Australian Government
Coal Mining Industry
(Long Service Leave Funding) Corporation

# COAL LSL
ANNUAL REPORT 2018/19

**FUNDS UNDER MANAGEMENT**
**$1.83B**

**REGISTERED EMPLOYERS**
**780**

**APPLICATIONS**
**FOR LONG SERVICE LEAVE**
PROCESSED
**14,698**

EMPLOYEES
**ACTIVE**
**51,582**

**LEVY ADVICE FORMS**
PROCESSED
**12,118**

TAX

**REIMBURSEMENTS**
PROCESSED
**9,360**

**NEW EMPLOYERS REGISTERED**
IN 2018–19 **147**

**EMPLOYEES**
TOTAL
**118,950**

**PHONE CALL**
ENQUIRIES
**34,873**

**REIMBURSEMENTS**
PAID
**$125M**

**DATA QUALITY**
EMPLOYEE RECORDS REVIEWED
**9,851**

**CLIENT MEETINGS**
**268**

**MISSING SERVICE REVIEW**
APPLICATIONS
**659**

**EMAIL ENQUIRIES**
OVER 27,000

ENTRUSTED WITH
**52 MILLION**
**HOURS OF LEAVE**

**FINANCIAL YEAR 2018–19 FIGURES, AS AT 30 JUNE 2019**

Australian Government
Coal Mining Industry
(Long Service Leave Funding) Corporation

COAL LSL

17 September 2019

The Hon. Christian Porter MP
Attorney-General for Australia
Minister for Industrial Relations
Parliament House
CANBERRA ACT 2600

Dear Minister,

I am pleased to submit the Coal Mining Industry (Long Service Leave Funding) Corporation (Coal LSL) Annual Report for the year ended 30 June 2019 for presentation to the Parliament.

This report meets the requirements of federal law, including section 46 of the *Public Governance, Performance and Accountability Act 2013*, and reflects the requirements as approved by the Joint Committee of Public Accounts and Audit.

Following its tabling in Parliament, the report will be published on the Coal LSL website.

Yours sincerely

Brad

Mr Brad Neven
Chair

Locked Bag 2021, Newcastle NSW 2300
T 1300 852 625 F +61 (2) 4040 0010 E query@coallsl.com.au
www.coallsl.com.au ABN 12 039 670 644

IT'S YOUR TIME.

# APPROVAL OF 2018–19 ANNUAL REPORT FROM ACCOUNTABLE AUTHORITY

On behalf of the Board of Directors of the Coal Mining Industry (Long Service Leave Funding) Corporation (Coal LSL), I certify that:

- the Board of Directors (the Board) is the accountable authority of Coal LSL;
- the Board is responsible for preparing and providing the annual report to the Minister for Industrial Relations in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*; and
- the Board met and approved the 2018–19 annual report for submission to the Minister for Industrial Relations by way of resolution on 17 September 2019.

Brad

Mr Brad Neven
**Chair**

# CONTENTS

# CEO INTRODUCTION

This year has been an exciting 12 months for Coal LSL and it is with great pleasure that I present the 2018–19 Coal LSL Annual Report. 2018–19 was a year of consolidation and growth, building from the foundations and dedicated work of the Coal LSL teams during 2017–18 and 2016–17.

Our responsibility is to preserve and fund long service leave entitlements in the Australian black coal mining industry (the industry). Through meticulous financial management, from July 2018 we were able to reduce the employer payroll levy rate from 2.7% to 2.0%, effectively balancing our multiple stakeholder needs by reducing employer labour oncosts while ensuring future payments for our eligible employees are protected.

As a maturing organisation, we continue to adapt and develop our internal capability to deliver to an industry that has been seeking our direction and connection. We have continued to develop the strategic allocation of assets in our investment portfolio, generating annual returns of 7.4% and exceeding the fund objectives. We now manage more than $1.8 billion in funds on behalf of our 780 registered employers and 118,950 eligible employees.

With a focus on engaging more broadly across a diverse number of stakeholders in the industry, the fund experienced continued growth in both registered employers (16%) and active eligible employees (9%) on prior year.

The continued growth has seen our team managing more than 52 million long service leave hours and engaging with a growing number of employees and employers in the industry. The increase in client transactions is being balanced against efficiency gains generated through effective digital solutions.

### Engagement initiatives

Building on the foundations set last year, our engagement initiatives included communicating with all known industry employers, addressing fund compliance and its mechanics, and successfully raising awareness of the fund throughout the industry. Our strategy is designed to deliver on this strong engagement commitment into the future, ensuring our purpose of ‘connecting employers and employees to their long service leave’ is clearly understood.

### Technology developments

Advances were made in the delivery of our digital solutions during the year. The program included the successful upgrade to our website and our client registry platform. The initial implementation of a client relationship management system promises to improve and inform our client interactions. These developments, and our continued commitment of resources to enhance our digital capacity into the future, support our promise of being engaged with, and supportive of, our industry, providing solutions to enable seamless interactions.

### People first philosophy

Our ongoing commitment to a ‘people first’ philosophy resulted in our move to larger Newcastle premises during the year. This investment, along with workforce initiatives such as our Ignite wellbeing program and our professional development programs, epitomise our priority to provide a supportive and rewarding work environment for all team members. We are committed to maintaining a healthy workforce culture in which our team is engaged with our strategy and delivering excellence in operational activities.

With 2018–19 being another year of significant change, our team has shown its strength, resilience and openness to adapt and grow. The Board and I are extremely proud of the commitment and recognise the ongoing efforts of all team members working together to take Coal LSL forward to better serve our industry stakeholders and each other.

Darlene Perks
**Chief Executive Officer**

# PART 1: ABOUT COAL LSL

Coal LSL is an Australian Government corporation established to regulate and manage long service leave entitlements on behalf of eligible employees in the black coal mining industry. We have serviced the industry as a government entity for more than 25 years, managing the national portable long service leave benefit which was established in 1949.

# PURPOSE

Our purpose is to connect employers and employees with long service leave for the good of Australia's black coal mining industry.

Our clients work in metallurgical and thermal coal. These coal sectors are Australia's third and fourth largest export commodities respectively[1,2]. They are projected to contribute a combined $55B to the national economy in 2020–21[3]. The resources sector overall contributes one million employees to Australia's national employment figures and greater than 70% of Australia's goods exports[3].

We have four strategic goals that guide us in delivering on our purpose:

## SEAMLESS INTERACTIONS

**WE ARE EASY TO DO BUSINESS WITH**

We want our clients to find working with us easy and that interactions are seamless, streamlined and consistent.

## TRUSTED EDUCATOR

**WE DEMONSTRATE THE BENEFITS AND VALUE OF INDUSTRY COMPLIANCE**

We will continue to engage purposefully with our stakeholders.

## INVESTMENT EXCELLENCE

**WE INVEST FUNDS TRANSPARENTLY TO PRESERVE EMPLOYEE ENTITLEMENTS**

We aim to maintain a surplus in the fund of 115% (+/-5%).

## INNOVATIVE OPERATIONS

**WE WILL INNOVATE AND STREAMLINE OPERATIONS AND PROCESSES TO BE MORE EFFECTIVE**

We are committed to continually improving our operations and consolidating our role as a contemporary, relevant business.

1 Resources and Energy Quarterly, June 2019 (Foreword) https://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2019/

2 Resources and Energy Quarterly, June 2019 (Resources and Energy Overview) https://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2019/

3 Australia's National Resources Statement (no publication date) https://www.industry.gov.au/data-and-publications/australias-national-resources-statement/the-australian-resources-sector-significance-and-opportunities

# ROLE

We are established under the *Coal Mining Industry (Long Service Leave) Administration Act 1992* (Admin Act).

Our role is to:

- Collect funds from employers by way of levy
- Invest funds and ensure fund sufficiency to finance the cost of reimbursements of long service leave
- Ensure accurate and compliant record-keeping
- Reimburse employers' authorised payments of long service leave
- Enable recognition of long service leave entitlement for eligible employees.

# RESPONSIBLE MINISTER

**Our responsible ministers during the reporting period were:**

The Hon. Christian Porter MP (May 2019 – Current)

- Attorney-General
- Minister for Industrial Relations

The Hon. Kellie O'Dwyer MP (August 2018 – May 2019)

- Minister for Jobs and Industrial Relations
- Minister for Women

The Hon. Craig Laundy MP (July 2018 – August 2018)

- Minister for Small and Family Business, the Workplace and Deregulation

# BOARD OF DIRECTORS

We have a board of directors which acts as the accountable authority of Coal LSL. The Coal LSL Board consists of representatives of employer and employee stakeholders within the Australian black coal mining industry.

## Current members

**Bradley Neven, Chair**
Employer representative (WA employers)
Director since April 2015 and Chair since June 2018

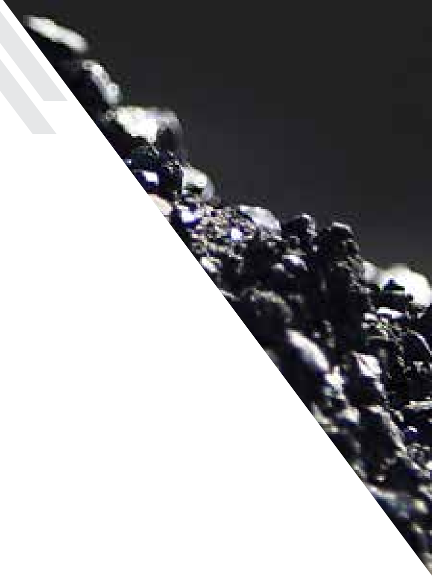
Brad is currently Executive General Manager – Business Services at SMW Group and a Director of Coal LSL. He is a member of the Australian Institute of Company Directors, a certified member of the Australian Human Resources Institute and a member of the Queensland Industrial Relations Society. Brad has a law degree from Queensland University of Technology and a Master of Business Administration from Central Queensland University. He has considerable experience as a senior executive within organisations in the power generation and mining sectors. In addition to his human resources and health and safety background, Brad has experience in operations, audit, risk and corporate governance.

**Grahame Kelly, Deputy Chair**
Employee representative (CFMMEU)
Director since June 2018 and Deputy Chair since June 2019

Grahame is currently General Secretary of CFMMEU – Mining and Energy Division, Director of Coal LSL, Director and Chair of Mine Super, Director of Mine Super Services Pty Ltd, Director of Unity Bank and a member of an advisory committee for MATES in Mining. He has extensive experience in the coal mining industry and working with unions.

**Jennifer Short, Director**
Employee representative (CFMMEU)
Director since July 2017

Jennifer is currently Legal Officer for CFMMEU – Northern Mining and NSW Energy District and a Director of Coal LSL. She is a member of the Australian Institute of Company Directors, a member of the Law Society of New South Wales, holds a Bachelor of Commerce from Griffith University and a Bachelor of Laws from the Queensland University of Technology. Jennifer has represented Australian workers internationally as the Australian Council of Trade Union youth representative and has in-depth knowledge of the coal mining industry, industrial relations and employment law.



**Mark Klasen, Director**
Employer representative (QLD employers)
Director since March 2016

Mark is currently Chief Financial Officer of the Ross Group of Companies, Director and former Deputy Chair of Coal LSL, and Director of various Ross Group companies. Mark has previously served as a director of Port Kembla Coal Terminal Limited, Newcastle Coal Shippers Pty Limited, Port Waratah Coal Services Limited and various Glencore group companies. He is a member of the Australian Institute of Company Directors and holds a Bachelor of Commerce degree from the University of Newcastle and a Graduate Diploma of Computing from Deakin University. He has worked in chartered accounting firms, NSW utilities providers and a number of large-scale multinational mining companies in a variety of senior management positions.

**Anne Donnellan, Director**
Employee representative (Other unions)
Director since May 2017

Anne is currently National Organiser at the Australian Manufacturing Workers Union (AMWU), Director of U-Cover Pty Ltd and Director of Coal LSL. She is an Executive Committee member of the IndustriALL Global Union Federation. She has completed the Trustee Director Course Level One of the Australian Institute of Superannuation Trustees. Anne holds a Bachelor of Social Work from the South Australian Institute of Technology. She has extensive experience advocating for AMWU members in metal and engineering and associated industry sectors and occupations.

**Christina Langby, Director**
Employer representative (NSW employers)
Director since June 2017

Christina is currently the CFO, Director of Finance and Operations and Company Secretary at the NSW Minerals Council, Director and Deputy Chair of Mine Super, Director of Mine Super Services Pty Ltd and Director of Coal LSL. She is a member of the Australian Institute of Company Directors, the Australian Institute of Superannuation Trustees, and Chartered Accountants Australia and New Zealand. She holds a Bachelor of Economics from the University of Sydney and worked in several international banks and financial institutions within the finance and audit divisions before moving into smaller corporate companies on a part-time basis while her children were young. In addition to her accounting and finance background, she has experience in audit, risk, insurance, investments, administration, corporate governance including board and secretariat management, consulting and relationship management.

# EXECUTIVE LEADERSHIP TEAM

**Darlene Perks**
Chief Executive Officer

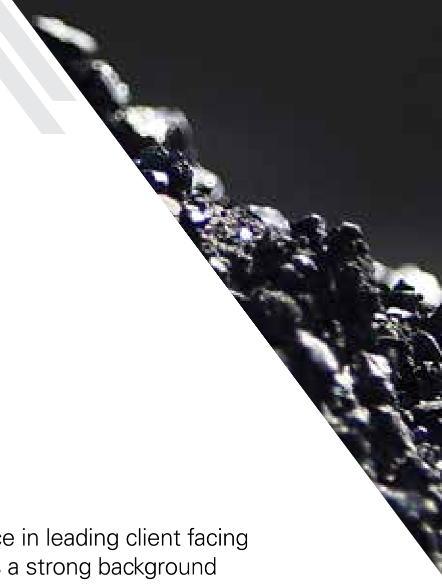
Darlene is a senior leader with more than 20 years' experience in leading commercial business operations. She has a strong background in finance, is a CPA, holds a Graduate Diploma of Applied Corporate Governance and is a member of the Australian Institute of Company Directors. She is a Director of Mercy Services Ltd. Appointed as CEO of Coal LSL in January 2017, Darlene is responsible for leading the organisation through a journey of significant transformation, positioning it as a contemporary employer who provides a sustainable, valuable workplace benefit to its industry client base.

**Lisbeth Rasmussen**
Chief Investment Officer

Lisbeth is a senior investment professional with more than 30 years' experience in managing large, complex funds. She is a member of the Australian Institute of Company Directors, a Director of Equipsuper and holds tertiary qualifications from the University of Denmark and the University of Bath (United Kingdom). Lisbeth joined Coal LSL in January 2018 and leads the investment function. She is responsible for overseeing our investment portfolio and enhancing our investment governance structure to meet the ongoing needs and objectives of the business.

**Des Sutherland**
Executive General Manager, Client Development

Des is a senior leader with more than 30 years' experience in leading customer business units within the financial services sector. He has a strong background in customer service and process, is a member of the Australian Superannuation Funds Association, Auscontact Associations and holds qualifications in financial planning. Des joined Coal LSL in March 2018 and leads the client development function. He is responsible for the delivery of accurate, efficient and effective fund administration. A key focus is leading the team through change as we progress our move to enhanced digital platforms and services.



**Matthew Trotter**
Executive General Manager, Client Engagement

Matthew is a senior leader with more than 15 years' experience in leading client facing business units both within Australia and internationally. He has a strong background in industry engagement, customer experience, service delivery, marketing and sales and holds a Bachelor of Business from the University of Newcastle. Matthew joined Coal LSL in April 2017 and leads the client engagement function. He is responsible for the delivery of services and programs with direct client interactions, including client engagement, technical compliance, client education liaison and contact centre.

---

**Suzanne Jenkins**
Executive General Manager, Corporate Services

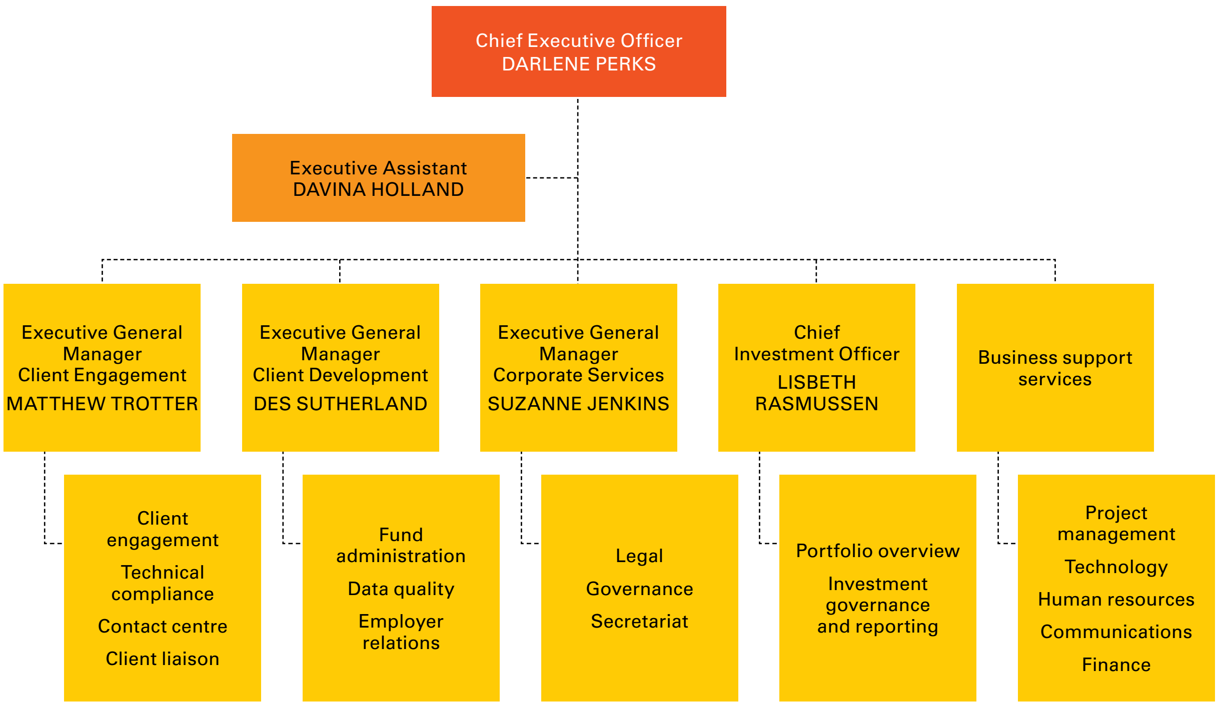
Suzanne is a senior leader with more than 20 years' experience focused on governance, developing and delivering strategy and frameworks for risk management, compliance, and fraud prevention programs. She has a strong background working across several sectors, including financial services, and has tertiary qualifications from the Australian National University and the University of Sydney. Suzanne joined Coal LSL in September 2015 and leads the corporate governance function. This encompasses developing purposeful and practical approaches to the implementation and ongoing improvement of programs for risk management, compliance (including legal processes for employer compliance and general compliance with all statutory obligations), internal audit, business continuity and fraud prevention. She is also accountable for company secretariat support services to the Board of Directors and the relevant subcommittees, for which she works closely with the CEO.

# ORGANISATIONAL STRUCTURE

Over the past year we have continued to invest in developing enhanced capability in specialist skill areas such as legal, technology and client services. This has enabled us to build a team of people who have become intimately knowledgeable about the business and can apply this to their areas of expertise in the delivery of our strategy.

We are committed to making further advances with our workforce and internal capabilities. We recognise this starts with our organisational culture. At Coal LSL we aspire to a high-performance culture in which everyone understands what is expected of them, is empowered and strives to achieve. We have a clear mission to create a strong employee value proposition. This will help us attract, engage and retain a capable and motivated workforce that can deliver our strategic vision and improved operational activities.

Organisational structure at 30 June 2019:



# PERFORMANCE

## INVESTMENTS

Strong, structured governance is critical for achieving long-term, consistent, above-average investment performance. Enhancing our investment governance and capability has remained a key focus during the year.

A key activity was a review of our asset consultant. Willis Towers Watson had performed this role for more than 15 years, and it was an important part of our governance review to undertake a tender process for this service contract. Effective May 2019, Frontier Advisors was appointed Coal LSL's asset consultant for a five-year period.

The performance for the year ended June 2019 was 7.4%, which was well ahead of the investment objective of CPI+3%. The return for the year was significantly more than the actuarial earnings rate of 6%, which is positive for the funding ratio of the fund.

The fund has delivered on the investment objectives as well as the corporate objective, not only over the last year but over three-, five- and eight-year periods.

It achieved the following annual returns in the last five years (ending 30 June):

| 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| 7.4% | 8.3% | 8.9% | 3.4% | 7.3% |

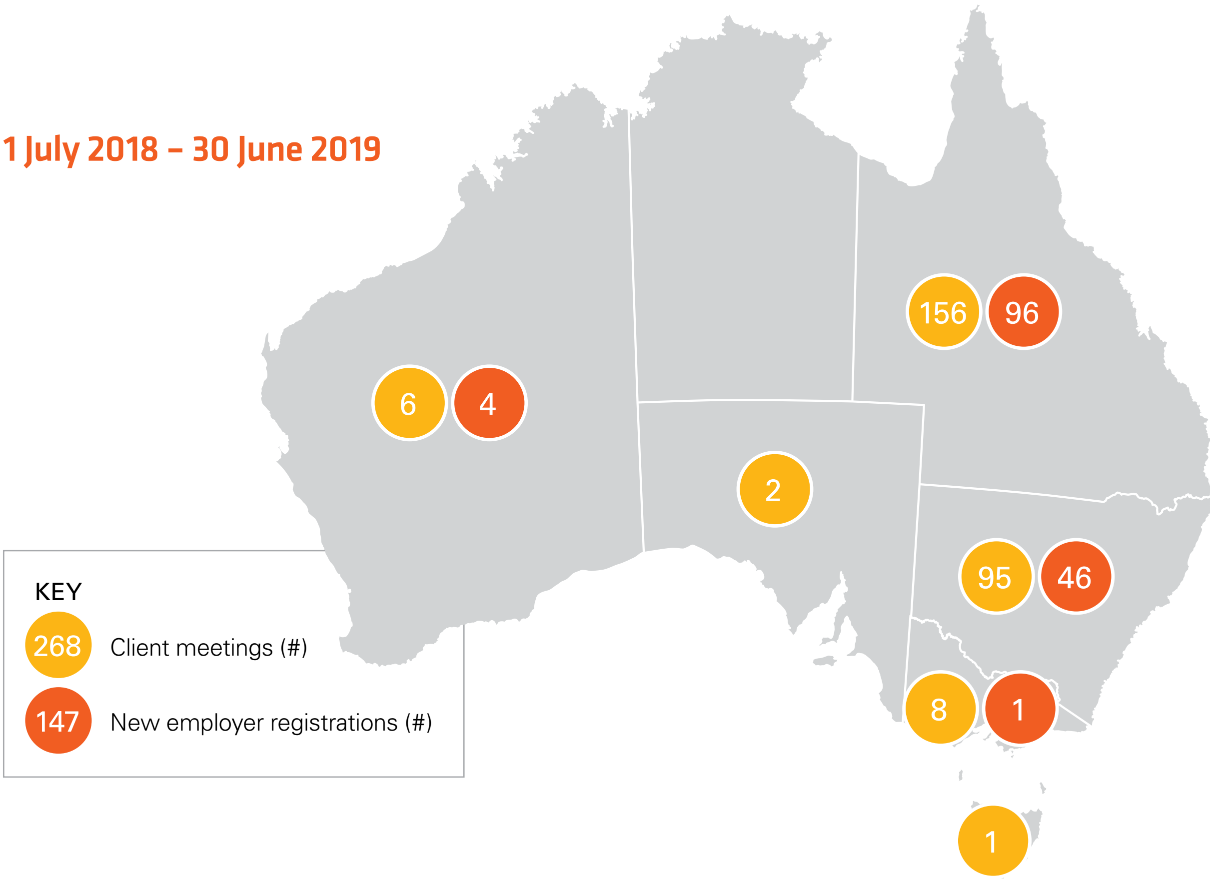
## OPERATIONAL ACTIVITIES

During 2018–19 we focused on delivering on our purpose to connect employers and employees with their long service leave in several ways. Across the business our performance remained strong, indicating continued success of the revised strategy. While managing operational expenditure within budget and industry benchmarks, we continued our progression from a transaction-focused business to an interactive and service-focused organisation with a clear vision for the future. Our annual performance statements detail our achievements over the past financial year.

## EMPLOYER COMPLIANCE

Employer compliance has continued to be a key focus, proactively engaging with employers of eligible employees to help them understand their obligations. Our client engagement team participated in 268 employer meetings in 2018–19. This is an increase in engagement activity of 122% from prior year. As a result, we have continued to see strong growth in new employer registrations and, to date, we have 780 registered employers compared to 672 at 30 June 2018, representing a 16% increase.

### 1 July 2018 – 30 June 2019



# PART 2:
# GOVERNANCE AND ACCOUNTABILITY

# GOVERNANCE PRACTICES

Our corporate governance is accountable and transparent. We are committed to legislation and policy compliance, as well as business practice excellence that delivers confidence and trust from our clients, stakeholders and employees.

Governance practices are incorporated into all of our activities, providing effective mechanisms for corporate responsibility and informed, transparent decision making. An effective but practical governance framework supports and enables the business to deliver our business objectives.

We review our governance framework for ongoing adequacy and currency in the current context of the business. To do so we use gap analysis and reporting to identify opportunities for governance frameworks to better support the business, particularly in the following areas:

- Risk
- Compliance (including Freedom of Information and Privacy)
- Audit
- Fraud
- Complaints.

**The standard governance activities that deliver value to our business include:**

- Regular review and reporting on risk registers (strategic, operational and project risk)
- Monthly whole-of-business reporting on internal controls deficiencies (incident and breach reporting)
- Assurance mapping of the internal control environment
- Regular reporting on established statutory and compliance obligations
- Monitoring for new statutory and compliance obligations
- Induction and periodic staff training on compliance policies (annual training calendar)
- Internal audit program
- Corporate planning and reporting.

**Drawing on our in-house capabilities, we delivered our governance requirements in 2018–19 with the following improvements:**

- Enhancing our approach to risk management (including WHS, cyber, operational and project risk management)
- Further developing the Complaints Management Framework
- Refining the Business Continuity Framework
- Embedding an internal legal function.

# BOARD AND SUBCOMMITTEES

Our Board operates in accordance with the Admin Act and accompanying legislation and, as a corporate Commonwealth entity, is subject to the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

Performance of the Board, subcommittees and independent advisers is regularly reviewed. In 2018–19 the performance review process was facilitated by the Remuneration Committee, utilising a 360-degree assessment approach. The results of this review are being used to inform and further define the education schedule for the Board.

We have continued to enhance our competency framework for directors during the reporting period. This framework defines the knowledge, skills and attributes required for the roles and is a key component of informing the director education program.

The Board maintains a high level of corporate governance through its subcommittees. The subcommittees of the Board meet regularly during the year in line with governance responsibilities.

### Audit, Risk Management and Compliance Committee (ARCC)

The ARCC's main functions include: review of financial reporting; performance reporting; risk oversight and management systems; internal control systems; accounting policies; business policies and practices; compliance with applicable laws and regulations; and overseeing governance issues. Members of the ARCC include Board members Christina Langby and Anne Donnellan, and Independent Chair Martin Matthews.

### Investment Committee (IC)

The IC provides a forum for discussion on investment strategy, initiatives and market insights. Its key objectives include ongoing assessment of performance against strategy and overseeing the performance of investment managers, asset consultants and the master custodian. Members of the IC include Board members Christina Langby, Anne Donnellan and Mark Klasen, and Independent Chair Dr Jon Glass.

### Technical Compliance Committee (TCC)

The TCC provides a forum for directors to consider and evaluate applications for recognition of service and calculation of long service leave. Members of the TCC include Board members Brad Neven, Jennifer Short and Chair Mark Klasen.

### Remuneration Committee (RC)

The RC provides a forum for directors to discuss the framework and policy for remuneration, conditions of employment, succession and appointment and review of the Chief Executive Officer and independent advisers. Members of the RC include Board members Brad Neven and Grahame Kelly, and Independent Chair Martin Aicken.

| | | Term of appointment | | Meeting attendance | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2018 | | | 2019 | | | | |
| Name | Nominated by | Start | End | 21 Aug | 24 Sept | 4 Dec | 5 March | 9 April | 27 May | 12 Jun | 20 Jun |
| Mr Bradley Neven | Employers | 14.04.2015 | 13.04.2023 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Grahame Kelly | Employees | 18.06.2018 | 17.06.2022 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Mark Klasen | Employers | 16.03.2016 | 15.03.2020 | ✓ | – | ✓ | ✓ | – | ✓ | ✓ | ✓ |
| Ms Anne Donnellan | Employees | 30.05.2017 | 29.05.2021 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ms Christina Langby | Employers | 05.06.2017 | 04.06.2021 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ms Jennifer Short | Employees | 01.07.2017 | 30.06.2021 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

# PROCUREMENT

We continued to mature our Procurement Framework during the reporting period.

Our framework has been established to ensure procurement of all goods and services is conducted in an honest, competitive, fair and transparent manner to deliver the best value-for-money outcome while protecting our reputation and ensuring compliance with all relevant legislation.

This year we refined the essential components of the framework to enhance business value through active staff engagement. The contracts register enables staff who are contract owners to actively manage contracts and to review service provider performance against contracted deliverables. We maintain the register of contracts over $100,000 in value on the Coal LSL website, as per compliance requirements.

# STATEMENT OF NON-COMPLIANCE

We are aware of our compliance obligations with finance laws and we undertake a range of activities to maintain ongoing compliance and assurance.

We are committed to our obligation to report significant activities or issues to our responsible Minister in a timely manner. We have a robust internal controls system, which includes alerts, workflows, approval processes and reporting mechanisms that flag potential matters for escalation and external reporting.

There have not been any significant directions given, policy orders applied or non-compliance issues reported to the Minister during the reporting period, as per section 19(1)(e) of the PGPA Act.

# EXTERNAL SCRUTINY

During the year to 30 June 2019 there were no judicial decisions or independent tribunal outcomes that had a significant effect on our operations.

Additionally, there were no external reports on Coal LSL requiring disclosure by the following external parties:

- The Auditor-General (with the exception of the external audit of the annual financial report)
- Any committee of the Houses of Parliament
- The Commonwealth Ombudsman
- The Office of the Australian Information Commissioner.

# PART 3:
# ANNUAL PERFORMANCE STATEMENTS

This annual performance statement has been completed as per s39(1)(a) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) for the 2018–19 financial year and accurately presents Coal LSL's performance in accordance with s39(2) of the PGPA Act.

# GOAL 1 – SEAMLESS INTERACTIONS

**We are easy to do business with.**

Offer an enhanced client experience through increased digital services and interactions that are seamless, streamlined and consistent.

## RESULTS

**PERFORMANCE CRITERION 1 – CLIENT SATISFACTION:** Improved response from prior year

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 20)

**RESULTS AGAINST PERFORMANCE CRITERION**

While we did not deliver formal client surveys to assess an improved response from the prior year, our approach this year was to engage more directly for qualitative feedback, which has been a valuable process.

We captured feedback from our clients via multiple industry workshops, employer meetings and focus interviews as part of research for our digital transformation projects. We realised feedback was coming to us in themes and, in response, we prioritised development of a central register and reporting framework. Each month a resolution summary is provided to senior management.

Moving forward, balancing qualitative and quantitative data will be an important consideration to ensure we have a true understanding of client satisfaction levels.

**PERFORMANCE CRITERION 2 – CLIENT PORTAL:** Baseline measure of self service options available

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 20)

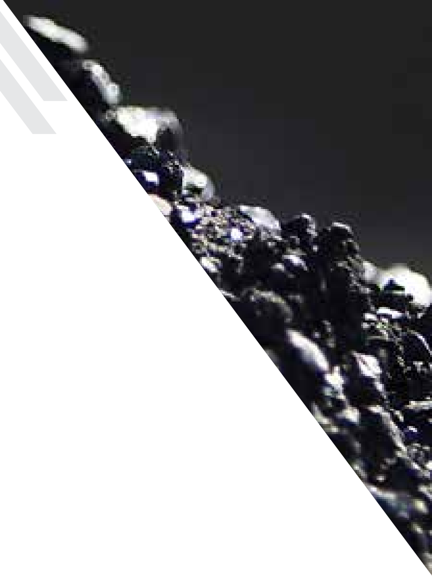
**RESULTS AGAINST PERFORMANCE CRITERION**

This year we completed analysis of our client portal to understand the baseline of our digital service offering.

At the beginning of the financial year, functionality was limited to clients being able to manage their user access, update personal details and access reporting.

During 2018–19 we added to our self service options the ability for eligible employees to view their leave accrual information online. We also initiated technology upgrades in preparation for automated levy return submittal, a feature that will make levy submissions easier for clients and more efficient for staff to process.

Delivering an enhanced client experience remains a core strategic objective so increasing our digital offering from the current functionality will remain an important deliverable in the coming year.



**PERFORMANCE CRITERION 3 – WEBSITE UTILISATION:** Baseline measure

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 20)

**RESULTS AGAINST PERFORMANCE CRITERION**

Our public website was heavily legislation focused and, while content-rich, it was challenging for users to navigate. A review of website utilisation suggested most visitors only sought our contact details from the platform and then called the contact centre.

A renewed website was launched in June 2019, providing a more intuitive, informative resource with clearer language and a more effective user experience. This year's performance mainly relates to our previous website.

Our baseline measures capture the behaviour of users interacting with our website. We measure **total page views** and **self service capacity**, with the following results during 2018–19:

- The website received 166,778 total page views, representing a 43% increase compared to the previous year. This increase in traffic is a by-product of the client engagement activity undertaken during the year.
- Web pages supporting self service received 14,305 hits during the reporting period. During the short period in June in which the upgraded website was available, we saw a 2% decrease in visitors who navigated directly to the Contact us page on arrival and a spike in hits on the new pages supporting self service. This indicates the new website is supporting clients in finding the information they need.

## ANALYSIS OF PERFORMANCE

We have progressed in our pursuit of seamless interactions.

This year has been focused on ensuring the foundations for a seamless client experience are in place through investment in our core systems, upgrading platforms, enhancing capacity and delivery capability. We have focused on understanding our clients' needs to ensure we meet the expectations of the industry as we move forward with delivering on our promise. We have taken time to analyse our current service offering, including the surrounding processes and frameworks, to ensure we implement a scalable, repeatable and consistent offering. These activities and initiatives have delivered valuable information and insights for Coal LSL to benefit from as we press forward with our transformation.

The improvements delivered externally for this reporting period have been in small increments but provide solid foundations for our future.

# GOAL 2 – TRUSTED EDUCATOR

**We demonstrate the benefits and value of industry compliance.**

Deliver increased awareness of the fund and increased engagement with our clients. Focus on improving employer compliance with our governing legislation.

## RESULTS

**PERFORMANCE CRITERION 1 – CLIENT SURVEY FEEDBACK:** Increase in respondents

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 21)

**RESULTS AGAINST PERFORMANCE CRITERION**

While we did not deliver formal client surveys to assess an improved response from the prior year, our approach this year was to engage more directly for qualitative feedback, which has been a valuable process.

We captured feedback from our clients via multiple industry workshops, employer meetings and focus interviews as part of research for our digital transformation projects. We realised feedback was coming to us in themes and, in response, we prioritised development of a central register and reporting framework. Each month a resolution summary is provided to senior management.

The feedback gained through this approach indicates our educational efforts are contributing to improved client satisfaction with our service.

**PERFORMANCE CRITERION 2 – NEW EMPLOYER REGISTRATIONS:** Positive measure

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 21)

**RESULTS AGAINST PERFORMANCE CRITERION**

Many non-compliant employers do not know they are obligated to register and pay into the fund on behalf of their employees. Education in this area is imperative.

This year we strengthened our position with a dedicated client engagement team delivering a tactical client engagement strategy. We improved our ability to engage with employers through our enhanced workforce and increased training programs.

We successfully met our performance objective with our focus on non-compliance, resulting in 147 new employer registrations in 2018–19.

**PERFORMANCE CRITERION 3 – RECOVERY OF BACK LEVIES:** Positive measure

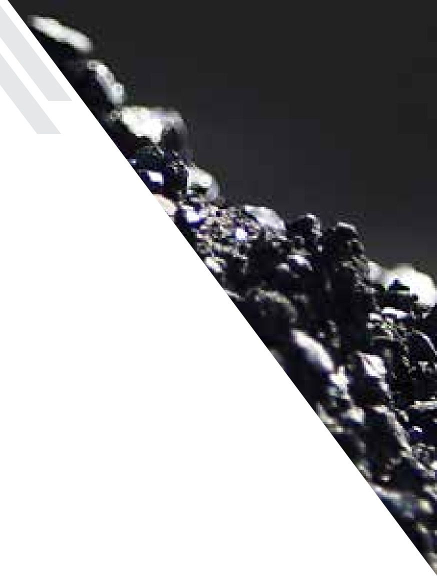
**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 21)

**RESULTS AGAINST PERFORMANCE CRITERION**

A core focus of our approach to employer compliance is equitable and consistent processes. This includes the commitment of more than $7 million in back levies from employers with unpaid obligations under the legislation.

We have seen positive results from our increased industry engagement and focus on non-compliance.

Continuous improvement remains a focus and during the reporting period we reviewed our recovery processes to incorporate client feedback. We are working towards an improved client onboarding experience for the future.



PERFORMANCE CRITERION 4 – CLIENT ENGAGEMENT STRATEGY: Year 1 deliverables implemented

CRITERION SOURCE: 2018–19 Corporate Plan (Performance section, page 21)

RESULTS AGAINST PERFORMANCE CRITERION
Direct client engagement has proven to be the most effective method for educating non-compliant employers.

This year we implemented our client engagement strategy and, to support outcomes, we doubled our recruitment of specialist engagement personnel, invested in training and utilised teleconferencing when a face-to-face meeting was not practical.

As a result, client meetings increased to 268 this year compared with 120 last year, an increase of 122%. These additional resources and meetings resulted in 147 new employers registering with Coal LSL.

While targeting employer compliance, we built staffing and system capability to inform eligible employees of their entitlements. We also engaged with all historical unregistered, non-compliant employers identified as part of the missing service review process.

PERFORMANCE CRITERION 5 – APPLICATIONS FOR ELIGIBILITY: Positive measure

CRITERION SOURCE: 2018–19 Corporate Plan (Performance section, page 21)

RESULTS AGAINST PERFORMANCE CRITERION
We have seen a large increase in service review applications over the past 12 months with 659 received on behalf of employees (515 received in 2017–18). This increase reflects the success of our employee awareness and education efforts around the missing service review process.

In addition to providing instructional application materials, we met with clients face-to-face, provided guidance to employees over the phone and delivered a more informative experience for applicants.

## ANALYSIS OF PERFORMANCE

We have performed well against our goal of being a trusted educator.

Our objectives are to deliver increased awareness of the fund and increased engagement of clients with a focus on improving employer compliance with the governing legislation. We continued to achieve gains in these areas throughout the reporting period.

We delivered positive results from our compliance and engagement strategies. These were major drivers of the increase in new employer registrations and our recovery of back levies during the year.

Service review applications continue to increase year-on-year as our engagement and education efforts continue.

We are engaging more directly with the industry. Our proactive and educative approach is strengthening our position as the respected regulator of long service leave in the black coal mining industry.

# GOAL 3 – INVESTMENT EXCELLENCE

**We invest funds transparently to preserve employee entitlements.**

Achieve investment performance objectives and maintain a fund surplus.

## RESULTS

**PERFORMANCE CRITERION 1 – FUND SURPLUS:** 115% (+/-5% tolerance)

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 22)

**RESULTS AGAINST PERFORMANCE CRITERION**
The fund remains in a strong position with the estimated surplus exceeding the target level of 115% (+/-5% tolerance).

**PERFORMANCE CRITERION 2 – INVESTMENT PORTFOLIO RETURN:** CPI + 3% over rolling 8-year period

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 22)

**RESULTS AGAINST PERFORMANCE CRITERION**
We achieved our performance target as the investment portfolio generated a net return of 7.4% for the year.

The fund has generated an average annual return of 8.4% for the eight years ended 30 June 2019. The CPI+3% target over the same period averaged 4.9%, resulting in an average annual excess performance of 3.5%.

## ANALYSIS OF PERFORMANCE

Although we achieved our investment objectives, it was a year of two halves. The year started strongly with good returns in July and August then equity market values reduced significantly in the December quarter 2018 but recovered during the March and June quarters 2019. Over the full year, investment return was driven by strong performances from equities, bonds and unlisted assets such as property and infrastructure.

# GOAL 4 – INNOVATIVE OPERATIONS

**We will innovate and streamline operations and processes to be more effective.**

Provide the strategic enablers to support business outcomes, develop core business frameworks and increase value add services while maintaining a stable cost base.

## RESULTS

**PERFORMANCE CRITERION 1 – OPERATIONAL EXPENDITURE:** Stable operations budget

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 23)

**RESULTS AGAINST PERFORMANCE CRITERION**

Operational expenditure for the year ending 30 June 2019 was $13.455m*, $1.027m below the budget of $14.482m. Operational expenditure remained well below the administration expense ratio of 0.30% of eligible employee wages which was established as the upper limit cost to deliver on Coal LSL's corporate objectives and strategies for the period.

*Excluding losses from sale of investments and non-financial assets.

**PERFORMANCE CRITERION 2 – WORKFORCE STRATEGY:** Completed implementation of stage 1

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 23)

**RESULTS AGAINST PERFORMANCE CRITERION**

Our Workforce Strategy sets out how we intend to develop our workforce capability. The strategy sets out our priorities and areas of focus:

- Health and wellbeing
- Capability development
- Leadership
- Sustainability.

The first stage of the workforce strategy was successfully delivered, with a focus on the implementation of the core foundations.

During the year we improved sustainability by insourcing payroll. This entailed the implementation of a new payroll and human resource information system. This provides a more effective process and experience for employees while providing the organisation with increased efficiency and access to data.

We also introduced Ignite, our health and wellbeing program. Partnering with a local health provider, we offered health assessments for employees with more than 90% of our team participating. These assessments provided insights into the areas of education and focus, resulting in education sessions on functional fitness and nutrition. The education sessions were complemented with team activities, such as charity walks, to embed those learnings.

Investing in leadership and capability was one of our key focus areas. This year we launched our Leadership and Management Development program. Involving more than 30% of our workforce, this program combines practical skills with personal leadership.

**PERFORMANCE CRITERION 3 – DIGITAL STRATEGY:** Completed implementation of stage 1

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 23)

**RESULTS AGAINST PERFORMANCE CRITERION**
We have delivered the first stage of our digital transformation.

The focus of our digital strategy for 2018–19 was to enhance our core systems. We concentrated on upgrading the technology platform of our record system and started to introduce incremental enhancements in functionality to make our day-to-day operations more effective.

We spent time implementing new systems and tools which will form part of our enhanced service offering. A customer relationship management system and data warehouse are two examples of new systems introduced during the reporting period. System integration has been an area of investment to ensure the experience is seamless, both internally and externally, as we progress our digital transformation.

System and infrastructure reliability and security has been at the forefront of our actions. We continue to review and enhance our frameworks and practices in this area as we invest more heavily in our digital platforms.

Our approach to this digital transformation is agile and flexible. We continue to learn with each iteration and are building a capability that allows us to respond and adapt to change quickly.

**PERFORMANCE CRITERION 4 – DIGITAL HEALTH ASSESSMENT:** Improve on prior year

**CRITERION SOURCE:** 2018–19 Corporate Plan (Performance section, page 23)

**RESULTS AGAINST PERFORMANCE CRITERION**
We participated in the National Archives Digital Check-up PLUS survey in 2018. This survey provides a measure of our maturity and progression for information management and includes a comparison to the whole of government.

Coal LSL has seen an improvement since our results in 2017 but we remain behind the whole-of-government average. The areas we improved in over the past year include information governance, creation and interoperability; this reflects our areas of focus internally during the year.

Storage and disposal of digital information are the areas of little change during the reporting period. While this is consistent with performance across the whole-of-government, we remain well behind the average in these two areas. We have begun a strategic project focused on this and we expect to see an improvement in the next year.

## ANALYSIS OF PERFORMANCE

During the past financial year we have been implementing our strategies to transform the operations of Coal LSL.

We have performed well against this goal. Our operational budget is stable and falls within relevant benchmarks. We have seen an improvement in our workforce metrics with our staff retention rate increasing and unplanned absences decreasing – accepted indicators of engagement and discretionary effort. We have implemented new systems and improved our existing platforms. All these activities and results are positive given the early stage of our transition.

However, while we have performed well against our goal of innovative operations, we acknowledge there are areas where we can continue to improve. We are committed to a learning culture where continuous improvement forms part of our values and we constantly strive for improving our effectiveness.

## ANALYSIS OF PERFORMANCE AGAINST PURPOSE

Our purpose is to connect employers and employees with long service leave for the good of Australia's black coal mining industry.

This was the first year of delivering against our new purpose. We took time to clarify what this purpose meant to us, the industry and our stakeholders. To us, this purpose represents our commitment to be an effective and efficient regulator and manager of long service leave entitlements. It is our motivation for success and commitment to operational excellence. It promotes the benefits for stakeholders in engaging with us and is indicative of what can be expected from Coal LSL on a practical, operational level.

With that context, we have delivered a strong performance against our purpose in 2018–19.

Across the business, our performance was strong with a growth in numbers across most of our operational activities. We processed 14,698 applications for long service leave entitlements and reimbursed employers more than $125m for paid entitlements. We saw strong growth in numbers of eligible employees and we processed 659 service review applications.

We have truly embraced our role as a regulator and focused heavily on employer compliance. Our team participated in 268 employer meetings, delivering a growth in employer registrations, with 780 employers now registered with the fund.

Most importantly, we connected with the industry.

Our consistent performance on purposeful engagement with industry and key stakeholders has been the highlight of the year and demonstrates commitment to our purpose. We've held education workshops for eligible employees, unions and other industry stakeholders. We've informed government stakeholders about our scheme and the value of portable long service leave beyond its core role as a workplace benefit. This commitment to engagement is not just about the interests of the fund. We've taken the time to listen to our clients and the industry about the areas in which we can improve and those in which we are performing well to ensure we continue to meet their needs and expectations.

# PART 4: FINANCIAL STATEMENTS

# STATEMENT BY DIRECTORS, CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER FINANCE

In our opinion, the attached financial statements for the year ended 30 June 2019 of the Coal Mining Industry (Long Service Leave Funding) Corporation ("Coal LSL") comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

This statement is made in accordance with a resolution of the directors.

**Bradley Neven**
Chair

**Darlene Perks**
Chief Executive Officer

**Kat Cowie**
General Manager Finance

Sydney
17 September 2019

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

| | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Expenses** | | | |
| Employee benefits | 1.1 (a) | 7,445 | 5,929 |
| Net realised losses on sale of investments | | 68 | - |
| Professional services | | 2,499 | 2,650 |
| Directors' remuneration and expenses | 1.1 (b) | 174 | 149 |
| Depreciation and amortisation | 3.1 | 312 | 250 |
| Operating leases | 1.1 (c) | 518 | 431 |
| Losses from non-financial asset sales | | 651 | - |
| Other expenses | 1.1 (d) | 2,507 | 2,082 |
| Increase in provision for reimbursements | 5.1 | 350,065 | 195,222 |
| **Total expenses** | | 364,239 | 206,713 |
| **Own-source revenue** | | | |
| Investment revenue | 1.2 (a) | 127,230 | 130,292 |
| Other revenue | | 3 | 1 |
| **Total own-source revenue** | | 127,233 | 130,293 |
| **Net (cost of) services** | | (237,006) | (76,420) |
| Revenue from government | 1.2 (b) | 134,531 | 149,081 |
| **Surplus/(deficit) on continuing operations** | | (102,475) | 72,661 |
| Other comprehensive income | | - | - |
| **Total comprehensive income/(loss)** | | (102,475) | 72,661 |

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

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

| ASSETS | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| Financial assets | | | |
| Cash and cash equivalents | 2.2 | 179,568 | 24,219 |
| Trade and other receivables | 2.3 | 4,116 | 2,709 |
| Unit trusts | 2.4 | 1,649,635 | 1,684,804 |
| Total financial assets | | 1,833,319 | 1,711,732 |
| Non-financial assets | | | |
| Property, plant and equipment | 3.1 | 2,429 | 1,038 |
| Software | 3.1 | 1,103 | 51 |
| Total non-financial assets | | 3,532 | 1,089 |
| Total assets | | 1,836,851 | 1,712,821 |
| LIABILITIES | | | |
| Payables | | | |
| Trade and other payables | 2.5 | 2,197 | 1,019 |
| Total payables | | 2,197 | 1,019 |
| Provisions | | | |
| Employee provisions | 4.1 | 763 | 612 |
| Provision for reimbursements | 5.1 | 1,525,949 | 1,300,773 |
| Total provisions | | 1,526,712 | 1,301,385 |
| Total liabilities | | 1,528,909 | 1,302,404 |
| Net assets | | 307,942 | 410,417 |
| EQUITY | | | |
| Retained surplus | | 307,942 | 410,417 |
| Total equity | | 307,942 | 410,417 |

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

| RETAINED SURPLUS | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Balance at the beginning of the financial year | 410,417 | 337,756 |
| Net surplus/(deficit) for the year | (102,475) | 72,661 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income/(loss) for the year | (102,475) | 72,661 |
| Closing balance at the end of the financial year | 307,942 | 410,417 |

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

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Cash received | | |
| Investment income | 8,622 | 5,001 |
| Receipts from government | 134,531 | 149,081 |
| Lease incentive | 1,027 | - |
| Other revenue | 3 | 1 |
| Net GST received | 644 | 411 |
| | 144,827 | 154,494 |
| Cash used | | |
| Employees | 7,294 | 5,759 |
| Reimbursements to employers | 124,889 | 139,034 |
| Other expenses | 6,382 | 3,768 |
| | 138,565 | 148,561 |
| Net cash from operating activities | 6,262 | 5,933 |
| | | |
| INVESTING ACTIVITIES | | |
| Cash received | | |
| Sale of property, plant and equipment | 137 | - |
| Sale of investments | 154,240 | 97,734 |
| | 154,377 | 97,734 |
| Cash used | | |
| Purchase of property, plant and equipment | 3,374 | 94 |
| Purchase of investments | 1,916 | 114,560 |
| | 5,290 | 114,654 |
| Net cash from/(used by) investing activities | 149,087 | (16,920) |
| | | |
| Net increase/(decrease) in cash held | 155,349 | (10,987) |
| Cash and cash equivalents at the beginning of the reporting period | 24,219 | 35,206 |
| Cash and cash equivalents at the end of the reporting period | 179,568 | 24,219 |

### Non-cash investing activities

During the year, financial assets held at fair value through profit or loss were acquired (redeemed) as a result of:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Reinvestment of distributions and manager fee rebates | 57,885 | 66,161 |
| Management fees paid by redemptions | (234) | (930) |
| Total non-cash investing activities | 57,651 | 65,231 |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

# OVERVIEW

Coal LSL is a not-for-profit corporate Commonwealth entity established under the *Coal Mining Industry (Long Service Leave) Administration Act 1992* to regulate and manage long service leave entitlements on behalf of eligible employees of the black coal mining industry.

## Basis of preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:
- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

Coal LSL is not a General Government Sector entity and is not required to report budgetary numbers to parliament. As such, the entity does not fall within the scope of AASB 1055.

The financial statements have been prepared on an accruals basis in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

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

## New accounting standards

No accounting standard has been adopted earlier than the application date as stated in the standard. The impact on initial application of AASB 9 Financial Instruments is disclosed in note 2.1. All other accounting standards, amendments to standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect and are not expected to have a future material effect on the entity's financial statements.

The following new/revised accounting standards are applicable to future reporting periods:
- AASB 15 *Revenue from Contracts with Customers*: application date 1 July 2019;
- AASB 16 *Leases*: application date 1 July 2019; and
- AASB 1058 *Income of Not-for-Profit Entities*: application date 1 July 2019.

It is expected that the adoption of these standards will have no material impact on Coal LSL.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## Funding

From 1 July 2018, levies payable by employers under the provisions of the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992* were reduced from 2.7% to 2.0% of "eligible wages". An actuarial assessment of the fund was undertaken in October 2017 which indicated a significant surplus position of approximately 149.1%. Due to this strong financial position, the Board recommended a reduction in the levy from 2.7% to 2.0%. This recommendation was approved as a regulation in June 2018. Despite the 25.9% reduction in the levy, the projected long term returns from the investment portfolio indicate achievement of the corporate objectives of the fund.

## Taxation

Coal LSL is exempt from all forms of income taxation.

## Economic dependency

Coal LSL 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 in accordance with the *Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992*.

From 29 May 2019, the industrial relations functions, which include Coal LSL, transferred from the Department of Employment, Skills, Small and Family Business to the Attorney-General's Department. This change had no impact on the appropriation funding arrangements of Coal LSL. The accounting policy for revenue from government is disclosed in note 1.2(b).

## Events after the reporting period

There were no specific events subsequent to 30 June 2019 that had the potential to significantly affect the ongoing structure and financial activities of the entity.

## Comparative amounts

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year. This has resulted in a reclassification to separately present software and property, plant and equipment in the statement of financial position. These reclassifications had no effect on the reported results of operations.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 1. STATEMENT OF COMPREHENSIVE INCOME

| 1.1 EXPENSES | 2019 $'000 | 2018 $'000 |
|---|---|---|
| (a) Employee benefits | | |
| Wages and salaries | 6,540 | 5,313 |
| Superannuation | 620 | 492 |
| Leave and other entitlements | 285 | 124 |
| Total employee benefits | 7,445 | 5,929 |

### ACCOUNTING POLICY

Accounting policies for employee related expenses is contained in the People and relationships section at note 4.

### (b) Directors' remuneration and expenses

The remuneration of directors is by way of a daily fee 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 Coal LSL.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Remuneration paid or payable to directors | 113 | 74 |
| Directors' expenses | 61 | 75 |
| Total directors' remuneration and expenses | 174 | 149 |

The total number of directors that are included in the above table is 6 (2018: 6).

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

(c) Operating leases

Coal LSL signed an operating lease for its head office premises in Newcastle which commenced 1 March 2019 for an initial lease period of ten (10) years with a five (5) year plus five (5) year renewal option. Included in this lease is an annual fixed increase of 3.5% over the initial lease period, with a market review should the option be exercised. Given it is uncertain if Coal LSL will exercise the option periods, these have been excluded from the commitment calculation.

The lease of the previous head office premises, also located in Newcastle, was surrendered on 6 May 2019 releasing Coal LSL of all future commitments in relation to that agreement.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Operating lease costs | 518 | 431 |

| Minimum lease commitments | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Not later than one year | 608 | 421 |
| Later than one year and not later than five (5) years | 2,625 | 1,667 |
| Greater than five (5) years | 3,545 | 310 |
| Total minimum lease commitments | 6,778 | 2,398 |

ACCOUNTING POLICY

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets. Coal LSL has no finance leases.

(d) Other expenses

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Technology costs | 951 | 759 |
| Business transition costs | - | 75 |
| Employment-related costs | 781 | 516 |
| Operating expenses | 775 | 732 |
| Total other expenses | 2,507 | 2,082 |

## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

| 1.2 REVENUE | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **(a) Investment revenue** | | |
| Unit trust distributions | 63,444 | 70,063 |
| Deposit interest | 2,202 | 682 |
| Investment manager fee rebates | 2,012 | 2,055 |
| Changes in fair value of investments held at balance date | 59,572 | 54,300 |
| Net realised gains on sale of investments | - | 3,192 |
| **Total investment revenue** | 127,230 | 130,292 |

### ACCOUNTING POLICY

Dividend and distribution income is recognised when the right to receive a dividend/distribution has been established. Interest income is recognised as it accrues using the effective interest method. Investment manager fee rebates are received through the issue of additional units and are recognised as income when the right to receive the additional units has been established. Fair value gains and losses are recognised as unrealised when the investment is still held at balance date or as realised when the investment has been disposed of during the financial year.

| **(b) Revenue from government** | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Levy collections from employers | 134,531 | 149,081 |
| **Total revenue from government** | 134,531 | 149,081 |

### ACCOUNTING POLICY

Revenues from government are recognised to the extent they have been received into Coal LSL's bank account. Coal LSL collects a levy paid by employers in a levy collection account. The levy is transferred to the Department of Employment, Skills, Small and Family Business via Consolidated Revenue and is appropriated back from Consolidated Revenue on a monthly basis. This levy account is not recognised as revenue until it is appropriated back from Consolidated Revenue and paid to Coal LSL as it is not controlled by Coal LSL until this appropriation occurs. At 30 June 2019 the balance in this levy account was $11,734,572 (2018: $13,338,305). This amount was remitted to Consolidated Revenue on 1 July 2019.

Despite the transfer of Coal LSL from the Department of Employment, Skills, Small and Family Business to the Attorney-General's Department from 29 May 2019, the payment arrangements noted above remained unchanged to 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 2. FINANCIAL ASSETS AND LIABILITIES

| 2.1 CATEGORIES OF FINANCIAL INSTRUMENTS | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Financial assets | | |
| Amortised cost | | |
| Cash and cash equivalents | 179,568 | 24,219 |
| Trade and other receivables | 4,116 | - |
| Total at amortised cost | 183,684 | 24,219 |
| Fair value through profit or loss | | |
| Unit trusts | 1,649,635 | 1,684,804 |
| Loans and receivables | | |
| Trade and other receivables | - | 2,709 |
| Total financial assets | 1,833,319 | 1,711,732 |
| | | |
| Financial liabilities | | |
| Amortised cost | | |
| Trade and other payables | 2,197 | 1,019 |
| Total financial liabilities | 2,197 | 1,019 |

The initial application of AASB 9 *Financial Instruments* on 1 July 2018 resulted in the reclassification of $2.7m of trade and other receivables from loans and receivables to amortised cost bringing the total financial assets held at amortised cost to $26.9m as at 1 July 2018. No remeasurements or other reclassifications were required on initial application of the standard.

Net gains on financial assets and financial liabilities are disclosed in note 1.2(a) while net losses are disclosed in the statement of comprehensive income.

### ACCOUNTING POLICY

Financial assets are recognised when Coal LSL becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

The classification depends on Coal LSL's business model for managing the financial assets and the contractual cash flow characteristics at the time of initial recognition.

#### Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses. A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 2.2 CASH AND CASH EQUIVALENTS

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Cash at bank | 172,974 | 24,177 |
| Deposits at custodian | 6,594 | 42 |
| Total cash and cash equivalents shown in statement of cash flows | 179,568 | 24,219 |

### ACCOUNTING POLICY

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

## 2.3 TRADE AND OTHER RECEIVABLES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Accrued income from investments | 3,444 | 2,376 |
| Accrued bank interest | 135 | 52 |
| GST paid and claimable | 97 | 34 |
| Prepayments | 439 | 237 |
| Other assets | 1 | 10 |
| Total trade and other receivables | 4,116 | 2,709 |

At 30 June 2019, no trade or other receivables were overdue or impaired (2018: nil).

### ACCOUNTING POLICY

Trade and other receivables that are held for the purpose of collecting contractual cash flows which are solely payments of principal and interest and are not provided at below-market interest rates are measured at amortised cost using the effective interest method adjusted for any loss allowance.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

| 2.4 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS | 2019 $'000 | 2018 $'000 |
|---|---|---|
| (a) Investments | | |
| As at 1 July | 1,684,804 | 1,545,255 |
| Purchases | 59,801 | 180,721 |
| Sales | (154,474) | (98,664) |
| Realised and unrealised gains | 59,504 | 57,492 |
| Total as at 30 June | 1,649,635 | 1,684,804 |

(b) As at 30 June 2019, a total of **$1,649.6m** (2018: $1,684.8m) from the assets of the Coal Mining Industry Long Service Leave Fund were invested by Coal LSL with the appointed fund managers in accordance with the approved investment policy as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| AMP Capital Shopping Centre Fund | 33,818 | 35,453 |
| AMP Capital Wholesale Office Fund | 55,329 | 51,150 |
| Bridgewater | 82,775 | 78,278 |
| Brigade | - | 73,366 |
| Hyperion | 87,691 | 82,478 |
| K2 Advisors | - | 73,021 |
| Lazard | 63,907 | 59,149 |
| Macquarie | 72,075 | 64,815 |
| MFS | 78,934 | 74,792 |
| Palisade | 79,097 | 75,035 |
| Pimco | 68,643 | 64,422 |
| QIC Fixed Interest | 240,987 | 219,960 |
| QIC Inflation Plus | 133,843 | 134,084 |
| Resolution Capital | 103,490 | 94,342 |
| Schroder | 67,869 | 62,951 |
| State Street Global Advisors | 136,440 | 121,639 |
| Stone Harbor | 63,592 | 57,387 |
| Vanguard International Shares Hedged | 95,958 | 90,055 |
| Vanguard International Shares Unhedged | 185,187 | 172,427 |
| Total unit trusts | 1,649,635 | 1,684,804 |
| JPMorgan Chase Bank N.A cash account | 6,594 | 42 |
| Cash held directly by Coal LSL | 172,974 | 24,177 |
| Total investments | 1,829,203 | 1,709,023 |

All investments in unit trusts were held on behalf of Coal LSL by the Master Custodian, JPMorgan Chase Bank N.A. For the year ended 30 June 2019, the return on the investment of funds was **7.4%** (2018: 8.3%).

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

| Sector exposure | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Australian fixed interest | 374,830 | 354,044 |
| Overseas fixed interest | 136,512 | 127,373 |
| Australian equities | 223,673 | 206,442 |
| Overseas equities | 496,519 | 458,913 |
| Alternatives | 225,464 | 357,087 |
| Property | 192,637 | 180,945 |
| Cash and cash equivalents | 179,568 | 24,219 |
| Total investments | 1,829,203 | 1,709,023 |

## ACCOUNTING POLICY

Financial assets are classified at fair value through profit or loss (FVTPL) where the financial assets either do not meet the criteria of financial assets held at amortised cost or at fair value through other comprehensive income (i.e. mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

### Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at balance date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non- exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, references to the current fair value of other instruments that has substantially the same characteristics, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Coal LSL 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 they comply with the mandated strategy approved by Coal LSL. Coal LSL itself does not invest in derivatives directly and expects that investment managers utilise derivatives in the short term only.

The fair value of derivatives that are not exchange-traded is estimated at the amount that Coal LSL would receive or pay to transfer a liability of the contract at the balance date before taking into account current market conditions and the creditworthiness of the counterparties.

Investments in unlisted unit trusts are recorded at the exit price as reported by the managers of such trusts. It is a requirement of all managers that if derivatives are utilised, any such derivatives are fully cash backed.

### 2.5 TRADE AND OTHER PAYABLES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Trade creditors and accruals | 749 | 610 |
| Other payables | 1,448 | 409 |
| Total trade and other payables | 2,197 | 1,019 |

Amounts are unsecured and are usually paid within 30 days of recognition.

**ACCOUNTING POLICY**

Trade and other payables are recognised at amortised cost. Liabilities are recognised to the extent that goods and services have been received (and irrespective of having been invoiced).

## 3. NON-FINANCIAL ASSETS

### 3.1 PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE

| Reconciliation of opening and closing balances | Leasehold improvements $'000 | Plant and equipment $'000 | Software $'000 | Total $'000 |
|---|---|---|---|---|
| As at 1 July 2018 | | | | |
| Gross book value | 746 | 547 | 69 | 1,362 |
| Accumulated depreciation, amortisation and impairment | (71) | (184) | (18) | (273) |
| Total as at 1 July 2018 | 675 | 363 | 51 | 1,089 |
| Purchases | 1,758 | 638 | 1,133 | 3,529 |
| Depreciation and amortisation | (89) | (142) | (81) | (312) |
| Disposals | (623) | (151) | - | (774) |
| Total as at 30 June 2019 | 1,721 | 708 | 1,103 | 3,532 |
| Total as at 30 June represented by | | | | |
| Gross book value | 1,881 | 1,034 | 1,202 | 4,117 |
| Accumulated depreciation, amortisation and impairment | (160) | (326) | (99) | (585) |
| Total as at 30 June 2019 | 1,721 | 708 | 1,103 | 3,532 |

## ACCOUNTING POLICY

Assets are recorded at cost on acquisition. The cost of acquisition includes the fair value of assets transferred in exchange of liabilities undertaken.

### Asset recognition threshold

Purchases of property, plant and equipment are recognised at cost in the statement of financial position except for purchases costing less than $1,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it  is located. This is particularly relevant to 'make good' provisions taken up by the entity where there exists an obligation to restore leased premises. As at 30 June 2019, it was the opinion of the directors that Coal LSL did have a future obligation for the make good of leased premises as it is uncertain if Coal LSL will exercise the option periods and therefore the ability to waive the obligation to make good the site under the lease contract.

### Revaluations

Following initial recognition at cost, material property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets. Immaterial property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

It is the opinion of Coal LSL that all property, plant and equipment are immaterial and as such, are measured at cost less accumulated depreciation and accumulated impairment losses. No assets were revalued as at 30 June 2019.

### Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

– Leasehold improvements: term of lease
– Plant and equipment: 2-10 years.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

### Impairment

All assets were assessed for impairment at 30 June 2019. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### Net realised gains or losses on sale of assets

Gains and losses arising from the sale of assets during the year are recognised in the statement of comprehensive income when the asset has been disposed.

### Intangibles

Coal LSL's intangibles comprise software that has been purchased, internally developed or significantly modified for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives range from 3 to 5 years (depending on assessment of the individual asset's useful life). All software assets were assessed for indications of impairment at 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 4. PEOPLE AND RELATIONSHIPS

| 4.1 EMPLOYEE PROVISIONS | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Leave | 763 | 534 |
| Superannuation | - | 78 |
| Total employee provisions | 763 | 612 |

### ACCOUNTING POLICY

**Leave**

Liabilities for annual leave and accumulating sick leave are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting dates. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Superannuation**

The liability for superannuation recognised as at 30 June represents outstanding contributions.

### 4.2 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Chief Executive Officer, Chief Investment Officer and Board of Directors. As a result of Coal LSL's annual reassessment of key management personnel, in the context of the entity's structure and key decision making, there has been a reduction in the number of executives disclosed as key management personnel. Remuneration of key management personnel (excluding the Board of Directors which is disclosed in note 1.1(b)) is reported in the table below:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Short-term employee benefits | 629 | 1,485 |
| Post-employment benefits | 61 | 145 |
| Other long-term employee benefits | 13 | 31 |
| Termination benefits | - | - |
| Total key management personnel remuneration expenses[1] | 703 | 1,661 |

The total number of key management personnel that are included in the above table is **2** (2018: 9).

[1] The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 4.3 RELATED PARTY DISCLOSURES

### (a) Related party relationships

Coal LSL is a corporate Commonwealth entity. Related parties to this entity are the directors, key management personnel and the Portfolio Minister. Directors have associations with entities that are involved in the coal mining industry pursuant to their appointment to the Board under the *Coal Mining Industry (Long Service Leave) Administration Act 1992*.

The directors of Coal LSL during the year were:

- Mr Bradley Neven, Chair
- Mr Grahame Kelly, Deputy Chair (appointed as Deputy Chair from 20 June 2019)
- Mr Mark Klasen (resigned as Deputy Chair from 20 June 2019)
- Ms Anne Donnellan
- Ms Christina Langby
- Ms Jennifer Short

Directors held their positions to the end of the financial year.

Key management personnel employed by Coal LSL during the year were:

- Ms Darlene Perks, Chief Executive Officer
- Ms Lisbeth Rasmussen, Chief Investment Officer

### (b) Transactions with related parties

Given the breadth of government activities, related parties transact with the government sector in the same capacity as ordinary citizens. In addition, Coal LSL may transact with related parties through the collection of levies, payment of reimbursements and recognition of eligible employment service in the same manner as other registered employers and eligible employees. These transactions have not been disclosed in this note.

Apart from items disclosed at notes 1.1(b) Directors' remuneration and expenses, 1.2(b) Revenue from government and 4.2 Key management personnel remuneration, there were no further related party transactions.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 5. PROVISIONS

| 5.1 PROVISION FOR REIMBURSEMENTS | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Current | **1,195,459** | 991,197 |
| Non-current | **330,490** | 309,576 |
| Total provision for reimbursements | **1,525,949** | 1,300,773 |
| | | |
| As at 1 July | **1,300,773** | 1,244,585 |
| Reimbursements paid | **(124,889)** | (139,034) |
| Additional provisions recognised | **229,238** | 195,410 |
| Increase (decrease) in provision due to change in discount rate | **120,827** | (188) |
| As at 30 June | **1,525,949** | 1,300,773 |

The current portion of the provision includes unconditional entitlements where employees have met the eligibility requirements for long service leave. However, based on past experience, current leave obligations expected to be reimbursed to employers in the next 12 months is **$136.6m** (2018: $151.3m).

### ACCOUNTING POLICY

This provision represents the expected liability for the reimbursement of employers for the long service leave entitlements of eligible employees under the *Coal Mining Industry (Long Service Leave) Administration Act 1992* as at 30 June.

The provision for reimbursement is recalculated annually by multiplying the individual employee's total number of hours of long service leave accrued by their average hourly rate of pay. The liability for each eligible employee is reviewed in terms of probability factors of the employee reaching the qualifying service period, estimates of future salary growth and then discounted to its present value using market yields at the reporting date on government bonds with terms to maturity and currency that match, as closely as possible, the average, estimated duration of the liability.

Coal LSL recognises that the present value of the provision for reimbursements is sensitive to changes in assumptions used in determining its value.

### Salary growth

At 30 June 2019 the actuarial salary growth rate assumptions were **2.25%** for long service leave balances with an expected payment date of within 2 years (2018: 2.0%), **2.5%** for 3 years (2018: 2.75%), **3.0%** for 4 years (2018: 3.5%) and **3.5%** for all other payments periods (2018: 3.5%). With all other variables held constant a 1.0% increase in salary growth rates used in the calculation would increase the present value of the provision for reimbursements by **$80.2m** (2018: $69.4m). A 1.0% decrease would decrease the present value by **$76.5m** (2018: $66.2m).

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

### Probability factors

At 30 June 2019 the probability factors utilised ranges from **47.2%** to **100.0%** depending on the type and category of long service leave (2018: 48.4% to 100.0%). An increase in the probability factors used in the calculation would increase the present value of the provision for reimbursements. A decrease in probability factors would decrease the present value.

### Change in estimate

Coal LSL changed an accounting estimate for the provision for reimbursements at 30 June 2019. The revised estimate is based on a review of the duration of the liability. The estimated duration of the liability decreased from 10 years to 5 years and resulted in a change in the discount rate applied. The change in estimate has been applied prospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. As a result of the change in estimate, the provision increased by $22.9m and the reimbursement expense increased by the same amount at 30 June 2019. It is impracticable to estimate the effect of this change in estimate on future periods.

### Discount rates

At 30 June 2019 the discount rate utilised was **1.03%** for all categories of long service leave (2018: 2.63%). With all other variables held constant, a 1.0% increase in discount rates used in the calculation would decrease the present value of the provision for reimbursements by **$77.0m** (2018: $65.7m). A 1.0% decrease would increase the present value by **$82.4m** (2018: $70.2m).

## 6. CONTINGENCIES AND COMMITMENTS

### 6.1 CONTINGENT ASSETS AND LIABILITIES

### Quantifiable contingencies

In accordance with the *Coal Mining Industry (Long Service Leave) Legislation Amendment Act 2011*, "Eligible Employees" can make application to Coal LSL for recognition of periods of eligible employment service that may not be presently recognised and recorded by Coal LSL. A contingent liability will arise at reporting date where applications have been received but not yet approved by the Board of Directors. At 30 June 2019 Coal LSL has an estimated contingent liability of **$2.6m** (2018: $2.2m).

Coal LSL has an estimated contingent asset of **$6.1m** at 30 June 2019 (2018: $1.6m) arising in respect of levies attributable to those employers of "Eligible Employees" and "Former Eligible Employees" in relation to applications received.

### Unquantifiable contingencies

Coal LSL has not raised a liability for unknown claims by employees for recognition of period(s) of employment service as, at balance date, these amounts are unknown and are not reliably measurable. A contingent asset will also arise in respect of levies attributable to those employers of "Eligible Employees" and "Former Eligible Employees" that previously did not contribute to the fund for unrecognised service. No asset will be raised for unknown claims as these amounts are unknown and are not reliably measurable.

### ACCOUNTING POLICY

Contingent liabilities and assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

### 6.2 COMMITMENTS

Coal LSL has the following commitments at 30 June:

| Investment commitments | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Not later than one year | 7,593 | 9,510 |
| Later than one year and not later than five (5) years | - | - |
| Total investment commitments | 7,593 | 9,510 |

Commitments in relation to operating lease costs are disclosed in note 1.1(c).

## 7. AGGREGATE ASSETS AND LIABILITIES

| Assets expected to be recovered in | 2019 $'000 | 2018 $'000 |
|---|---|---|
| No more than 12 months | 103,684 | 68,928 |
| More than 12 months | 1,733,167 | 1,643,893 |
| Total assets | 1,836,851 | 1,712,821 |
| | | |
| Liabilities expected to be settled in | | |
| No more than 12 months | 137,858 | 152,651 |
| More than 12 months | 1,391,051 | 1,149,753 |
| Total liabilities | 1,528,909 | 1,302,404 |

**INDEPENDENT AUDITOR'S REPORT**

**To the Minister for Industrial Relations**

**Opinion**

In my opinion, the financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation ('the Entity') for the year ended 30 June 2019:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

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

- Statement by Directors, Chief Executive Officer and General Manager Finance;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

**Basis for opinion**

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

**Accountable Authority's responsibility for the financial statements**

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

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

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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

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

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

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

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

Australian National Audit Office

Peter Kerr

Executive Director

Delegate of the Auditor-General

Canberra

17 September 2019

PART 5:
# APPENDICES

*“Our performance over this financial year has been very positive and reassuring, reinforcing the proficiency in our role to preserve and fund the growing demand for access to long service leave entitlements in the Australian black coal mining industry.”*

# DISCLOSURES

## Work health and safety

Under the *Work Health and Safety Act 2011* (WHS Act) we are required to report certain information. During 2018–19 we had zero notifiable incidents and were not involved in any statutory enforcements or investigations.

## Ecological sustainable development

Within our office environment, we encourage a range of initiatives to assist in reducing our environmental footprint. These include:

- Follow Me printing (with default settings set to double-sided greyscale)
- Encouraging electronic meeting papers and scanning to reduce the volume of paper
- Shutting down computers outside of working hours
- Energy efficient lighting, including sensor lighting throughout the office
- Recycling of paper, cardboard, plastics, glass and print cartridges
- Encouraging the use of local public transport hubs and cycling to work.

## Advertising and market research

Under section 311A of the *Commonwealth Electoral Act 1918,* we are required to disclose payments of $13,800 or more (inclusive of GST) to specific types of organisations. These organisations are advertising agencies, market research organisations, polling organisations, media advertising organisations and direct mail organisations. We have no payments requiring disclosure for 2018–19.

## Related party transactions of accountable authority

Apart from the remuneration of the directors as disclosed in the notes to the 30 June 2019 Financial Statements, no further related party transactions occurred between Coal LSL and the accountable authority.

## Indemnities and insurance premiums

For 2018–19 we renewed an Investment Managers Insurance (IMI) package which covers directors' and officers' liability insurance, professional indemnity, employment practices liability and statutory liability. The cost of our IMI package for 2018–19 is $62,415 (including GST).

The insurances provide coverage for all staff including the CEO, executive officers and all staff officially engaged as employees of Coal LSL. Directors' and officers' liability insurance covered the consequences of any wrongful act of these officers. Directors' and officers' liability does not cover any wilful breach of duty.

There were no claims against our liability insurances for 2018–19.

## Workforce profile

The following table represents our workforce profile for the period 2018–19. All employees were based in NSW, Australia.

| | Male | | | Female | | |
|---|---|---|---|---|---|---|
| | Full time | Part time | Total | Full time | Part time | Total |
| Ongoing | 19 | - | 19 | 42 | 8 | 50 |
| Non-ongoing | 1 | - | 1 | 10 | - | 10 |

The following table represents our workforce profile for the period 2017–18. All employees were based in NSW, Australia.

| | Male | | | Female | | |
|---|---|---|---|---|---|---|
| | Full time | Part time | Total | Full time | Part time | Total |
| Ongoing | 8 | - | 8 | 32 | 4 | 36 |
| Non-ongoing | 6 | - | 6 | 11 | - | 11 |

## Executive remuneration

Coal LSL is committed to providing transparency of our remuneration for executive and other highly paid employees. For the purpose of this disclosure:

- Key management personnel (KMP) refers to those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise). Coal LSL has determined the key management personnel to be the Chief Executive Officer, Chief Investment Officer and Board of Directors.
- Senior executives refer to those persons who are responsible for making decisions, or having substantial input into decisions, that affect the operations of Coal LSL but are not considered KMP. Coal LSL has determined that the Executive Committee and certain senior managers are senior executives.
- Coal LSL had no other highly paid staff for the current reporting period.

A key principle for remuneration at Coal LSL is designed to offer and maintain competitive remuneration. When setting or reviewing remuneration for a role, factors such as market median, target remuneration for the role, the market conditions for similar roles, remuneration surveys and other factors deemed relevant are taken into consideration to determine the total fixed remuneration (TFR) of employees other than directors. TFR includes base salary plus superannuation and any benefits salary sacrificed by the employee.

The remuneration framework includes a short-term incentive program for eligible employees, providing a mechanism for recognising employees for meeting and/or exceeding strategic business objectives. The program rewards behaviours which drive a collaborative outcome while allowing acknowledgement for individual performance. Short-term incentives are at-risk and are payable in addition to TFR. Details of remuneration paid, including at-risk incentives, are provided in the tables below.

Directors are remunerated at predetermined rates based on preparation and attendance on a per meeting basis. All directors, other than the Chair, are remunerated at the same rate for each meeting.

The Remuneration Committee provides the directors a forum for discussion on the remuneration frameworks and policies, making recommendations to the Board for approval.

## KEY MANAGEMENT PERSONNEL REMUNERATION

| | | Short term benefits | | | Post employment benefits | Other long term benefits | | Termination benefits | Total remuneration |
|---|---|---|---|---|---|---|---|---|---|
| Name | Position Title | Base Salary | Bonuses | Other Benefits and allowances | Superannuation contributions | Long service leave | Other long term benefits | | |
| Ms Darlene Perks[1] | Chief Executive Officer | 294,859 | 51,781 | 3,926 | 34,283 | 8,701 | – | – | 393,550 |
| Ms Lisbeth Rasmussen[2] | Chief Investment Officer | 249,280 | 25,616 | 4,332 | 26,536 | 4,430 | – | – | 310,194 |
| Mr Bradley Neven | Chair/ Director | 21,808 | – | – | 2,072 | – | – | – | 23,880 |
| Mr Grahame Kelly | Deputy Chair/ Director | 10,868 | – | – | – | – | – | – | 10,868 |
| Mr Mark Klasen | Director | 17,424 | – | – | 1,655 | – | – | – | 19,079 |
| Ms Anne Donnellan | Director | 20,592 | – | – | – | – | – | – | 20,592 |
| Ms Christina Langby | Director | 21,714 | – | – | 2,063 | – | – | – | 23,777 |
| Ms Jennifer Short | Director | 12,870 | – | – | – | – | – | – | 12,870 |
| Mr Andrew Vickers[3] | Director | 2,055 | – | – | 195 | – | – | – | 2,250 |
| **Total key management personnel remuneration** | | **$651,470** | **$77,397** | **$8,258** | **$66,804** | **$13,131** | **$–** | **$–** | **$817,060** |

1. An at-risk incentive payment of 15% of total fixed remuneration was available. 120% of the at-risk incentive was paid for exceeding the established strategic business objectives.
2. An at-risk incentive payment of 10% of total fixed remuneration was available. 100% of the at-risk incentive was paid for meeting the established strategic business objectives.
3. Resigned 20 June 2018. Residual remuneration for meetings attended last financial year but not accrued.

## SENIOR EXECUTIVE REMUNERATION

| | | Short term benefits | | | Post employment benefits | Other long term benefits | | Termination benefits | Total remuneration |
|---|---|---|---|---|---|---|---|---|---|
| Remuneration band | Number of senior executives | Average base salary | Average bonuses[1] | Average other benefits and allowances | Average superannuation contributions | Average long service leave | Average other long term benefits | Average termination benefits | Average other long term benefits |
| $0 – $220,000 | 4 | 98,253 | – | 1,939 | 9,540 | 1,579 | – | – | 111,311 |
| $220,001 – $245,000 | 4 | 185,289 | 18,082 | 4,322 | 19,012 | 4,428 | – | – | 231,133 |

1. An at-risk incentive payment of 10% of total fixed remuneration was available to some senior executives. Where available, 100% of the at-risk incentive was paid for meeting the established strategic business objectives.

# GLOSSARY AND ACRONYMS

The **Admin Act** means **Coal Mining Industry (Long Service Leave) Administration Act 1992.**

The **Amendment Act** means **Coal Mining Industry (Long Service Leave) Legislation Amendment Act 2011**.

The **industry** means Australian black coal mining industry and includes:

- The extraction or mining of black coal on a coal mining lease by means of underground or surface mining methods
- The processing of black coal at a coal handling or coal processing plant on or adjacent to a coal mining lease
- The transportation of black coal on a coal mining lease
- Other work on a coal mining lease directly connected with the extraction, mining and processing of black coal.

**Coal LSL** means the Coal Mining Industry (Long Service Leave Funding) Corporation.

**PGPA Act** means Public Governance, Performance and Accountability Act 2013.

**Eligible employee** means a person:

- Employed in the black coal mining industry by an employer engaged in the black coal mining industry, whose duties are directly connected with the day to day operation of black coal mining; or
- Employed in the black coal mining industry, whose duties are carried out at or about a place where black coal is mined and are directly connected with the day to day operation of a black coal mine; or
- Permanently employed with a mine rescue service for the purpose of the black coal mining industry; or
- A prescribed person who is employed in the black coal mining industry; but does not include a person declared by the regulations not to be an eligible employee for the purposes of the Admin Act.

The **2017 Rules** mean the Employer Reimbursement Rules 2017.

# LIST OF REQUIREMENTS

The following table outlines the mandatory requirements for our annual report and where the information can be found.

| REQUIREMENT (PGPA ACT RULE) | REQUIREMENT (PGPA ACT RULE) | ANNUAL REPORT SECTION |
|---|---|---|
| Section 17AD(e) | Annual financial statements (including the Auditor-General's report) in accordance with subsection 43(4) of the Act. | Part 4: Financial statements |
| Section 17BB | Approval of annual report by accountable authority | Approval by accountable authority |
| Section 17BC | Parliamentary standards of presentation | YES |
| Section 17BD | Plain English and clear design | YES |
| Paragraph 17BE(a) | Details of enabling legislation | Part 1: About Coal LSL \| Role |
| Paragraph 17BE(b)(i) | Summary of objects and functions | Part 1: About Coal LSL \| Role |
| Paragraph 17BE(b)(ii) | Purposes | Part 1: About Coal LSL \| Purpose |
| Paragraph 17BE(c) | Responsible Minister | Part 1: About Coal LSL \| Responsible minister |
| Paragraph 17BE(d) | Directions by the Minister | Part 2: Governance and accountability \| Statement of non-compliance |
| Paragraph 17BE(e) | Government policy orders (including details of non-compliance) | Part 2: Governance and accountability \| Statement of non-compliance |
| Paragraph 17BE(f) | Particulars of non-compliance | Part 2: Governance and accountability \| Statement of non-compliance |
| Paragraph 17BE(g) | Annual performance statements | Part 3: Annual performance statements |
| Paragraph 17BE(h) | Significant non-compliance with finance law | Part 2: Governance and accountability \| Statement of non-compliance |
| Paragraph 17BE(j) | Details of accountable authority members | Part 1: About Coal LSL \| Board of directors |
| Paragraph 17BE(k) | Organisational structure | Part 1: About Coal LSL \| Organisational structure |
| Paragraph 17BE(ka) | Statistics on employees | Part 5: Appendices \| Disclosures \| Workforce profile |
| Paragraph 17BE(l) | Locations | Part 5: Appendices \| Disclosures \| Workforce profile |
| Paragraph 17BE(m) | Main corporate governance practices | Part 2: Governance and accountability \| Governance practices |
| Paragraph 17BE(n)(o) | Decision making for procurement, tenders and contracts (including details) | Part 2: Governance and accountability \| Procurement |
| Paragraph 17BE(p) | Significant activities affecting operations or structure | Part 1: About Coal LSL \| Performance |
| Paragraph 17BE(q) | Judicial decisions and administrative decisions | Part 2: Governance and accountability \| External scrutiny |
| Paragraph 17BE(r) | Reports by:<br>• the Auditor-General<br>• a Parliamentary Committee<br>• the Commonwealth Ombudsman<br>• the Office of the Australian Information Commissioner | Part 2: Governance and accountability \| External scrutiny |
| Paragraph 17BE(s) | Obtain information from a subsidiary | Not applicable |
| Paragraph 17BE(t) | Indemnity and insurance | Part 5: Appendices \| Disclosures \| Indemnities and insurance premiums |
| Paragraph 17BE(ta) | Information about executive remuneration | Part 5: Appendices \| Disclosures \| Executive remuneration |
| Paragraph 17BE(u) | Index and list of requirements | Part 5: Appendices \| List of requirements |
| Section 17BF | Disclosure requirements for government business enterprises | Not applicable |

| REQUIREMENT (OTHER) | DESCRIPTION | ANNUAL REPORT SECTION |
|---|---|---|
| Schedule 2, Part 4 | Work health and safety – *Work Health and Safety Act 2011* | Part 5: Appendices \| Disclosures \| Work health and safety |
| Section 516A | Environmental matters – *Environment Protection and Biodiversity Conservation Act 1999* | Part 5: Appendices \| Disclosures \| Ecological sustainable development |
| Section 311A | Advertising and market research – *Commonwealth Electoral Act 1918* | Part 5: Appendices \| Disclosures \| Advertising and market research |
| Schedule 2, Part 3 | Work health and safety statistics – *Work Health and Safety Act 2011* | Part 5: Appendices \| Disclosures \| Work health and safety |


IT'S
YOUR
TIME.

COAL LSL

## MORE INFORMATION

Visit our website
**www.coallsl.com.au**

**M** Locked Bag 2021 Newcastle NSW 2300
**A** Level 3, 18 Honeysuckle Drive
Newcastle NSW 2300

**Toll free** 1300 852 625 **Intl** +61 (2) 4040 0040
**F** +61 (2) 4040 0010 **E** query@coallsl.com.au

ABN 12 039 670 644