

In my opinion, the financial report of the Military Superannuation and Benefits Scheme (the RSE) for the year ended 30 June 2025 is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the RSE's financial position as at 30 June 2025 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

The financial report of the RSE, which I have audited, comprises the following as at 30 June 2025 and for the year then ended:

- Statement by the Trustee of the Military Superannuation and Benefits Scheme ('Scheme');
- Statement of Financial Position;
- Income Statement;
- Statement of Changes in Member Benefits;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to and forming part of the financial statements, comprising material accounting policy information 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 Report* section of my report. I am independent of the RSE in accordance with the auditor independence requirements of the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and their delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2025 but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Directors' responsibility for the financial report

The Directors of the RSE are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and the form agreed with the Minister for Finance and the requirements of the *Superannuation Industry (Supervision) Act 1993 (SIS Act)* and the Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations). The Directors also are responsible for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the RSE or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objective is to obtain reasonable assurance about whether the financial report as a whole is 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 report.

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 report, 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 the RSE's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors' 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 the RSE'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 report 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 the RSE to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Directors 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.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of Military Superannuation and Benefits Scheme, for the year ended 30 June 2025, complies with section 300C of the *Corporations Act 2001*.

Responsibilities

The Directors are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300C of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'Fiona Sheppard', with a stylized flourish at the end.

Fiona Sheppard
Executive Director
Delegate of the Auditor-General
Canberra
25 September 2025