Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

ANNUAL Report 2009

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21 August 2009

The Hon. Julia Gillard MP
Minister for Employment and Workplace Relations
Parliament House
CANBERRA ACT 2600

Dear Minister

It is my pleasure to present to you the Annual Report for the Coal Mining Industry (Long Service Leave Funding) Corporation for the year ended 30 June 2009 which marks the seventeenth (17^{th}) year of the Corporation's administration of long service leave funding in the Australian black coal industry.

The investments of the Fund continued to experience the effects of the "Global Financial Crisis or GFC" and further negative investment returns were recorded for the 2008/2009 year. The Board of the Corporation continues to monitor and review the investment strategy of the Fund with the assistance of the consulting asset consultant and together we are confident that the Fund will record modest and sustainable investment returns in the long term.

It is again pleasing to report that the Corporation continues to administer the reimbursement of employer long service leave payments in accordance with the legislation, has properly recorded its activities in the accompanying annual report and exercised due governance in discharging its responsibilities to the satisfaction of the Australian National Audit Office.

I thank all retiring Directors for their service to the Corporation and the industry and wish them well for the future.

I also thank all current Directors for their contribution and support over the year and look forward to continuing to work with them through the next phase in the Corporation's history.

Finally, on behalf of the Board I thank officers of your Department, the Secretary and the staff of the administrators in each of the participating States of New South Wales, Queensland, Western Australia and Tasmania for their efforts over the past year.

A J Weston
Chairman

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General Commentary

Introduction

Established by the Coal Mining Industry (Long Service Leave Funding) Act 1992 (The Act), the Coal Mining Industry (Long Service Leave Funding) Corporation (The Corporation) is responsible for the administration of the Coal Mining Industry Long Service Leave Fund (The Fund).

The Fund has operated since 1949 to provide reimbursement payments to employers paying long service leave to persons employed in the black coal industry in New South Wales, Queensland, Western Australia and Tasmania on the basis of industry employment service.

The Coal Mining Industry (Long Service Leave) Payroll Act 1992, and the Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992, enable:-

- the raising of levies by the Commonwealth on employers of persons employed in the black coal industry; and
- appropriations to the Fund to form assets from which these reimbursement payments are made.

This centralised method of funding long service leave payments was created to fund the liability of employers given the entitlement to long service leave for employees in the industry is based upon 'industry service' rather than service with any single employer.

Position Post 30 June 2009

Employers and unions in the black coal mining industry have reviewed current arrangements for funding employee long service leave entitlements and reached agreement:

- to amend the coal mining industry long service leave funding legislation to secure the existing level of employee entitlement to long service leave, to improve the operation of the scheme, to provide certainty, to facilitate compliance, to simplify the administration of the scheme and to ensure that the scheme is properly funded; and

- to convert the Coal Mining Industry (Long Service Leave Funding) Corporation (Corporation) to an industry / union controlled Corporations Act company with clear powers to administer and enforce the scheme for funding employee long service leave entitlements – this will allow black coal mining industry employers and unions to assume greater responsibility for funding coal mining industry long service leave arrangements.

On 20 May 2009 representatives from an Industry Working Party, whose members include the NSW Minerals Council, Queensland Resources Council and Construction. Forestry, Mining and Energy Union (CFMEU), met with the Deputy Prime Minister, the Hon. Julia Gillard, to discuss the various proposals within their Agreement. The Minister gave in-principle support to progress the proposals and are being considered by the Australian Government.

The Board has accepted that there will be expenditure incurred in the transitional arrangements and therefore have included allowance in respect of a "Project Budget" in the 2009/2010 Budget.

The Corporation

The Corporation is a body corporate established by the Act. It has a Board of six (6) Directors to manage the administration of the Fund who are appointed by the Minister for Employment and Workplace Relations, and hold office on a part-time basis.

- Two (2) Directors are appointed to represent companies engaged in black coal mining in New South Wales, Queensland and Tasmania;
- One (1) Director is appointed to represent companies engaged in black coal mining in Western Australia;
- One (1) Director is appointed to represent the Construction, Forestry Mining and Energy Union (CFMEU) (Mining and Energy Division);
- One (1) Director is appointed to represent the Electrical Division of the Communications, Electrical and Plumbing Union; the CFMEU (in its capacity as the successor to the Federated Engine Drivers' and Firemen's' Association of Australia); and the Australian Manufacturing Workers Union, and
- One (1) Director is appointed to represent the Colliery Officials' Association of New South Wales. The Association of Professional Engineers, Scientists and Managers Australia (in its capacity as the successor to the Australian Collieries Staff Association), and the Mine Managers Association of Australia (in its capacity as the successor to the New South Wales Coal Mines Managers' Association).

A Chairman and Deputy Chairman are appointed by the Board of Directors, alternatively, from the employer and employee representative Directors.

Directors of the Corporation

There were a total of four (4) meetings of the Board of the Corporation convened during the year.

Particulars of each of the appointed Directors in this current year are as follows, with their attendance at each of these meetings convened during the term of their appointment shown thus "(/)".

1 Nominated by Employers in the Coal Industry

- **Mr Arthur Weston** (4/4)
  Chairman
  (Reappointed 29.02.2008 until 28.02.2010)
- **Mr Jim Middleton** (4/4)
  (Reappointed 01.03.2009 until 28.02.2011)
- **Mr Steven Reynolds** (4/4)
  (Reappointed 19.04.2009 until 18.04.2011)

2 Nominated by Unions Representing Employees in the Coal Industry

- **Mr Peter Murray OAM** (3/3)
  (Reappointed 19.10.2007- Resigned 07.05.2009)

- **Mr Anthony Ryan** (3/4)
  (Appointed 31.05.2007 - term expired 30.05.2009)

- **Mr Glenn Thompson** (4/4)
  (Appointed 28.01.2008 until 27.01.2010)

- **Ms Catherine Bolger** (0/0)
  (Appointed 30.05.2009 until 29.05.2011)

Committees

The Board continues to maintain a high level of corporate governance over financial management and investment performance consistent with best practice, through its Audit and Investment Committees, independent internal audit and regular actuarial reviews of the financial standing of the Fund.

During the year in complying with Government's direction, the Board appointed an independent member to the Audit Committee.

Term of Appointment of Directors

During the year Mr Peter Murray resigned his appointment on 7 May 2009.

Mr Jim Middleton was reappointed on 1 March 2009 representing companies engaged in black coal mining in New South Wales, Queensland and Tasmania.

Mr Steven Reynolds was reappointed on 19 April 2009 representing companies engaged in black coal mining in Western Australia.

Mr Anthony Ryan's term of appointment expired on 31 May 2009 and Ms Catherine Bolger was appointed as his replacement on 30 May 2009 representing the Association of Professional Engineers, Scientists and Managers Australia.

Administration

The following organisations acted for the Corporation in the administration and collection of levies and the payment of reimbursements, in the respective States, on behalf of the Corporation, during the year:-

New South Wales, Tasmania and Queensland
- AUSCOAL Services Pty Ltd.

Western Australia
- Coal Industry Superannuation Board of Western Australia.

Each of these organisations are administrators of coal industry superannuation schemes in their own states which serve substantially the same employers and employees as are subject to the long service leave legislation administered by the Corporation. We believe that the close synergy between these administrations also continues to produce efficiencies and a benefit in administration costs to the Corporation. The Corporation regularly tests the costs of administration provided by these organisations against the general marketplace to ensure they remain cost-effective.

Administrators are appointed on fixed term contracts to allow for a regular review of their performance and comparative cost against alternative arrangements. The Directors remain of the view that the current administrators meet key performance indicators and because of the synergy with their other functions as administrators of industry superannuation for coal mine employers, they continue to provide the most cost-effective levels of service to Employers and Employees of the coal industry, and the Corporation.

Management

The Directors have established the Corporation's affairs on sound principles of commercial management.

The bulk of the work of the Corporation is carried out under contract by the administrators. A Secretary to the Corporation is also engaged under contract to undertake the secretariat and treasury functions related to the administration of the Corporation as a body corporate and oversee the investment of the assets of the Fund.

Specialist services such as (i) Internal Audit, (ii) Actuarial Services, (iii) Legal Counsel, and (iv) Asset Consultant are all retained under contract on an 'as required' basis.

The basis of management is determined by (a) the governing legislation, and (b) the Management Plan. The Management Plan incorporates (i) Investment Policy and (ii) Investment Strategy, for the investment of the assets of the Fund.

MISSION STATEMENT

To facilitate the payment of long service leave entitlements to persons employed in the Australian black coal industry by ensuring, by virtue of the powers vested in the Corporation, that:

1. Sufficient funds are provided by employers by way of levy to finance the cost of this liability.
2. Proper record of individual entitlement is kept.
3. Employers are properly reimbursed for authorised payment of long service leave.

The Corporation undertakes to fulfil this mission in the most efficient and cost effective manner.

Management Objectives

Primary Objectives

The primary objectives of the Corporation are to:

(a) manage the collection of levies payable by employers on behalf of the Commonwealth and promptly remit these collections to Consolidated Revenue;

(b) promptly reimburse employers for properly approved payments of long service leave to their employees;

(c) advise the Minister (with the assistance of a consulting actuary) on the setting of the rate of levy to be paid by employers sufficient to provide (invested) assets in the Fund to meet the estimated liability for future reimbursements payments to employers.

Monthly levy payments by employers are due to be received by the Corporation no later than twenty eight (28) days after the month end. All collections of levies are remitted to Consolidated Revenue no later than the first business day of the month following receipt. Outstanding (overdue) levies are monitored and additional levies imposed in accordance with the provisions of the legislation and Board Policy.

Other Management Objectives

Payments of long service leave (and consequential reimbursements to employers by the Corporation) are based upon continuous periods of employment service in the coal industry, which often entail the aggregation of several shorter periods of employment with a number of employers.

It is therefore necessary that periods of employment be independently recorded and collated in a central registry. Such a registry is maintained by the Corporation and it is a 'Secondary Objective' of the Corporation to ensure that this central record of employment in the coal industry is maintained from information provided by employers and regularly verified.

Other Objectives include:-

(a) Sound investment of the assets of the Fund to minimise the necessary rate of levy on employers to finance the payment of reimbursements; and

(b) Ensuring that all employers of persons in the black coal industry liable to make levy payments to the Commonwealth under the provisions of the legislation make these payments by the due date.

The investment policy of the Corporation is incorporated into a Management Plan approved by the Minister and includes an investment strategy designed to optimise the risk/return ratio over the medium to long term with investments in Australian and Overseas securities by appointed professional investment managers. These are monitored on behalf of the Corporation by an Asset Consultant and all investments are held for security by and in the name of an independent Master Custodian.

Because this investment strategy is directed towards "medium to long term" returns, it is not adjusted or amended in the shorter time periods to anticipate likely market "corrections" but takes account of the short term volatility of financial markets in the setting of investment return objectives.

The Fund has recorded a return on its investment of assets of -11.61% for the 2008/2009 financial year.

The Corporation has continued its efforts during the year to identify and inform employers of persons in the black coal industry of the obligations under the legislation to (i) pay levies and provide independent audit certificates verifying the correctness of these payments, and (ii) their right to claim reimbursement for approved long service leave payments to their employees. This continues to be a matter of concern for the Corporation, with many organisations being engaged in the black coal industry as contractors to coal mine operators for the first time and as a result unaware of their obligations under the Act.

Actuarial Review

The legislation requires that the Fund be subjected to periodic actuarial reviews and the rate of levy payable by employers be set having regard for the findings of these reviews as to the estimated future liabilities and the adequacy of the invested assets to meet their cost as and when they fall due. During the 2008/2009 year the Directors resolved to undertake an Actuarial Review as at 30 June 2008. The review is currently being finalised including analysis in respect of the investment returns for the 2008/2009 year.

Professional Assistance to the Corporation

At the time of the establishment of the Corporation in 1993, Directors made the decision that to contract the administration of the Fund in each participating State would be more cost-effective than maintaining its own administration.

They have likewise contracted professional services in the areas of (i) legal counsel, (ii) internal auditing, (iii) actuarial services, (iv) investment consultancy and (v) secretarial support. The Corporation does not employ any staff.

Publications

In accordance with the guidelines for the preparation of Annual Reports by Commonwealth Government Authorities, the Directors of the Corporation advise that no publications have been prepared or issued by the Corporation during the period of this Annual Report.

Freedom of Information

The Corporation has been advised that as it is an entity of the Commonwealth and subject to the provisions of the Commonwealth Authorities and Companies ("CAC") Act. It is also subject to the requirements of the "Freedom of Information" legislation of the Commonwealth.

During the year of this report the Corporation received no requests for information under these provisions.

Compliance

The Corporation is committed to maintaining the highest standards of best practice and good governance. To this end, it requires contracted providers of out-sourced services to accept compliance with these standards as a condition of contract, and monitors this compliance during the term of the contract.

Additionally the Corporation is satisfied that there are adequate fraud control measures in place to comply with the Commonwealth Fraud Control Guidelines.

To comply with a Continuing Order of the Senate (The Harradine Motion) the Corporation established its own website - www.coallslcorp.com.au

Financial

The Statement of Financial Position, Operating Statement and Statement of Cash Flows, together with notes thereto and the Auditor's Report thereon are presented with this Report.

The Statement of Financial Position records the full value of accrued liability for reimbursement of long service leave payments including accrued entitlements under the previous administration arrangements in excess of the assets of the Fund at the time of transfer to the Corporation.

2009/2010 Budget

The Corporation anticipates the following receipts and payments for the 2009/2010 financial year assuming the rate of levy payable by employers remains at 2.7% (of 'eligible wages').

2009/2010 Budget Receipts & Payments		**$'M**
Appropriations from Consolidated Revenue* (* from collections of levy payments by employers)		91
Earnings from Investment		48
Less:		
Reimbursements payments to employers	42	
Project Budget	0.4	
Operating Expenses	2	
		44.4
Net Increase in Assets		**94.6**

Investment

The Corporation has contracted with the following investment managers for the investment of the assets of the fund, consistent with its Investment Policy/Strategy:-

Manager	Type (Asset Class) of Investment
AMP Capital Investors	Australian Property
State Street Global Advisors	Overseas (Ex. Aust.) Equities
Vanguard Asset Management	Overseas (Ex. Aust.) Equities
Hyperion	Australian Equities
UBS – Asset Management	Australian Inflation Linked Bonds
Barclays Global Investors	Australian Equities
PIMCO Global Fund	Overseas (Ex. Aust.) Bonds and High Yield Debt
Lazard (Aust) Asia Pacific Fund	Australian Equities
Loomis Sayles	Specialist Credit – Senior Bank Loans
BT Global	Hedge Funds
QIC	Australian Fixed Interest
J P Morgan Cash Account	Cash

The broad objective of the investment policy remains to be to achieve a return of CPI + 4% over a rolling five year period.

The setting of an investment strategy consistent with this policy is determined by the Board with the assistance of an Asset Consultant – Watson Wyatt (Worldwide).

The following returns have been achieved in the last five (5) years (ending 30 June)-

2005	2006	2007	2008	2009
13.07%	12.7%	12.08%	-6.72%	-11.61%

This represents an annual average return of 3.90% with an average real rate of 0.98% pa (i.e. after adjustment for movement in inflation – CPI).

Independent Audit Report

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Education, Employment and Workplace Relations

Scope

I have audited the accompanying financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation (the Corporation) for the year ended 30 June 2009, which comprise: a Statement by Directors and Secretary ; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Responsibility of the Directors of the Corporation for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including Australian Accounting Standards (which include Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 Corporation's internal control. An audit also includes evaluating the appropriateness of

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accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation:

(a) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Coal Mining Industry (Long Service Leave Funding) Corporation's financial position as at 30 June 2009 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

P Hinchey
Senior Director
Delegate of the Auditor General

Sydney
19 August 2009

Financial Statements

For the Year Ended 30 June 2009

COAL MINING INDUSTRY (LONG SERVICE LEAVE FUNDING) CORPORATION

Financial Statements

For the Year Ended
30 June 2009

STATEMENT BY DIRECTORS AND SECRETARY

In our opinion, the attached financial statements for the year ended 30 June 2009 of the Coal Mining Industry (Long Service Leave Funding) Corporation are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997.*

In our opinion, at the date of this statement there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

This Statement is made in accordance with a resolution of the Directors.

Signed ....
A Weston
Chairman
19 August 2009

Signed ....
A Vickers
Director
19 August 2009

Signed ....
R Hamilton
Secretary
19 August 2009

INCOME STATEMENT
For the Year Ended 30 June 2009

	Notes	2009 $'000	2008 $'000
Income			
Revenues			
Revenues from Government	9(a)	**90,389**	71,637
Investment Revenue	9(b)	**(17,371)**	(34,657)
Other Revenue		**19**	0
Total Revenue		**73,037**	36,980
Expenses			
Investment expenses	9(c)	**45,409**	4,097
Professional services	9(d)	**1,117**	1,198
Director's Remuneration	9(e)	**18**	8
Administration expenses	9(f)	**1,249**	864
Other expenses		**105**	23
Write-up of provision	8	**130,637**	101,161
Total Expenses		**178,535**	107,351
Surplus/(Deficit)		**(105,498)**	(70,371)

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

BALANCE SHEET
As at 30 June 2009

ASSETS	Notes	**2009 $'000**	2008 $'000
Financial Assets			
Cash and Cash Equivalents	5	**12,456**	16,323
Receivables	6(a)	**17**	27
Investments	7	**528,212**	547,341
Other Assets	6(b)	**667**	638
Total financial assets		**541,352**	564,329
Total assets		**541,352**	564,329
LIABILITIES			
Trade and other Payables		**581**	805
Provisions	8	**673,553**	590,808
Total liabilities		**674,134**	591,613
Net assets		**(132,782)**	(27,284)
EQUITY			
Retained Surplus		**(132,782)**	(27,284)
Total Equity		**(132,782)**	(27,284)
Current Assets		**13,140**	16,988
Non-Current Assets		**528,212**	547,341
Current Liabilities		**47,581**	49,605
Non-Current Liabilities		**626,553**	542,008

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2009

	Note	2009 $'000	2008 $'000
Total equity at the beginning of the financial year		**(27,284)**	43,087
Net surplus/ (deficit)		**(105,498)**	(70,371)
Total equity	4	**(132,782)**	(27,284)

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

CASH FLOW STATEMENT
For The Year Ended 30 June 2009

	Notes	2009 $'000	2008 $'000
OPERATING ACTIVITIES			
Cash Received:			
Investment Income		**11,132**	45,276
Appropriations		**90,930**	72,193
GST Received from ATO		**236**	207
Reimbursements Refunded		**18**	-
Total cash received:		**102,316**	117,676
Cash used:			
Reimbursement to employers		**47,892**	45,850
Administration expenses		**1,249**	864
Professional services		**1,464**	1,568
Total cash used:		**50,605**	48,282
Net cash from operating activities	4	**51,711**	69,394
INVESTING ACTIVITIES			
Cash used:			
Purchase of investments		**(55,578)**	(67,807)
Net cash used by investing activities		**(55,578)**	(67,807)
Net increase in cash held		**(3,867)**	1,587
Cash at the beginning of the reporting period		**16,323**	14,736
Cash at the end of the reporting period	4	**12,456**	16,323

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

SCHEDULE OF COMMITMENTS
As at 30 June 2009

	2009 $'000	2008 $'000
BY TYPE		
Other commitments	**2,706**	3,981
Commitments receivable	**(242)**	(361)
Net commitments	**2,464**	3,620
BY MATURITY		
Other commitments		
One year or less	**1,388**	1,371
From one to five years	**1,318**	2,610
Over five years	-	-
	2,706	3,981
Commitments receivable	**(242)**	(361)
Net commitments	**2,464**	3,620

As at 30 June 2009, other commitments comprise amounts payable under new administration agreements.

SCHEDULE OF CONTINGENCIES
As at 30 June 2009

	2009 $'000	2008 $'000
CONTINGENT LIABILITIES		
Total contingent liabilities	-	-
	-	-
CONTINGENT ASSETS		
Total contingent assets	-	-
	-	-

(The above schedules should be read in conjunction with the accompanying notes.)

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

1. Summary of Significant Accounting Policies

1.1 Basis of Preparation of the Financial Statements

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The continued existence of the Coal Mining Industry (Long Service Leave Funding) Corporation, ("the Corporation") in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for the Corporation's administration and programs.

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2008; and,
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities, which as noted, are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the entity and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.2 Significant Accounting Judgements and Estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.3 Statement of Compliance

No accounting standard has been adopted earlier than the application date as stated in the standard. No new accounting standards, amendments to standards and interpretations that have been issued by the Australian Accounting Standards Board are considered to have a material impact on the Corporation.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

1. Summary of Significant Accounting Policies continued

Future Australian Accounting Standard requirements
Of the new standards, amendments to standards or interpretations issued by the Australian Accounting Standards Board that are applicable to future reporting periods, none are assessed as having a material financial impact.

1.4 Taxation

The Corporation is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office.

1.5 Revenue

The revenues described in this Note are revenues relating to the core operating activities of the Corporation.
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
Dividend revenue is recognised when the right to receive a dividend has been established.

Revenues from Government
Revenues from Government are recognised to the extent they have been received into the Corporation's bank account. The Corporation collects a levy paid by employers in a levy collection account. This levy account is not recognised as revenue until it is paid to the Corporation as mentioned above as it is not controlled by the Corporation.
At 30 June 2009 the balance in this levy account was $8,215,405.76 and this amount was remitted on 1 July 2009, to Consolidated Revenue. (Refer Note 3 for further details)

1.6 Cash

Cash and cash equivalents means notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.7 Financial Instruments

Accounting policies for financial instruments are stated at Note 13.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

1. Summary of Significant Accounting Policies continued

1.8 Derecognition of Financial Assets and Liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged or cancelled or expires. For the comparative year, financial assets were derecognised when the contractual right to receive cash no longer existed. Financial liabilities were derecognised when the contractual obligation to pay cash no longer existed.

1.9 Investments

The Corporation classifies its investments as financial assets at fair value through profit and loss.

The financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy is to designate a financial asset if there is the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Gains and losses in hedges are capitalised to the carrying value of the asset.

Purchases and sales of investments are recognised on trade-date ie. the date on which the Corporation commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the right to receive cash flow from the financial assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit and loss are subsequently carried at fair value, realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit and loss" category are included in the Income Statement in the period in which they arise.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (or is an unlisted security), the Corporation establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Corporation assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

1. Summary of Significant Accounting Policies continued

The Corporation may have derivative financial instruments in place from time to time by virtue of an active mandate with an investment manager. Active investment managers may utilise derivatives to ensure it complies with the mandated strategy approved by the Corporation. The Corporation itself does not invest in derivatives directly and expects that investment managers utilise derivatives in the short term only.

It is a requirement of all managers that if derivatives are utilised, any such derivatives are fully cash backed. The portfolio is not to be leveraged.

1.10 <u>Impairment of Financial Assets</u>

Financial assets are assessed for impairment at each balance date.

Financial Assets held at Amortised Cost
If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Income Statement.

Financial Assets held at Cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because it cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Available-for-sale Financial Assets
If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Income Statement.

Other financial assets carried at cost which were not held to generate net cash inflows, were assessed for indicators of impairment. Where such indicators were found to exist, the recoverable amount of the assets was estimated and compared to the asset's carrying amount and, if less, reduced to the carrying amount. The reduction was shown as an impairment loss.

1.11 <u>Trade Creditors</u>

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

1. Summary of Significant Accounting Policies continued

1.12 Contingent Liabilities and Contingent Assets

Contingent liabilities and assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability or asset is recognised. A liability or asset is recognised when its existence is confirmed by a future event, settlement becomes probable (virtually certain for assets) or reliable measurement becomes possible.

1.13 Provision for Reimbursements

The provisions represent the calculated accrued liability for the reimbursement of employers for the long service leave entitlements of employees in the Australian black coal industry as at 30 June.

The Corporation has assumed the liability of the former administration for the reimbursement of employers for long service leave entitlements accrued by employees up to the date of the commencement of administration by the Corporation viz 27 June 1993, by way of a 'Provision' in the financial accounts. The liability was at that date estimated by the consulting actuary on the basis of data provided by employers for the purpose of an actuarial review as $389.984M and this amount was brought to account in the financial statements for the Corporation for the year ended 30 June 1993.

The accrued liability is re-calculated annually using the total weeks of service qualifying for long service leave payment and multiplied by the average weekly cost of long service leave in each of the separate states (NSW, TAS, QLD & WA) and brought into the accounts as a provision. On the basis of this calculation the accrued liability as at 30 June 2009 is $674 million (2008 - $592M).

The legislation provides that the Coal Industry Long Service Leave Fund be subjected to periodic actuarial reviews and the rate of levy payable by employers be set such as would provide for the fund to be fully-funded.

As a result of the actuarial review at 30 June 2007 the Board of Directors enacted an amendment to the enabling legislation reducing the levy rate from 2.8% of eligible wages to 2.7% and this had Ministerial approval to be effective from 1 August 2008.

2. Activities

(a) *Enabling Legislation*
The Corporation was established by the *Coal Mining Industry (Long Service Leave Funding) Act 1992.*

(b) *Segment Reporting*
The sole activity of the Corporation is the receipt of appropriations from the Commonwealth Government from levies paid by employers and the reimbursement to employers for long service leave payments made to (defined) persons employed in the Australian black coal industry. The Corporation is responsible for the collection and remittance of levies to Consolidated Revenue on behalf of the Commonwealth.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

3. Funding

During the period 1 July 2008 until 30 June 2009 levies payable by employers under the provisions of the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992*, were calculated from 1 July 2008 to 31 July 2008 at 2.8% and 1 August 2008 to 30 June 2009 at 2.7% of "eligible wages" as defined by the Act (refer Note 9).

4. Equity Position

For the year ended 30 June 2009 there is a deficiency in net assets of $132,782M. This primarily related to the market movements of its investments.

5. Cash Flow Reconciliation

For the purpose of the Cash Flow Statement, cash includes cash at bank and investments in short term deposits and discounted commercial bills that are readily convertible to cash.

Reconciliation of Operating Result to the Net Cash from Operating Activities	**2009 $'000**	2008 $'000
Operating Result	**(105,498)**	(70,371)
Net investment (gains) / losses	**74,707**	84,289
(Increase)/decrease in receivables	**10**	(6)
(Increase)/decrease in other current assets	**(29)**	(393)
Increase/(decrease) in supplier payable	**(223)**	564
Increase (decrease) in other current liabilities	-	-
Increase (decrease) in other provisions	-	-
Increase/(decrease) in provision for reimbursements	**82,744**	55,311
Net cash from operating activities	**51,711**	69,394

Reconciliation of Cash		
Cash balance comprises:		
Cash on Hand		
Corporation	**3,231**	3,925
Deposits at call	**9,225**	12,398
Total Cash	**12,456**	16,323
Balance of cash at 30 June shown in Cash Flow Statement	**12,456**	16,323

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

6. Receivables

(a) Debtors

	2009	2008
	$	$
Other debtors		
Proceeds from sale of investments (Note 7)	-	-
Amounts receivable from the Commonwealth		
GST paid and claimable	17	27
Total Receivables (net)	17	27
All receivables are current assets		
Receivables (gross) are aged as follows:		
Not Overdue:	17	27
Total receivables (gross)	17	27

(b) Other assets

	2009	2008
	$'000	$'000
Accrued income from investments (Note 7)	657	580
Accrued bank interest	10	58
Total other assets	667	638
All other assets are current		

7. Investments at Fair Value through Profit & Loss

(a) Investments

	2009	2008
	$'000	$'000
At the beginning of the year	547,341	563,823
Purchases	55,578	67,807
Realised and unrealised gains/(losses) (Note 9(b))	(74,707)	(84,289)
At end of year	528,212	547,341

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

(b) As at 30 June 2009, a total of $538 million (2008 - $560M) from the assets of the Coal Mining Industry Long Service Leave Fund was invested by the Corporation with the appointed fund managers, in accordance with the approved Investment Policy in the following portions:

	2009 $'000	%	2008 $'000	%
AMP	**36,153**	7	39,706	7
State Street Global Advisors	**40,654**	8	46,837	8
Credit Suisse	5	-	44,709	8
Hyperion	**41,065**	8	36,173	6
UBS Brinson	**64,363**	12	160,437	29
BGI	**42,010**	8	47,874	9
Pimco	**102,496**	19	90,808	16
Lazard	**33,485**	6	32,678	6
Loomis Sayles	**13,442**	2	14,554	3
BT Global	**24,047**	4	33,564	6
Vanguard	**29,266**	5	-	-
QIC	**101,226**	19	-	-
J P Morgan Cash Account	**9,474**	2	12,344	2
	537,686	**100**	559,684	100
Cash held directly by the Corporation	**3,231**		3,925	
	540,917		563,609	

All investments were held on behalf of the Corporation by the Master Custodian, J P Morgan Investor Services Limited. The Custodian reports, that for the year ended 30 June 2009, the gross return on the investment of funds was -11.61% (2008: -6.72%).

The above investments were held at the reporting date in the following categories:

	2009 $'000	%	2008 $'000	%
Non-current Investments				
Aust. Fixed Interest	**165,589**	**31**	160,437	29
O/Seas Fixed Interest	**115,938**	**21**	105,362	19
Australian Equities	**116,560**	**22**	116,725	21
Overseas Equities	**93,972**	**17**	125,110	22
Property Trust	**36,153**	**7**	39,706	7
	528,212		547,340	
Current Investments				
Cash or equivalents	**12,456**	**2**	16,323	2
	540,668	**100**	563,663	100
Accrued Income (Note 6b)	**657**		580	
Unsettled Sales	**(408)**		(634)	
	540,917		563,609	

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

		2009 $'000	2008 $'000
8.	**Provisions**		
	Provision for reimbursements - Current	**47,000**	48,800
	- Non-Current	**626,553**	542,008
		673,553	590,808
	Balance at beginning of year	**590,808**	535,497
	Reimbursement paid to coal mining employers	**(47,892)**	(45,850)
	Write-up of provision	**130,637**	101,161
	Balance at end of year	**673,553**	590,808

		2009 $'000	2008 $'000
9.	INCOME STATEMENT		
9 (a)	**Revenues from Government**		
	Revenues from Government		
	- Levy Collections from Employers	90,269	71,492
	- Interest	120	145
		90,389	71,637
	Revenue from Government is recognised at the time the Corporation becomes entitled to receive the revenue.		
9 (b)	**Investment Revenue**		
	Dividends	1,564	1,561
	Unit Trust Distributions	50,291	39,132
	Fixed Interest	4,008	7,689
	Deposit Interest	1,473	1,250
	Net Investment gains realised	-	-
	Investment revenue/(loss) arising from changes in net market value (assets held at reporting date)	(74,707)	(84,289)
		(17,371)	(34,657)
9 (c)	**Investment Expenses**		
	Net Investment losses realised	45,409	4,097

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

	2009 $'000	2008 $'000
***9 (d)* Professional Services**		
Rendering of Services - External Parties	**1,117**	1,198

Remuneration of Auditors	**2009**	2008
Amounts received, or due and receivable by:	**$**	$
• Australian National Audit Office – auditing the financial statements for the reporting period.	**34,000**	33,000
• PricewaterhouseCoopers internal auditing service	**33,667**	31,381
• PricewaterhouseCoopers custodian auditing service	**36,604**	35,036
	104,271	99,417

No other services were provided by the Australian National Audit Office.

9 (e) Directors' Remuneration

Directors' Expenses and Allowances

The remuneration of Directors is by way of daily allowances for part-time holders of public office as determined under Part 6 of the determination of the (Commonwealth) Remuneration Tribunal. Directors are also entitled to reimbursement for expenses incurred in travelling to/from meetings and in the conduct of business directly related to the affairs of the Corporation as approved. Directors have elected to have meeting allowances to which they are entitled under these provisions made payable to their principal employing organisations.

	2009 $	2008 $
Remuneration received or due and receivable by Directors:	**17,920**	**7,606**
The number of directors included in these figures are shown below in the relevant remuneration bands:	**Number**	**Number**
- $ Nil - $14,999	**7**	**7**

9 (f) Administration Expenses

	2009 $'000	2008 $'000
Costs associated with the performance of statutory and accounting functions for the Corporation.	**127**	133
Costs of administration for receipts of levies on behalf of the Commonwealth, maintenance of employment service records and the payment of reimbursements, in each of the following states:		
• New South Wales and Tasmania/Queensland	**1,062**	671
• Western Australia		

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

10 Liabilities Not Recognised

As at 30 June 2009, the Directors are not aware of any Liability Not Recognised.
The Corporation is exempt from income tax.

11 Related Party Disclosures

Directors of the Authority
The Directors of the Authority during the year were:

- Arthur WESTON (Chairman), Consultant - Reappointed 29/2/2008
- Peter MURRAY – OAM, National Secretary of CFMEU - Mining and Energy Division – Reappointed 19/10/2007 - Resigned 7/5/2009
- Jim MIDDLETON, Vice President, Mining Operations BHP Billiton Illawarra Coal, Director Illawarra Coal Holdings, Director Dendrobium Coal, Director Endeavour Coal - Reappointed 1/3/2009
- Steve REYNOLDS, Human Resources Manager, Wesfarmers Premier Coal, Trustee for the Coal Industry Superannuation Board, Western Australia - Reappointed 19/4/2009
- Anthony RYAN, Secretary Mine Managers Association of Australia – Appointed 31/5/2007 Appointment expired 30/5/2009
- Glenn THOMPSON, Assistant National Secretary, Australian Manufacturing 'Workers' Union, Director CBUS and ACIRT Pty Ltd – Appointed 28/1/2008
- Catherine BOLGER, Director, NSW APESMA – Appointed 30/5/2009

Other than where noted, Directors held their positions for the full year.

The aggregate remuneration of Directors is disclosed in Note 9(e).

During the period reported upon in these financial statements, the Corporation contracted administrative services to AUSCOAL Services Pty Ltd and Coal Industry Superannuation Board, Western Australia, of which Directors held an interest as noted above.

12 Economic Dependency

The Corporation is economically dependent upon continued funding by appropriation of moneys out of the Consolidated Revenue Fund of the Commonwealth of Australia derived from levies made on the black coal mining industry.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

13 Financial Instruments

a) Statement of Terms, Conditions and Accounting Policies

Financial Instruments	Accounting Policies	Terms and Conditions

(i) Financial Assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.

Cash and Cash Equivalents	Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Funds are placed on deposit at call with the Corporations bankers and custodian. Refer to Interest Rate Risk table.
Short Term	Short term interest bearing securities are recognised at their net fair value. Interest is credited to revenue as it accrues.	Surplus funds held on deposit. Refer to Interest Rate Risk table.
Fixed Interest	Long term interest bearing securities held at a fixed or indexed interest rate is valued at net fair value. Interest is credited to revenue as it accrues.	Refer to Interest Rate Risk table.
Receivables and Other Assets	Recognised at face value adjusted for impairment.	Usually settled within 30 days.
Equities Investments	Equities are recognised at Net Market Value.	The shares held are ordinary shares.
Unit Trusts	Unit Trusts are recognised at net market value.	Investments are held in Units.
Foreign exchange contracts and Futures	Recognised at net market value.	Usually settled in the short term. Used to manage risk exposures.

Investments consist of short term deposits, fixed interest securities, equities, unit trusts, forward foreign exchange and futures.

(ii) Financial Liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.

Payables	Recognised at their nominal amounts.	Settlement net 30 days.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

13 Financial Instruments continued

b) Interest Rate Risk – 30 June 2009

	Floating Interest Rate	Fixed Interest	Non Interest Bearing	Total
30 June 2009	$'000	$'000	$'000	$'000
Cash & Cash Equivalents	12,456			12,456
Short Term Deposits	6,279			6,279
Fixed Interest		63,611		63,611
Equity Investments - Aust.			40,665	40,665
Unit Trusts			417,176	417,176
Futures			-	-
Forward Foreign Exchange			-	-
Discount Securities	481			481
Receivables and Other Assets			684	684
Total Financial Assets	19,216	63,611	458,525	541,352
Payables			582	582
Derivatives - Futures			-	-
Derivatives - FFX			-	-
Total Financial Liabilities			582	582

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

13 Financial Instruments continued

c) Interest Rate Risk – 30 June 2008

30 June 2008	Floating Interest Rate $'000	Fixed Interest $'000	Non Interest Bearing $'000	Total $'000
Cash & Cash Equivalents	16,323			16,323
Short Term Deposits	5,235			5,235
Fixed Interest		148,369		148,369
Equity Investments - Aust.			35,840	35,840
Unit Trusts			350,716	350,716
Futures			281	281
Forward Foreign Exchange			-	-
Discount Securities			6,900	6,900
Receivables and Other Assets			665	665
Total Financial Assets	21,558	148,369	394,402	564,329
Payables			808	805
Derivatives - Futures			-	-
Derivatives - FFX			-	-
Total Financial Liabilities			805	805

13 d) Credit Risk Exposures

Credit risk is defined as "the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge and obligation."

The Corporation's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

The Corporation has no significant exposures to any concentrations of credit risk.
All figures for credit risk referred to do not take into account the value of any collateral or other security.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

13 Financial Instruments continued

e) Categories of Financial Instruments

FINANCIAL ASSETS	Fair Value 2009 $'000	2008 $'000
Available-for-sale financial assets		
Cash and cash equivalents	**12,456**	16,323
Equity securities	**40,665**	35,840
Fixed interest securities	**69,890**	153,604
Unit trusts	**417,176**	350,716
Discount Securities	**481**	6,900
Fair value through profit or loss		
Receivables derivative instruments	**-**	281
Loans and receivables		
Loans and receivables	**684**	665
	541,352	564,329
FINANCIAL LIABILITIES		
At amortised cost		
Payables derivative instruments	**-**	-
Payables	**581**	805
	581	805
Carrying amount of Net Financial Assets	**540,771**	563,524
Less Provisions	**673,553**	590,808
Carrying amount of Net Assets per Balance Sheet	**(132,782)**	(27,284)

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

13 Financial Instruments continued

f) Liquidity Risk

Liquidity risk is defined as the risk that the Corporation could not be able to settle or meet its obligations on time or at a reasonable price. The Corporation adopts an active cash management strategy.

The Corporation's investment portfolio allocation profile is determined by the Board in conjunction with advice from external professional investment consultants and the Investment Committee. It is structured to ensure sufficient funds are held in investments that can be converted to cash to meet its obligations as they fall due. Equities, other Listed Securities, Cash and Short-term debt securities constitute the significant component of the Corporation's financial instruments. The liquidity risk of Unlisted Securities is managed through holding a diversified portfolio of assets with known investment horizons, different expected exit dates, and ensuring the total exposure of this class is maintained at a level whereby forced sales will not be required.

The Investment Committee is charged with the monitoring and the Board with the overall responsibility for liquidity funding, as well as settlement management.

g) Market Risk

Market risk is defined as "the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices" and includes interest rate risk, foreign currency risk and "other price risks." Other price risks are further defined as "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 or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market."

(i) Currency Risk

The Corporation derives its revenue streams principally in Australian dollars. Payments to overseas denominated currency sources for the supply of goods and services provided to the Corporation is considered immaterial and as such foreign exchange risk in these transactions is considered insignificant.

The impact of a weakening/(strengthening) of the AUD by 9.0% with all other variables held constant, profit for the year would have been $Nil higher/(lower) (2008: $Nil as a result of foreign gains/(losses) on translation of foreign currency bank account balances. Equity would have been $Nil higher/ (lower) (2008: $Nil) had the AUD weakened/ (strengthened) by 10% against the Trade Weighted Index, arising from Available-for-sale investments.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

13 Financial Instruments continued

(i) Currency Risk continued

The currency risk demonstrates the sensitivity to a reasonably possible change in the AUD/Trade Weighted Index with all other variables held constant, on the Corporation's Profit and Loss and the Corporation's Equity. For the year ended 30 June 2009 the Corporation has no exposure to currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the realisable value of a financial instrument will fluctuate due to the changes in market interest rates. The Corporation's exposure to the risk of changes in market interest relates primarily to long-term investments with floating interest rates.

The Corporation's interest rate risk arises from the investment in cash, fixed and floating interest and short term money market securities. The portfolio is fully invested in AUD denominated securities.

At 30 June 2009, if interest rates decreased/(increased) by volatility per sector as shown in table below, with all other variables held constant, operating result and equity would have been $2,179,579 higher/(lower) (2008: $5,633,000 higher/(lower))

Volatility Factor	**+**	**-**
Australian Cash	1.0%	(1.0)%
Australian fixed interest	3.7%	(3.7)%
International fixed interest	3.8%	(3.8)%
Australian Inflation-Linked Bonds	4.1%	(4.1)%
High yield hedge	14.4%	(14.4)%
Emerging market debt	16.2%	(16.2)%
Bank loans hedged	11.4%	(11.4)%
Impact on Net Surplus/Total Equity	**$000**	**$000**
30 June 2008	(5,633)	5,633
30 June 2009	**(2,180)**	**2,180**

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

13 Financial Instruments continued

(iii) Other Price Risk

The following table demonstrates the sensitivity to a reasonable possible change in market prices, with all other variables held constant.

Volatility Factor	**+**	**-**
Australian equity securities	32.1%	(32.1)%
International equity securities	27.8%	(27.1)%
Property	15.7%	(15.7)%
Hedges	5.6%	(5.6)%
Impact on Net Surplus/Total Equity	**$000**	**$000**
30 June 2008	69,729	(69,729)
30 June 2009	**140,159**	**(140,159)**

14 Contingent Liabilities and Assets

The Corporation has no unquantifiable or remote contingencies.

15. Net Asset Deficiency

The Corporation has a deficiency in net assets of $132,782K (2008: $27,284K). This has principally come about due to the poor investment returns over the preceding period. While the actuary assesses that the Corporation will achieve a positive long term rate of 7% there will be periods where this assumption is not realised.

It is anticipated that over the longer term when the liabilities are expected to be realised there will be sufficient funds to pay all obligations of the Corporation. In the meantime the Corporation will continue to actuarially assess the liabilities of the Corporation and where, in the opinion of the Board, funds are required to meet obligations, the current levy will be modified to increase assets sufficient to meet the long term liabilities.