COAL LSL

ANNUAL REPORT 2017/18

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

FUNDS UNDER MANAGEMENT
OVER $1.7B

ACTIVE EMPLOYERS (#)
TOTAL (AS AT 30 JUNE)
672

APPLICATIONS
FOR LONG SERVICE LEAVE
RECEIVED AND PROCESSED
OVER 13,000

EMPLOYEES
ACTIVE
OVER **47,500**

TAX

LEVY ADVICE FORMS
PROCESSED
OVER 10,000

REIMBURSEMENTS
PROCESSED (#)
OVER 9,500

NEW EMPLOYERS
REGISTERED
IN 17-18 **128**

EMPLOYEES
(#) TOTAL
OVER 111,000

PHONE CALL
ENQUIRIES (#)
OVER 26,000

REIMBURSEMENTS
PAID ($)
OVER $139M

DATA QUALITY
EMPLOYEE RECORDS REVIEWED
OVER 6,000

CLIENT MEETINGS (#) (FACE TO FACE)
OVER 120

MISSING SERVICE REVIEW
APPLICATIONS (#)
OVER 500

EMAIL ENQUIRIES
(#) OVER 17,000

ENTRUSTED WITH
49 MILLION
HOURS OF LEAVE

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

COAL LSL

24 September 2018

Hon. Kelly O'Dwyer MP
Minister for Jobs, Industrial Relations and Women
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 2018, 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

Mr Brad Neven
Chair

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IT'S YOUR TIME.

APPROVAL OF 2017–18 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 Jobs, Industrial Relations and Women in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*; and
- the Board met and approved the 2017–18 annual report for submission to the Minister for Jobs, Industrial Relations and Women by way of resolution on 24 September 2018.

Mr Brad Neven
Chair

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CEO INTRODUCTION

It is with great pleasure I present the 2017–18 Coal LSL Annual Report.

Coal LSL is the leading national portable long service leave fund in Australia, with responsibilities to regulate, educate and administer the fund to over 111,000 employees and over 670 employers within the coal mining industry. An outstanding 2017–18 year for Coal LSL has strengthened our commitment to the strategic purpose, always at the forefront of our business decisions, and resulted in strong fiscal and stakeholder results.

2017–18 was a significant year for us in many ways with the opportunity to transform our business model from a 25-year-old system to an agile and fully insourced operation which is already delivering results and value. The year has provided the foundation to position ourselves as a contemporary, pro-active business. I am mindful of the significance and impact of this change, and I am so appreciative of the responsiveness of our team and their ability to adapt and respond to the changing environment. We pride ourselves on being a 'people first' organisation; relishing the opportunity to optimise our employees' journey within Coal LSL.

A proactive approach to employer compliance has resulted in substantial growth from 2016-17 of 10% increase in registered employers, and a 5% increase for active eligible employees. The commitment to pursue non-complying employers is a priority whilst continuing to deliver equity across the fund and connect eligible employees with their entitlements.

We are committed to providing digital solutions to our clients, industry employers and employees, to enable them to interact with our team in a timely, effective and efficient manner. This is a three-year strategy and we have made progress in this reporting period; however, we acknowledge this is not highly visible to our clients at this stage of delivery.

Transforming the business to be able to meet our clients' needs into the future is managed through diligent planning and budgeting. Our expenditure is monitored with governance and management processes against long service leave scheme benchmarks and has continued to remain within industry standards.

Delivering value back to the industry is important to Coal LSL. The changes to the employer reimbursement rules were introduced in July 2017, removing the imposition of shortfalls by fully reimbursing employers on claim approval. Also of value to our employer group, from 1 July 2018, we were able to reduce our payroll levy from 2.7% to 2.0%. It is the first levy reduction in over ten years, reducing employers' labour oncosts.

By implementing these two changes, we have provided immediate financial benefit to all registered employers.

A $1.7b investment portfolio as at June 2018, the fund has grown by over 8% in the 12-month period, continuing its financial strength due to prudent financial management. Coal LSL has generated growth in registered employer and employee numbers, and we have kept operational expenditure within industry benchmarks.

Communication with our stakeholders is a priority, with 2017–18 being a year for improved stakeholder engagement which translates into an improved understanding of our role, purpose and approach. To date, this has not been universally understood and, with increased knowledge, this will allow our eligible employees and employers to interact with us in an effective and seamless manner, delivering efficiencies for both Coal LSL and our identified audience.

The significant benefit of an insourced, stand-alone model, is that the executive management team is able to have direct input, and provide direction, to improve business outcomes and deliver on our purpose in tangible ways. Industry employer and employee education workshops have proven to be beneficial not only to our clients, but also to Coal LSL. Face to face client workshops provided our engagement team with valuable insights into our clients' existing pain points. We are confident most issues can be resolved with our planned technology solutions over the three-year period.

We acknowledge we have a long way to go; while we delivered strong results in 2017–18, we have a bold strategic plan that promises to lay solid foundations and create a blueprint for a business that can service and enhance the industry for future generations. We will continue to refine and strengthen these foundations, remain agile and flexible, and maintain our strong commitment to good governance practices and oversight.

I'd like to take this opportunity to thank everyone at Coal LSL, our stakeholders, our Board, our partners and our service providers who have all worked together to navigate these changes, creating the platform to succeed as a robust and solution-focused business.

Darlene Perks
Chief Executive Officer

PART 1:
ABOUT US

Coal LSL is an Australian Government corporation established to regulate and manage long service leave entitlements on behalf of eligible employees of the black coal mining industry.

We operate the portable, national long service leave scheme and have serviced the industry as a government entity for over 25 years.

OUR PURPOSE

> ‘To connect employers and employees with long service leave for the good of Australia’s black coal mining industry.’

Accompanying organisational change in 2017–18 was the need for a redefined purpose that reflected our contemporary, proactive organisation. The key driver behind our new business model was the need to transition Coal LSL from an administrator and facilitator of the fund to a respected regulator, authority and manager of long service leave. As such, our mission needed to change.

During the process of clarifying what this meant – to us, the industry and our stakeholders – it became clear our mission statement needed to resonate internally and externally, to communicate our value.

Our previous mission statement – *‘To regulate and facilitate the payment of long service leave entitlements to persons employed in the Australian black coal mining industry’* – focussed on what we did in a practical sense but not why we did it.

The repositioned purpose – *‘To connect employers and employees with long service leave for the good of Australia’s black coal mining industry’* – succinctly describes our commitment to be an efficient and effective regulator and manager of long service leave entitlements. It is our motivation for success; commitment to operational excellence; 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.

The delivery of our purpose is expressed in what we achieve internally and externally. We have four strategic goals that guide us:

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

Operational innovation is our commitment to continually improve what we do and consolidate our role as a contemporary, relevant business.

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

RESPONSIBLE MINISTER

Our responsible ministers during the reporting period were:

Senator the Hon. Michaelia Cash

- Minister for Jobs and Innovation

The Hon. Craig Laundy MP

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

BOARD OF DIRECTORS

We have a Board of Directors that collectively acts as the accountable authority of Coal LSL. Our Board are non-executive directors and comprises 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 – People and Safety at Yancoal Australia, and a Director and Chair of the Coal Mining Industry (Long Service Leave Funding) Corporation. He is a member of the Australian Institute of Company Directors, a certified member of the Australian Human Resources Institute and a member of 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 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.

Mark Klasen, Deputy Chair
Employer representative (QLD employers)
Director since March 2016 and Deputy Chair since April 2017.

Mark is currently Chief Financial Officer of the Ross Group of Companies; Director and Deputy Chair of the Coal Mining Industry (Long Service Leave Funding) Corporation; alternate Director of Port Waratah Coal Services Limited and alternate Director of Port Kembla Coal Terminal Limited. He is a member of the Australian Institute of Company Directors, and holds a Bachelor of Commerce 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 multi-national mining companies in a variety of senior management positions.

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

Anne is currently the National Organiser (manufacturing membership) at the Australian Manufacturing Workers Union (AMWU); alternate Director of CBUS United Super Pty Ltd; Member Director on the CBUS Member and Employer Services Committee; a Director of U-Cover Pty Ltd and a Director of the Coal Mining Industry (Long Service Leave Funding) Corporation. She is a member of the AMWU National Council and an executive committee member of the IndustriALL Global Union Federation. She has completed the Trustee Director Course level 1 of the Australian Institute of Superannuation Trustees. Anne holds a Bachelor's Degree in 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 of AUSCOAL Superannuation Pty Limited, Director of Mine Super Services Pty Ltd and Director of the Coal Mining Industry (Long Service Leave Funding) Corporation. 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 Sydney University and has worked in several international banks and financial institutions, within both 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, administration, corporate governance including board and secretariat management, insurance and consulting and relationship management.

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 the Coal Mining Industry (Long Service Leave Funding) Corporation. She is a member of 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 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.

Grahame Kelly, Director
Employee representative (CFMMEU)
Director since July 2018

Grahame is currently General Secretary of CFMMEU – Mining and Energy Division; Director of the Coal Mining Industry (Long Service Leave Funding) Corporation; Director and Chair of Mine Super; Director of Mine Super Services Pty Ltd; Director of Unity Bank and member of the Board of MATES in Mining. He has extensive experience working with unions and as a director in the coal mining industry including being a Director of Coal Mining Industry (Long Service Leave Funding) Corporation between 2012 and 2015.

Directors who served during the reporting period

Andrew Vickers, Chair
Employee representative (CFMMEU)
Director from July 2013 to June 2018

Andrew was General Secretary (formerly General Vice President) of CFMEU – Mining and Energy Division, and Vice President of the CFMEU until his retirement in 2017. He had an extensive career within the union, working in the coal mining industry and previously held directorships with Coal Mining Industry (Long Service Leave Funding) Corporation, Maritime Mining and Power Credit Union, and Co-chair of the mining section of IndustriALL Global Union.

OUR 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. Darlene joined Coal LSL as Operations Manager in October 2014 and was appointed as CEO in January 2017. She is responsible for leading Coal LSL through a journey of significant transformation; a shift in business model, strategy revision, brand enhancement and a digital transformation project to modernise, streamline operational processes and improve service delivery.

Kathryn Woodward
Executive Assistant

Kathryn brings more than 20 years of administrative experience with expertise in scheduling, travel and logistics. Her superior office support has won her administration awards with multinational companies such as Oracle and CA Technologies. Kath joined Coal LSL in February 2015 and was appointed as Executive Assistant in July 2016. She is the principal point of contact for the CEO office, liaising with stakeholders, coordinating travel, meetings and events.

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 Operations

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 Australian Superannuation Funds Association, Auscontact Associations and holds qualifications in financial planning. Des joined Coal LSL in March 2018 and leads the operations function. He is responsible for the delivery of accurate, efficient and effective fund administration including data quality projects. A key focus is leading the team through change as Coal LSL moves to enhanced digital platforms and services.

Matthew Trotter
Executive Client Services

Matthew is a senior leader with more than 15 years' experience in leading client facing business units within Australia and internationally. He has a strong background in 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 services function. He is responsible for the delivery of services and programs with direct client interactions, including client engagement, technical compliance, client education and contact centre. A key focus is ensuring our clients understand their obligations and entitlements through the delivery of quality services and programs.

Suzanne Jenkins
Executive Corporate Governance

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 a number of 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, 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/Company Secretary.

Louise Hayes
Executive HR & Communications

Louise is a senior leader with more than 15 years' experience focused on human resources and change management within Australia and internationally. She has a strong background working across a number of sectors, including financial services, government and mining industry and holds a Bachelor of Business from Charles Sturt University. Louise joined Coal LSL in August 2016 and leads the human resources and communications functions. This encompasses delivering strategic human resources, change and communications programs which meet both the operational needs of the business and longer term strategic objectives.

Russell Gilbert
Executive Technology

Russell is a senior leader with more than 15 years' experience in technology within Australia and internationally. He has a strong background in technology strategy, enterprise architecture, business intelligence and solution delivery and holds a Bachelor of Computer Science from the University of Newcastle. Russell joined Coal LSL in January 2017 and leads the technology function. A key focus is providing reliable, efficient and secure platforms while leading the implementation of our digital transformation strategy.

Katrina Cowie
Finance Manager

Kat is a senior finance professional with more than 15 years' experience in finance and accounting. She is a CPA and holds a Bachelor of Business (Accounting) from Charles Sturt University. Kat joined Coal LSL in May 2018, performs the role of Chief Financial Officer for the organisation and leads the finance function. A key focus is ensuring Coal LSL meets all financial obligations and responsibilities through prudent financial management, analysis and reporting.

OUR ORGANISATIONAL STRUCTURE

Despite being just one year into our new insourced model, we are already seeing our enhanced internal capability reaping rewards for our performance as a stand-alone business.

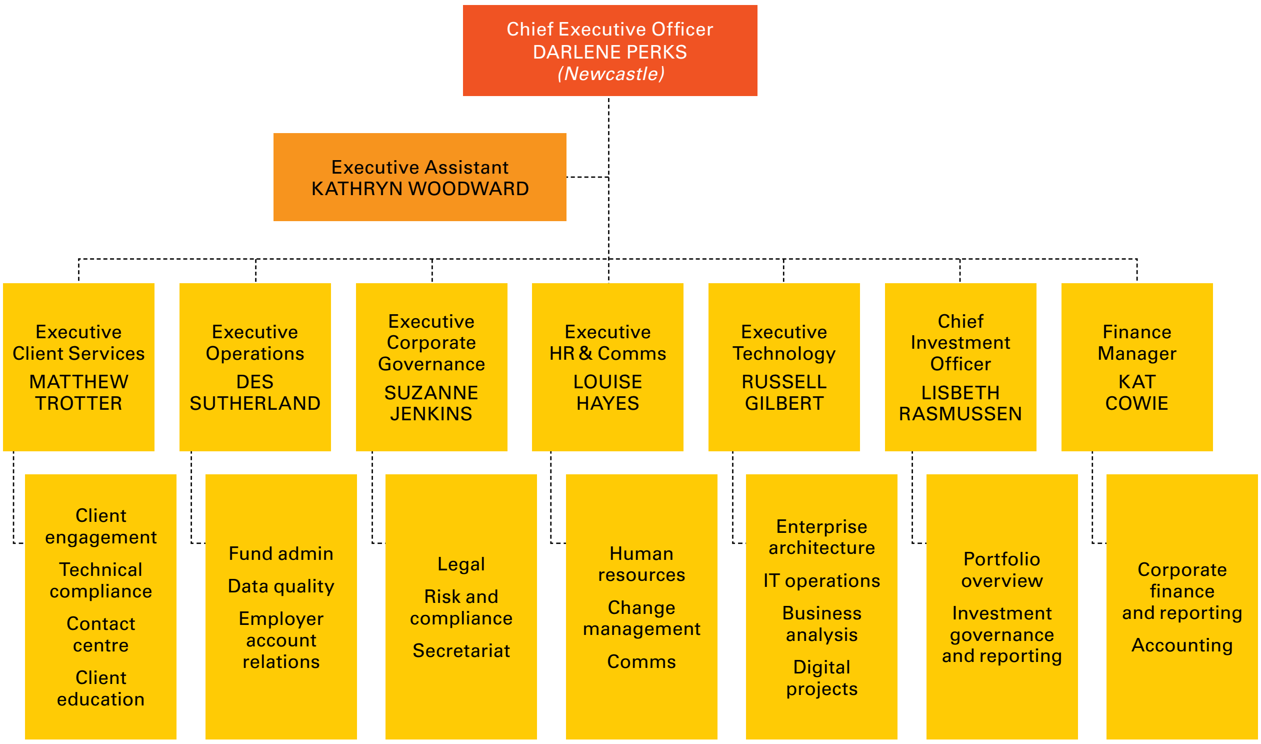
The introduction of in-house capability in expertise such as investments, legal, technology and client engagement has enabled us to build a team of people who have become relative experts in Coal LSL's business.

While we are still in the infancy of our journey, we are proud of the inroads we've made, bedding down a high-performance culture for our organisation. Over the past year we have developed our workforce strategy; our guiding document for our priorities and how we will develop our workforce over time.

Each employee is educated in the expectations of their role, its importance within the organisation and the part it plays in delivering our long–and short-term strategic goals. We are striving to develop a culture in which every individual recognises themselves as intrinsic to ensuring the success of our business.

Our organisational structure allows us to focus on developing an engaging and inspiring environment; 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.

Our current organisational structure is:



OUR PERFORMANCE

Investments

2017–2018 was another positive year for fund performance from an investment perspective, with our portfolio generating a net return of 8.3%, which was well above the assumed actuarial earnings rate of 6.0%.

The performance over the past year was driven by strength in both listed and unlisted growth assets. The best performing asset classes were equities, unlisted infrastructure and unlisted property. These asset classes generated returns ranging between 10.6% – 14.7%. In contrast, the fixed income asset classes generated returns ranging from a negative 1% to 4.4%.

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

2018	2017	2016	2015	2014
8.3%	8.9%	3.4%	7.3%	13.1%

The fund earned an average annual return of 8.2%p.a. over the past five years and 9.1%p.a. over the past eight years ended June 2018.

The sustained, excess performance relative to the assumed actuarial earnings rate put the fund in a strong position that enabled us to reduce the employer levy from 2.7% to 2.0% from 1 July 2018.

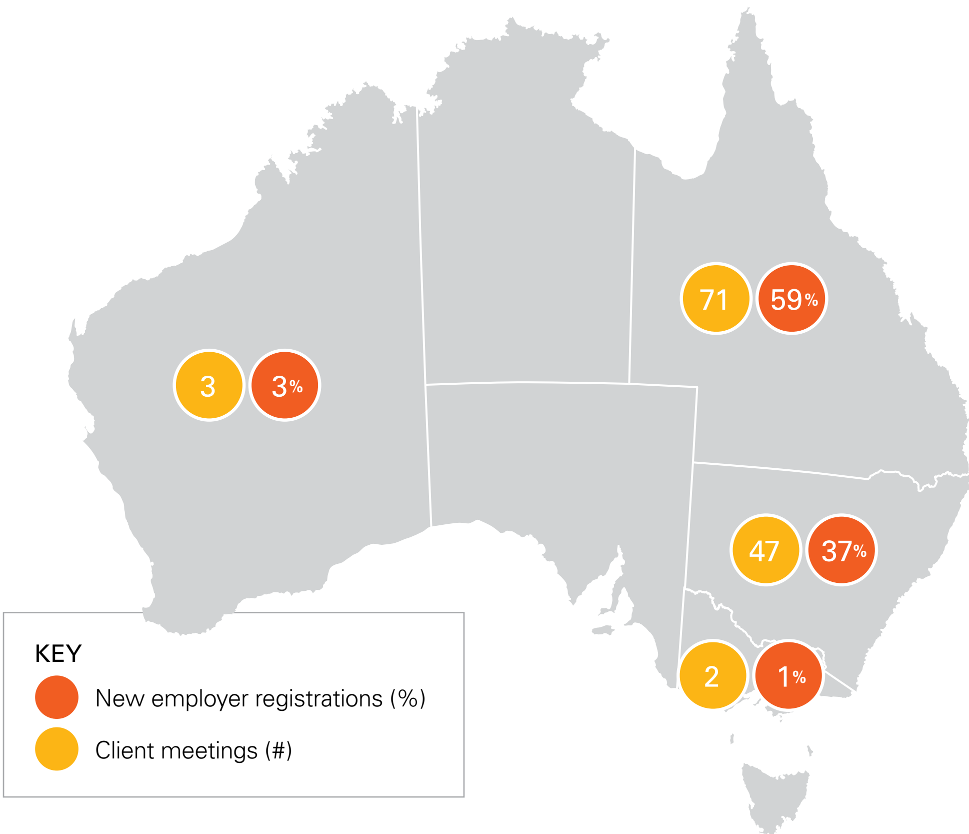
Operational activities

During 2017–18 we focused on delivering on our purpose in several ways. Across the business, our performance was strong, indicating early success of our enhanced business model. In the past 12 months our operational activities saw us progress from a transactional focused business to an interactive and responsive organisation with a clear vision for the future. During the year we've achieved our outcomes in various ways:

Employer compliance

We have focused heavily on employer compliance, proactively engaging with employers of eligible employees to help them understand their obligations. We have introduced a dedicated client engagement team whose role is to build understanding and awareness of entitlements and obligations through a proactive, consultative approach.

Our client engagement team participated in more than 120 face-to-face employer meetings in 2017–18, and the results are positive. We have seen a growth in employer registrations. There are now 672 employers actively engaged in the fund, compared to 578 at 30 June 2017.



Employee education

Entrusted with more than 49 million hours of leave, employee education is an important service we offer. During the year we facilitated industry employee workshops focused on targeted topics, such as redundancy and education on accessing an employee's entitlement within the portable long service leave scheme.

Brand recognition

Our brand recognition has increased – internally and externally, as we've effected our new business model, strengthened and clarified our purpose, and shaped our culture.

We recognise the Coal LSL workforce is the connection to our brand, with every interaction representing our brand experience. We have spent time in 2017–18 assessing who we are as a business, why we are here and where we are headed.

From an external perspective, we have seen an improvement in our brand recognition. There is an improved understanding of who we are and what we do, particularly within the industry and with some of our government stakeholders. However, we still need to focus on our brand awareness and ensure all stakeholders understand our role, our purpose and most importantly the value we deliver to the industry and the government as a national portable long service leave scheme. This is a focus area for the business in 2018–19.

Data and technology

Technology is an essential component of our operational foundations and through it we provide a common platform for people, processes and systems.

Last year we developed and began implementing our Digital Transformation Strategy to guide us through the process of improving our technology capability and leveraging our data to our best advantage.

We have focused on interpreting our data to help derive value from our business intelligence. Reliable and accessible data is a strategic asset we see as a valuable tool in informing our business priorities and ensuring they are aligned to stakeholder preferences and expectations. To this end, we have progressed with improving our data analytics capability to become more data-centric in our decisions and business operations.

Our digital transformation prioritises enhancing our core systems to improve service delivery and optimising processes to provide a more seamless interaction. Investment in further solutions for the improvement of our stakeholder and client experiences has also commenced.

Over the past year our approach to this digital transformation has been one of agility and flexibility. We continue to learn with each iteration and are building a capability that allows us to respond and adapt to change quickly.

Levy reduction

We lowered the employer levy payable on all eligible wages paid on or after 1 July 2018 from 2.7% to 2.0%. This is the first levy reduction we've introduced in a decade and is a strong indication of our stable foundations and financially responsible operations.

New reimbursement rules

We introduced new reimbursement rules, Employer Reimbursement Rules 2017 (2017 Rules), effective 1 July 2017. The 2017 Rules revoked the previous rules, providing greater financial benefit to our employer group.

Under the 2017 Rules, on administrative approval, a reimbursement claim is fully reimbursed to an employer. This change removed the financial imposition known as 'shortfalls' experienced in some instances by employers under the previous rules.

Stakeholder engagement

In 2017–18 we proactively engaged with our stakeholders and prioritised strategically educating them on our value proposition to the industry.

We are seeing the positive outcomes mostly through the personal interactions we are having with them – employers are now wanting to be engaged in employer focus groups, be on our distribution lists and attend workshops and information sessions. We also launched our first client experience surveys.

Knowing our business transformation must be delivered through the convenient and accessible services and information that makes sense to our clients, we will further consult and test our approach through consultation, surveys, and workshops.

Coal LSL is proposing changes to our enabling legislation. We formed an Industry Working Party, which, together with our Board, will propose changes for consideration by our Minister and government. Our aim is to facilitate clear, consistent and compliant operational processes and business rules; to clarify and simplify the application of the legislation for us and our clients; and reflect the changing market in which we all operate.

PART 2:
OUR GOVERNANCE AND ACCOUNTABILITY

GOVERNANCE PRACTICES

We aim for excellence in our governance at every level. As an Australian Government corporation, Coal LSL governance enables us to shape an accountable, transparent business that complies with legislation and policy wherever required and promotes confidence and trust from our clients, stakeholders and employees.

Governance practices are incorporated into all of our activities, providing effective mechanisms to encourage accountability and support informed, transparent decision making. Indeed, we consider an effective governance framework as one of our key capabilities.

We are guided by our core governance practices and standards, which have been developed through policies to support us as a performance-oriented business. They include frameworks covering:

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

We continually review our governance capability to identify areas in which we can enhance our practices to better support our performance. We do this through:

- Ongoing review and maintenance of our risk profiles;
- Improvements and enhancements to our governance system;
- Statutory reporting;
- Monthly incident/breach reporting;
- Compliance training;
- Internal audit program; and
- Strategic planning.

Drawing on our in-house capabilities, we made significant achievements in our governance activities in 2017–18. They included:

- Implementing a new compliance management system;
- Facilitating and implementing Coal LSL's Business Continuity Framework;
- Establishing an internal legal function, including a responsibility framework and an advice register; and
- Mapping our risk assurance in alignment with our risk review process.

Additionally, our 2018-19 Corporate Plan, prepared and delivered under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), represents the next phase of our business transformation and creates clear pathways for leveraging the solid foundations we've created in the past 12 months, allowing us to continue to move forward in pursuit of our strategic objectives.

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 PGPA Act.

The Board maintains a high level of corporate governance through its subcommittees. A primary objective for the subcommittees is to support the efficiency of the Board by delegating tasks, allowing more time for issues to be discussed in sufficient depth. The subcommittees of the Board meet regularly during the year, in line with governance responsibilities.

During the year, we continued to comply with government direction with an independent advisor performing the role of Chair to the Audit Risk Management and Compliance Committee. We have also adopted this approach across the Remuneration Committee and Investment Committee.

An overview of the Board sub-committees are as follows:

Audit Risk Management and Compliance Committee (ARCC)

The ARCC's main functions include: to review the appropriateness of financial reporting; performance reporting; system of risk oversight and management; system of internal control; accounting policies; business policies and practices; compliance with applicable laws and regulations; and overseeing governance issues for Coal LSL.

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; overseeing the performance of investment managers, asset consultant and master custodian.

Technical Compliance Committee (TCC)

The TCC provides a forum for Directors to consider and evaluate applications for recognition of service ("missing service") and calculation of long service leave entitlement under the transitional provisions of the Amendment Act and the Admin Act.

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 advisors.

		Term of Appointment		Meeting Attendance				
				2017			2018	
Name	Nominated by	From	To	29 Aug	10 Oct	5 Dec	27 Feb	6 Jun
Mr Andrew Vickers* (Chair to 6 June 2018)	Employees	26.07.2013	06.06.2018	X	X	X	X	X
Mr Mark Klasen (Deputy Chair)	Employers	16.03.2016	15.03.2020	X	X	X	X	X
Mr Bradley Neven (Chair from 7 June 2018)	Employers	14.04.2015	13.04.2019	X	X	X	X	–
Ms Anne Donnellan	Employees	30.05.2017	30.05.2021	X	X	–	X	X
Ms Christina Langby	Employers	05.06.2017	05.06.2021	X	X	X	X	X
Ms Jennifer Short	Employees	01.07.2017	01.07.2021	X	X	X	X	X

* Appointment ceased during the financial year

We regularly review the performance of the Board, subcommittees and independent advisors. In 2017–18 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.

A competency framework for Directors was developed 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.

PROCUREMENT

We continued to mature our procurement framework during the reporting period.

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

This year, we introduced a contracts management register. Monitoring and reviewing contracts performance on a regular basis is an essential component of our procurement framework to ensure we are receiving the maximum value from our procurement activities. This register provides the mechanism for contract owners to more actively manage contracts on a regular basis with facility to effectively monitor, review and report on applicable contracts. We have already seen the value of a centrally managed register through the provision of broader oversight.

STATEMENT OF NON-COMPLIANCE

We are aware of our compliance obligations with finance laws and we undertake a range of compliance 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, work-flows and approvals processes and reporting mechanisms that facilitate awareness of potential matters for escalation and external reporting.

There have not been any significant 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 2018 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; or
- 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 2017–18 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 that is authentically described by clients as easy through increased digital interactions and services.

RESULTS

PERFORMANCE CRITERION: Establish a baseline survey for client satisfaction.

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 18).

RESULTS AGAINST PERFORMANCE CRITERION

In August 2017 we conducted client surveys. These surveys aimed to gauge levels of engagement and satisfaction with Coal LSL and our services, as well as identify knowledge gaps and operational areas for improvement.

Three surveys were designed and delivered to separate categories of clients. The surveys contained 10-15 questions, tailored to the information and services available to each category. A statistically valid sample size was collected for each survey.

We achieved our performance target in this area. We established applicable surveys for our key client categories and have a baseline result for each survey.

ANALYSIS OF PERFORMANCE

Survey delivery in 2017, was one of the first steps taken to understand our clients' satisfaction. We have not completed surveys of this nature before. The feedback and insights we gained from these surveys will assist in guiding the prioritised areas for improvement, but, more importantly, establish a baseline from which we can measure enhanced performance in subsequent years.

GOAL 2 – TRUSTED EDUCATOR

We work with the industry to demonstrate value and insights through 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: Develop and deliver a national workshop timetable.

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 19).

RESULTS AGAINST PERFORMANCE CRITERION

We partially achieved our performance target for this criteria. Due to our focus on implementing our digital transformation strategy, we deferred our national workshop timetable.

However, we did hold targeted workshops with registered employers and eligible employees. Each of these targeted workshops identified an area of need and delivered specific education to the participants. The topics we covered included:

- Employee eligibility;
- Employee entitlements, including the process for accessing entitlements; and
- Employer obligations under legislation.

PERFORMANCE CRITERION 2: Establish a baseline positive response rate for client survey feedback.

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 19).

RESULTS AGAINST PERFORMANCE CRITERION

In August 2017 we conducted client surveys. These surveys aimed to gauge levels of engagement and satisfaction with Coal LSL and our services, as well as identify knowledge gaps and operational areas for improvement.

Three surveys were designed and delivered to separate categories of clients. The surveys contained 10-15 questions, tailored to the information and services available to each category. A statistically valid sample size was collected for each survey. We achieved our performance target in this area. We established applicable surveys for our key client categories and have a baseline result for each survey.

PERFORMANCE CRITERION 3: Positive measure of new employer registrations.

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 19).

RESULTS AGAINST PERFORMANCE CRITERION

We achieved our performance target for new employer registrations. During the year we had 128 new employer registrations. There are now 672 employers actively engaged in the fund, compared to 578 at 30 June 2017.

Our proactive approach to compliance and our client engagement activities were key drivers of this increase. We have introduced a dedicated client engagement team, whose role is to facilitate education to the industry on the legislation that underpins the Coal LSL scheme, using a pro-active, consultative approach. Our client engagement team participated in more than 120 face-to-face employer meetings in 2017–18. We can attribute our activities in this area to the increase in new employer registrations.

ANALYSIS OF PERFORMANCE

Our overall goal as a trusted educator is to deliver increased awareness of the fund and increased engagement with our clients focused on improving employer compliance with our governing legislation. This has been an area in which we have achieved gains throughout the reporting period.

The 2017–18 survey results established a baseline measurement of current client satisfaction with Coal LSL service levels. These surveys also provided us with good insights into our clients' knowledge and awareness of our governing legislation, entitlements/obligations and their relevant processes. The feedback and insights we gained from these surveys will assist in guiding our areas for education and interactions.

We have seen positive results from our compliance and engagement strategies, leading to increased awareness and knowledge of our legislation. This has been a major driver of the 128 new employer registrations completed during the past year.

Finally, as a result of our targeted workshop program we received positive feedback from our clients and we experienced an improved understanding of the long service leave scheme. These programs were developed and delivered based on specific client needs. Although we deferred our national workshop program, we have seen the success of our personal interactions on an individual client basis.

GOAL 3 – INVESTMENT EXCELLENCE

We invest funds transparently to ensure sustainability.

Achieve investment performance objectives and maintain a fund surplus.

RESULTS

PERFORMANCE CRITERION 1: Maintain a fund surplus of 115% (+/ – 5% tolerance).

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 20).

RESULTS AGAINST PERFORMANCE CRITERION

We maintained a surplus in the fund and achieved our performance target.

In October 2017 the triennial actuarial assessment of the fund was conducted by Mercer. This assessment indicated that as at 30 June 2017, the fund was in a surplus position of 149%, significantly higher than the target level of 115% (+/ – 5% tolerance).

PERFORMANCE CRITERION 2: Achieve a return of CPI + 3% over a rolling 8-year period.

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 20).

RESULTS AGAINST PERFORMANCE CRITERION

We achieved our performance target, as 2017–18 was another positive year for fund performance. The investment portfolio generated a net return of 8.3% for the year.

The fund earned an average annual return of 9.1% p.a. over the eight years ended June 2018, which compared favourably with the investment objective of 5.1% p.a. over the same period.

ANALYSIS OF PERFORMANCE

We have performed well against our investment excellence goals which has enabled us to continue to deliver on our objective of maintaining fund sufficiency.

Coal LSL invests the portfolio to maximise the long-term investment return through a prudent strategy of diversification and risk management. The strategic asset allocation is reviewed at least annually and manager performances are reviewed on an ongoing basis.

The triennial actuarial assessment as at 30 June 2017 showed the fund to have a surplus of 149%.

During 2017–18, the investment portfolio grew by around $130 million to $1.7b.

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: Maintain operational expenditure to less than or equal to budget.

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 21).

RESULTS AGAINST PERFORMANCE CRITERION
Operational expenditure for the year ending 30 June 2018 was $11.491m, $616,000 below the budget of $12.107m which was established as the efficient cost base to deliver upon Coal LSL's corporate objectives and strategies for the period.

Following the approval of the digital transformation strategy, the operational expenditure budget was revised to reflect the strategic initiatives. The increase to the budget related directly to the approved activities outlined in our strategy, including enhanced in-house capability for technology.

PERFORMANCE CRITERION 2: Design a digital transformation strategy.

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 21).

RESULTS AGAINST PERFORMANCE CRITERION
In December 2017 the Board approved our Digital Transformation Strategy for implementation from January 2018 onwards. This strategy has been divided into the following program streams:

- Digital operations;
- Business intelligence and data management;
- Client and stakeholder experience;
- Enterprise content management; and
- Business support.

This strategy will be implemented over a three-year period at a total cost of approximately $5.0m including an investment in the required internal technology resource capability and software support.

PERFORMANCE CRITERION 3: Design a workforce capability strategy.

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 21).

RESULTS AGAINST PERFORMANCE CRITERION
In June 2018 the Board approved our Workforce Strategy for implementation from July 2018 onwards. This strategy is focused on four key areas:

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

Our strategy is focused on creating a high-performance culture centered on continuous learning and improvement. Our activities are to build competency, as well as foster a culture of shared values and commitment.

PERFORMANCE CRITERION 4: Establish the baseline measure of our digital health to establish the continual improvement program for subsequent years.

CRITERION SOURCE: 2017–18 Corporate Plan (Performance section, page 21).

RESULTS AGAINST PERFORMANCE CRITERION

We participated in the National Archives Digital Continuity Statement survey in 2017. This survey aimed to assess progress of Coal LSL against the Digital Continuity policy targets and also provided a comparison to the whole of government.

By participating in this survey, Coal LSL has two baseline measures available to measure future improvement against. The first is our progress against the policy targets required to be achieved by 2020. The second is a comparison of our progress compared to other agencies responses.

Currently ranking in the bottom 20% of agencies, the results of our investment into technology via digital transformation should see progress against the policy targets and an improvement in our measure over the next few years.

ANALYSIS OF PERFORMANCE

During the past financial year we have been developing the strategies to transform the operations of Coal LSL into the digital environment. Through an agile approach of continuous improvement, we have established the required foundations to streamline our processes with the right-sized technology solutions and workforce structure for our business.

The first stages of our digital transformation have commenced with a focus on upgrading and consolidating our core administration systems and databases into a platform that will enable the delivery of the program streams. The required technological resources have also been recruited to ensure we have the capability and capacity to deliver.

Our Workforce Strategy has been endorsed by our Board. Throughout the year, we have implemented the organisational structure and capabilities to deliver the strategies to stream line our operational processes, enable the business outcomes and to enhance our value proposition and engagement with our clients.

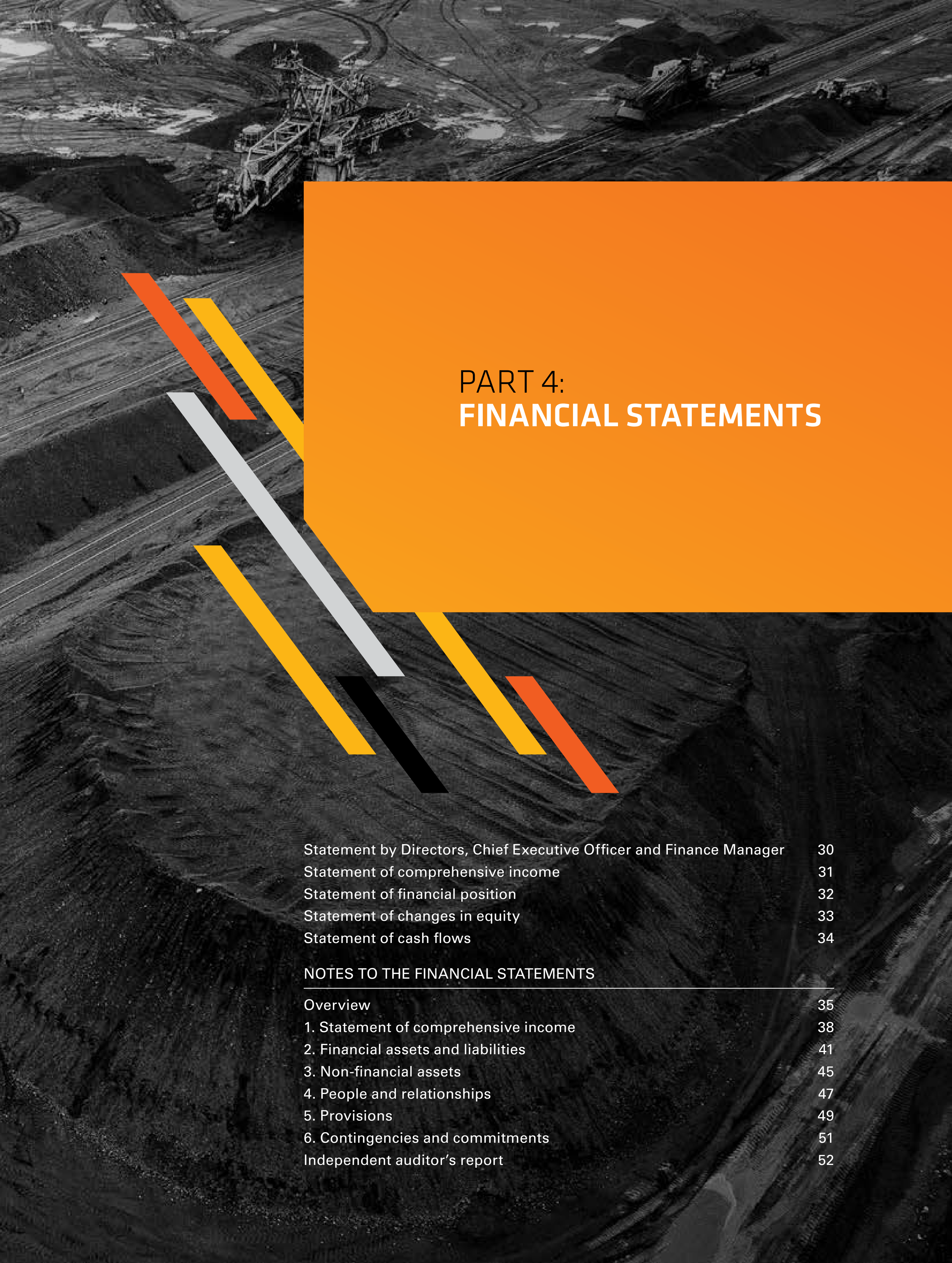
ANALYSIS OF PERFORMANCE AGAINST PURPOSE

Our purpose in 2017–18 was *'To regulate and facilitate the payment of long service leave entitlements to persons employed in the Australian black coal mining industry'*. During the reporting period we focused on delivering on our purpose in several ways and performed this well.

Across the business, our performance was strong with a growth in numbers across the majority of our operational activities. We received and processed over 13,000 applications for long service leave entitlements and reimbursed employers over $139m for paid entitlements. There has been a growth in numbers of eligible employees and we processed over 500 applications for missing service reviews.

We embraced our role as a regulator and focused heavily on employer compliance including introducing a dedicated team whose role is to build understanding and awareness of entitlements and obligations through a proactive, consultative approach. Our team has participated in over 120 face-to-face employer meetings in 2017–18, and we have seen a growth in employer registrations. There are now 672 employers actively engaged in the fund, compared to 578 at 30 June 2017.

This year, we operated through an insourced model for the first time. We have been able to deliver increased volume, improve outcomes and deliver on our purpose in tangible ways.



PART 4:
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT BY DIRECTORS, CHIEF EXECUTIVE OFFICER AND FINANCE MANAGER

In our opinion, the attached financial statements for the year ended 30 June 2018 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
Finance Manager

Sydney
24 September 2018

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Expenses			
Employee benefits	1.1 (a)	5,929	598
Net realised losses on sale of investments		-	3,942
Professional services		2,650	2,232
Directors' remuneration and expenses	1.1 (b)	149	163
Administration expenses	1.1 (c)	-	6,930
Depreciation and amortisation	3.1	250	23
Operating leases	1.1 (d)	431	94
Other expenses	1.1 (e)	2,082	1,661
Increase in provision for reimbursements	5.1	195,222	165,768
Total expenses		206,713	181,411
Own-source revenue			
Investment revenue	1.2 (a)	130,292	133,278
Other revenue		1	-
Total own-source revenue		130,293	133,278
Net (cost of) services		(76,420)	(48,133)
Revenue from government	1.2 (b)	149,081	144,992
Surplus on continuing operations		72,661	96,859
Other comprehensive income		-	-
Total comprehensive income		72,661	96,859

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

ASSETS	Note	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents	2.2	24,219	35,206
Unit trusts	2.3	1,684,804	1,545,255
Trade and other receivables	2.4	2,709	1,257
Total financial assets		1,711,732	1,581,718
Non-financial assets			
Property, plant and equipment	3.1	1,089	1,245
Total non-financial assets		1,089	1,245
Total assets		1,712,821	1,582,963
LIABILITIES			
Payables			
Trade and other payables	2.5	1,019	527
Total payables		1,019	527
Provisions			
Employee provisions	4.1	612	95
Provision for reimbursements	5.1	1,300,773	1,244,585
Total provisions		1,301,385	1,244,680
Total liabilities		1,302,404	1,245,207
Net assets		410,417	337,756
EQUITY			
Retained surplus		410,417	337,756
Total equity		410,417	337,756

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

RETAINED SURPLUS	2018 $'000	2017 $'000
Balance at the beginning of the financial year	337,756	240,897
Net surplus for the year	72,661	96,859
Other comprehensive income for the year	-	-
Total comprehensive income for the year	72,661	96,859
Closing balance at the end of the financial year	410,417	337,756

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	2018 $'000	2017 Restated $'000
OPERATING ACTIVITIES		
Cash received		
Investment income	5,001	17,316
Receipts from government	149,081	144,992
Other revenue	1	-
Net GST received	411	1,302
	154,494	163,610
Cash used		
Employees	5,759	525
Reimbursements to employers	139,034	148,669
Administration expenses	-	7,692
Investment expenses	-	13
Other expenses	3,768	4,460
	148,561	161,359
Net cash flow from operating activities	5,933	2,251
INVESTING ACTIVITIES		
Cash received		
Sale of investments	97,734	186,300
	97,734	186,300
Cash used		
Purchase of plant and equipment	94	1,268
Purchase of investments	114,560	193,983
	114,654	195,251
Net cash flow (used by) investing activities	(16,920)	(8,951)
Net increase/(decrease) in cash held	(10,987)	(6,700)
Cash and cash equivalents at the beginning of the reporting period	35,206	41,906
Cash and cash equivalents at the end of the reporting period	24,219	35,206

Non-cash investing activities

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

	2018 $'000	2017 Restated $'000
Reinvestment of distributions and manager fee rebates	66,161	58,289
Management fees paid by redemptions	(930)	(891)
Total non-cash investing activities	65,231	57,398

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

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) for reporting periods ending on or after 1 July 2015; 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. 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 9 Financial Instruments: application date 1 July 2018;
- 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.

Coal LSL is evaluating the impact of these standards.

Change in business administration model

From 1 July 2017, Coal LSL officially transitioned from an outsourced business administration model to an insourced operation. The transactional impact of this transition is reflected in these financial statements with the first full year of employee benefits and operating lease expenses being recognised along with corresponding provisions for employee entitlements and lease commitments. Outsourced administration expenses ceased at 30 June 2017.

Funding

During the period 1 July 2017 until 30 June 2018 levies payable by employers under the provisions of the Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992, were calculated at 2.7% of "eligible wages" as defined by the Act (period 1 July 2016 until 30 June 2017: 2.7%).

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. The accounting policy for revenue from government is disclosed in note 1.2(b).

Events after the reporting period

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 that the surplus will remain within the corporate objectives of the fund.

Other than that noted above, there were no other specific events subsequent to 30 June 2018 that had the potential to significantly affect the ongoing structure and financial activities of the entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

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 the reclassification of depreciation and amortisation and operating lease expenses from other expenses. These reclassifications had no effect on the reported results of operations.

Prior period restatement

Amounts in relation to "Investment income" and "Purchase of investments" as reported in the statement of cash flows have been restated in the comparative period. The restated amount more appropriately reflects the cash flows of Coal LSL by removing the impact of non-cash investing activities such as the re – investment of distributions. Consistent with accepted practice, these non-cash transactions have been disclosed separately below the statement of cash flows. The previous disclosure overstated the gross cash inflows and outflows reported by $57.4m, however, there is no net impact on the overall cash balance of Coal LSL.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

1. STATEMENT OF COMPREHENSIVE INCOME

1.1 EXPENSES	2018 $'000	2017 $'000
(a) Employee benefits		
Wages and salaries	5,313	458
Superannuation	492	45
Leave and other entitlements	124	95
Total employee benefits	5,929	598

ACCOUNTING POLICY

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

	2018 $'000	2017 $'000
Remuneration paid or payable to Directors	74	65
Directors' expenses	75	98
Total Directors' remuneration and expenses	149	163

(c) Administration expenses

The Board of Directors approved a resolution to transition the operations of Coal LSL from an outsourced administration model to an insourced operating model from 1 July 2017. As such there were no administration expenses incurred during the 30 June 2018 financial year.

	2018 $'000	2017 $'000
Administration fees	-	6,930

(d) Operating leases

Coal LSL signed an operating lease for its head office premises in Newcastle which commenced 1 April 2017 for an initial lease period of seven (7) 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. Although it is reasonably certain that Coal LSL will exercise the first option period, the first option period has been excluded from the commitment calculation as a market review in seven (7) years is considered to be not reasonably quantifiable.

	2018 $'000	2017 $'000
Operating lease costs	431	94

Minimum lease commitments	2018 $'000	2017 $'000
Not later than one year	421	375
Later than one year and not later than five (5) years	1,667	1,623
Greater than five (5) years	310	775
Total minimum lease commitments	2,398	2,773

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.

(e) Other expenses

The Board of Directors approved a resolution to transition the operations of Coal LSL from an outsourced administration model to an insourced operating model from 1 July 2017. Prior year business transition costs included relocating to new premises, establishing independent business systems and transitioning the employment of some outsourced administration staff to Coal LSL with residual costs flowing through into the 30 June 2018 financial year.

	2018 $'000	2017 $'000
Technology costs	759	487
Business transition costs	75	771
Employment-related costs	516	60
Operating expenses	732	343
Total other expenses	2,082	1,661

1.2 REVENUE

	2018 $'000	2017 $'000
(a) Investment revenue		
Dividends	-	982
Unit trust distributions	70,063	70,344
Deposit interest	682	751
Investment manager fee rebates	2,055	1,593
Changes in fair value of investments held at balance date	54,300	59,608
Net realised gains on sale of investments	3,192	-
Total investment revenue	130,292	133,278

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	2018 $'000	2017 $'000
Levy collections from employers	149,081	144,992
Total revenue from government	149,081	144,992

ACCOUNTING POLICY

Revenue from Government is 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 Jobs and Small 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 2018 the balance in this levy account was **$13,338,305** (2017: $10,453,752). This amount was remitted to Consolidated Revenue on 2 July 2018.

2. FINANCIAL ASSETS AND LIABILITIES

2.1 CATEGORIES OF FINANCIAL INSTRUMENTS	2018 $'000	2017 $'000
Financial assets		
Amortised cost		
Cash and cash equivalents	24,219	35,206
Fair value through profit or loss		
Unit trusts	1,684,804	1,545,255
Loans and receivables		
Trade and other receivables	2,709	1,257
Total financial assets	1,711,732	1,581,718
Financial liabilities		
Amortised cost		
Trade and other payables	1,019	527
Total financial liabilities	1,019	527

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.

2.2 CASH AND CASH EQUIVALENTS	2018 $'000	2017 $'000
Cash at bank	24,177	35,174
Deposits at custodian	42	32
Total cash and cash equivalents shown in statement of cash flows	24,219	35,206

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

2.3 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	2018 $'000	2017 $'000
(a) Investments		
As at 1 July	1,545,255	1,424,508
Purchases	180,721	252,272
Sales	(98,664)	(187,191)
Realised and unrealised gains/(losses)	57,492	55,666
Total as at 30 June	1,684,804	1,545,255

(b) As at 30 June 2018, a total of **$1,684.8m** (2017: $1,545.3m) from the assets of the Coal Mining Industry Long Service Leave Fund was invested by Coal LSL with the appointed fund managers in accordance with the approved investment policy as follows:

	2018 $'000	2017 $'000
AMP Capital Shopping Centre Fund	35,453	-
AMP Capital Wholesale Office Fund	51,150	45,084
Bridgewater	78,278	72,945
Brigade	73,366	70,776
Hyperion	82,478	70,934
K2 Advisors	73,021	72,485
Lazard	59,149	53,790
Macquarie Australian Pure Index Equities	64,815	-
Macquarie Funds Management	-	56,630
MFS Emerging Markets Equity Trust	74,792	64,217
Palisade	75,035	56,760
Pimco	64,422	62,908
QIC Fixed Interest	219,960	213,393
QIC Inflation Plus	134,084	130,346
Resolution Capital	94,342	87,276
Schroder Global Bond Fund	62,951	61,927
State Street Global Advisors	121,639	116,650
Stone Harbor	57,387	57,973
Vanguard International Shares Hedged	90,055	101,959
Vanguard International Shares Unhedged	172,427	149,202
Total unit trusts	1,684,804	1,545,255
JPMorgan Chase Bank N.A cash account	42	32
Cash held directly by Coal LSL	24,177	35,174
Total investments	1,709,023	1,580,461

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 2018, the return on the investment of funds was **8.3%** (2017: 8.9%).

Sector exposure	2018 $'000	2017 $'000
Australian fixed interest	**354,044**	343,739
Overseas fixed interest	**127,373**	124,835
Australian equities	**206,442**	181,354
Overseas equities	**458,913**	432,028
Alternatives	**357,087**	330,939
Property	**180,945**	132,360
Cash and cash equivalents	**24,219**	35,206
Total investments	**1,709,023**	1,580,461

ACCOUNTING POLICY

Financial assets are classified at fair value through profit or loss where the asset:

– has been acquired principally for the purposes of selling in the near future;
– is part of an identified portfolio of financial instruments that Coal LSL manages together and has a recent pattern of short term profit taking; or
– is a derivative that is not designated and effective as a hedging instrument.

Assets in this category are classified as current assets. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income. The net gain or loss recognised 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.

2.4 TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Accrued income from investments	2,376	711
Accrued bank interest	52	114
GST paid and claimable	34	22
Prepayments	237	23
Other assets	10	387
Total trade and other receivables	2,709	1,257

At 30 June 2018, no trade or other receivables were overdue or impaired (2017: nil).

ACCOUNTING POLICY

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment (if any). Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for impairment at each balance date. If there is objective evidence that an impairment loss has been incurred for loans and receivables held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the statement of comprehensive income.

Derecognition of financial assets

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

2.5 TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Trade creditors and accruals	610	527
Other payables	409	-
Total trade and other payables	1,019	527

ACCOUNTING POLICY

Trade and other payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. 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

Reconciliation of opening and closing balances	Leasehold improvements $'000	Plant and equipment $'000	Software $'000	Total $'000
As at 1 July 2017				
Gross book value	746	522	-	1,268
Accumulated depreciation, amortisation and impairment	(9)	(14)	-	(23)
Total as at 1 July 2017	737	508	-	1,245
Purchases	-	26	68	94
Depreciation and amortisation	(62)	(170)	(18)	(250)
Total as at 30 June 2018	675	364	50	1,089
Total as at 30 June represented by				
Gross book value	746	548	68	1,362
Accumulated depreciation, amortisation and impairment	(71)	(184)	(18)	(273)
Total as at 30 June 2018	675	364	50	1,089

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 2018, it was the opinion of the directors that Coal LSL did not have any future obligation for the make good of any leased premises as it is reasonably certain that Coal LSL will exercise the first option period and therefore waive the obligation to make good the site under the lease contract.

3. NON-FINANCIAL ASSETS (CONT.)

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 2018.

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: 3 years
- Software: 3 years

Impairment

All assets were assessed for impairment at 30 June 2018. Where indications of impairment exist, the assets' 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.

4. PEOPLE AND RELATIONSHIPS

4.1 EMPLOYEE PROVISIONS	2018 $'000	2017 $'000
Leave	534	94
Superannuation	78	1
Total employee provisions	612	95

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, Board of Directors, Executive Committee and certain senior managers. Remuneration of key management personnel (excluding the Board of Directors which is disclosed in note 1.1(b)) is reported in the table below:

	2018 $'000	2017 $'000
Short-term employee benefits	1,485	300
Post-employment benefits	145	29
Other long-term employee benefits	31	-
Termination benefits	-	-
Total key management personnel remuneration expenses[1]	1,661	329

The total number of key management personnel that are included in the above table are 9 (2017: 4).

[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.

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.

The Directors of Coal LSL during the year were:

- Mr Andrew Vickers, Chair (resigned 6 June 2018)
- Mr Bradley Neven, Chair (appointed as Chair from 7 June 2018)
- Mr Mark Klasen, Deputy Chair
- Ms Anne Donnellan
- Ms Christina Langby
- Ms Jennifer Short (appointed 1 July 2017)
- Mr Grahame Kelly (appointed 18 June 2018)

Other than where noted, 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
- Mr Russell Gilbert, Executive Technology
- Mr Alan Malsem, Executive Operations and Chief Financial Officer (resigned 11 May 2018)
- Mr Matthew Trotter, Executive Client Services
- Ms Suzanne Jenkins, Executive Governance (appointed 1 July 2017)
- Ms Louise Hayes, Executive HR & Communications (appointed 1 July 2017)
- Ms Lisbeth Rasmussen, Chief Investment Officer (appointed 18 January 2018)
- Mr Desmond Sutherland, Executive Operations (appointed 21 March 2018)
- Mrs Katrina Cowie, Finance Manager (appointed 1 May 2018)

(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. These transactions have not been disclosed in this note.

Apart from items disclosed at note 4.2 and 1.1(b) relating to the remuneration and expenses of Directors and key management personnel during the year and the receipt of levy collections from Government disclosed in note 1.2(b), there were no further related party transactions.

5. PROVISIONS

5.1 PROVISION FOR REIMBURSEMENTS	2018 $'000	2017 $'000
Current	**991,197**	955,412
Non-current	**309,576**	289,173
Total provision for reimbursements	**1,300,773**	1,244,585

	2018 $'000	2017 $'000
As at 1 July	**1,244,585**	1,227,485
Reimbursements paid	**(139,034)**	(148,668)
Increase in provision for reimbursements	**195,222**	165,768
As at 30 June	**1,300,773**	1,244,585

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 **$151.3m** (2017: $157.0m).

ACCOUNTING POLICY

Provision for reimbursements

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 whose service is not yet vested 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.

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 2018, the salary growth rate assumptions was **2.0%** for long service leave balances with a vesting date of within 2 years, **2.75%** for 3 years and **3.5%** for all other vesting periods (2017: 1.5%, 1.5% and 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 **$6.4m** (2017: $8.1m). A 1.0% decrease would decrease the present value by **$6.2m** (2017: $7.9m).

Probability factors

At 30 June 2018, the probability factors utilised ranges from **48.4%** to **100.0%** depending on the type and category of long service leave (2017: 19.8% 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 2018. The revised estimate is based on a review of historical patterns of the likelihood of dormant employees returning to the industry and reaching the qualifying service period of 8 years. 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 $9.9m and the reimbursement expense increased by the same amount at 30 June 2018. It is impracticable to estimate the effect of this change in estimate on future periods.

Discount rates

At 30 June 2018, the discount rate utilised was **2.63%** for all non-vested categories of long service leave (2017: 2.6%). 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 **$6.1m** (2017: $8.1m). A 1.0% decrease would increase the present value by **$6.4m** (2017: $7.8m).

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" and "Former 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. At 30 June 2018, Coal LSL has an estimated contingent liability of $2.2m (2017: nil) in relation to applications received but not yet assessed.

Coal LSL has an estimated contingent asset of $1.6m at 30 June 2018 (2017: $1.4m) 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. At balance date, Coal LSL has not raised an asset 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.

6.2 COMMITMENTS

Coal LSL has the following commitments at 30 June:

Investment commitments	2018 $'000	2017 $'000
Not later than one year	9,510	-
Later than one year and not later than five (5) years	-	15,000
Total investment commitments	9,510	15,000

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

INDEPENDENT AUDITOR'S REPORT

To the Minister for Jobs, Industrial Relations and Women

Opinion

In my opinion, the financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation for the year ended 30 June 2018:

(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 Coal Mining Industry (Long Service Leave Funding) Corporation as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by Directors, Chief Executive Officer and Finance Manager;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to the financial statements comprising an Overview 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 Coal Mining Industry (Long Service Leave Funding) Corporation 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 Coal Mining Industry (Long Service Leave Funding) Corporation, the Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation and fair presentation 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 Coal Mining Industry (Long Service Leave Funding) Corporation's ability 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

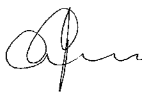
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 those charged with governance 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

24 September 2018

PART 5: **APPENDICES**

DISCLOSURES

Work health and safety

Under the *Work Health and Safety Act 2011* (WHS Act) we are required to report certain information. During 2017–18 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 us reduce our environment foot print. 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; and
- 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 $13,000 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 2017–18.

Related party transactions of accountable authority

Apart from the remuneration of the Directors as disclosed in the notes to the 30 June 2018 Financial Statements, no further related party transactions occurred between Coal LSL and the accountable authority.

Indemnities and insurance premiums

For 2017–18, we purchased 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 2017–18 is $56,915 (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 2017–18.

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; and
- 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.
- 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 this 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)	ANNUAL REPORT SECTION
Approval of annual report by accountable authority (section 17BB)	Approval by accountable authority
Parliamentary standards of presentation (section 17BC)	YES
Plain English and clear design (section 17BD)	YES
Details of enabling legislation (paragraph 17BE(a))	Part 1: About us | Purpose
Summary of objects and functions (paragraph 17BE(b))	Part 1: About us | Our role
Responsible minister (paragraph 17BE(c))	Part 1: About us | Responsible minister
Directions by the minister (paragraph 17BE(d))	Part 2: Our governance and accountability | Statement of non-compliance
Government policy orders (including details of non-compliance) (paragraph 17BE(e))	Part 2: Our governance and accountability | Statement of non-compliance
Annual performance statements (paragraph 17BE(g))	Part 3: Annual performance statements
Significant non-compliance with finance law (paragraph 17BE(h))	Part 2: Our governance and accountability | Statement of non-compliance
Details of accountable authority members (paragraph 17BE(j))	Part 1: About us | Purpose
Organisational structure (paragraph 17BE(k))	Part 1: About us | Organisational structure
Locations (paragraph 17BE(l))	Part 1: About us | Organisational structure
Main corporate governance practices (paragraph 17BE(m))	Part 2: Our governance and accountability | Governance practices
Decision making for procurement, tenders and contracts (including details) (paragraph 17BE(n))	Part 2: Our governance and accountability | Procurement
Significant activities affecting operations or structure (paragraph 17BE(p))	Part 1: About us | Our performance
Judicial decisions and administrative decisions (paragraph 17BE(q))	Part 2: Our governance and accountability | External scrutiny
Reports by: (paragraph 17BE(r)) • the Auditor General • a Committee of either house, or of both Houses, of Parliament • the Commonwealth Ombudsman • the Office of the Australian Information Commissioner	Part 2: Our governance and accountability | External scrutiny
Obtain information from a subsidiary (paragraph 17BE(s))	Not applicable
Indemnity and insurance (paragraph 17BE(t))	Part 5: Appendices | Insurances and indemnities
Index and list of requirements (paragraph 17BE(u))	Part 5: Appendices | List of requirements
Disclosure requirements for government business enterprises (section 17BF)	Not applicable
Financial statements (including the Auditor-General's report)	Part 4: Financial statements
Work health and safety—Work Health and Safety Act 2011 (Schedule 2, Part 4)	Part 5: Appendices | Disclosures
Environmental matters—Environment Protection and Biodiversity Conservation Act 1999 (section 516A)	Part 5: Appendices | Disclosures
Advertising and market research—Commonwealth Electoral Act 1918 (section 311A)	Part 5: Appendices | Disclosures
Work health and safety statistics—Work Health and Safety Act 2011 (Schedule 2, Part 3)	Part 5: Appendices | Disclosures


IT'S
YOUR
TIME.

COAL LSL

MORE INFORMATION

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