Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

# ANNUAL Report 2012

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**Australian Government**

**Coal Mining Industry (Long Service Leave Funding) Corporation**

4 October 2012

The Hon Bill Shorten MP
Minister for Employment and Workplace Relations
Parliament House
**CANBERRA ACT 2600**

Dear Minister

It is my pleasure to present to you the Annual Report for the Coal Mining Industry (Long Service Leave Funding) Corporation for the year ended 30 June 2012 which marks the twentieth (20th) year of the Corporation's administration of long service leave funding in the Australian black coal mining industry.

The year to 30 June 2012 has seen the enactment of the Coal Mining Industry (Long Service Leave) Legislation Amendment Act 2011 with effect from 1 January 2012. The Board of the Corporation is committed to ensuring compliance in respect of all the relevant amendments.

The Board of the Corporation continues to monitor and review the investment strategy of the Fund with the assistance of the consulting asset consultant and together we are confident that the Fund will record modest and sustainable investment returns in the long term.

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

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

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

Finally, on behalf of the Board I thank officers of your Department, the Secretary and the staff of the administrator for their efforts over the past year.

A J Weston
**Chairman**

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# General Commentary

## Introduction

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

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

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

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

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

## Position Post 1 January 2012

The Coal Mining Industry (Long Service Leave) Legislation Amendment Act 2011 (the Amendment Act) received Royal assent on 29 November 2011 with effect to the amendments from 1 January 2012.

The Amendment Act :

- gives effect to proposals, developed by an industry Working Party, to reform the portable long service leave arrangements in the black coal mining industry.

- amends the Coal Mining Industry (Long Service Leave Funding) Act 1992, the Coal Mining Industry (Long Service Leave) Payroll Levy Act 1992, the Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act 1992 and the Coal Mining Industry (Long Service Leave) Amendment Act 2009.

- legislates the minimum long service leave entitlement for all eligible employees in the black coal mining industry based on the precursor award entitlement. Provision is made for all eligible employees, whether full time, part-time or casual, to accrue long service leave in the black coal mining industry. An eligible employee will be entitled to long service leave when they have completed a period, or periods, of qualifying service totalling 8 years or more,.

- provides for a greater compliance role for the Corporation. The Corporation has the power to require persons to produce information or documents and standing to pursue alleged contraventions of a civil penalty provision on behalf of the Commonwealth. Additional penalty provisions have been included and existing penalty levels have been increased in line with contemporary standards.

- makes changes to the structure and representation of the Board of Directors of the Corporation to better reflect the current industry representative status of certain employee-representative and employer-representative groups to increase the terms of directors from 2 to 4 years.

- also establishes a regime for transition from the award-derived long service leave scheme (preserved under Section 113 of the Fair Work Act 2009) in respect of award employees and extended to non-award employees by Schedule 2 of the Coal Mining Industry (Long Service Leave Funding) Amendment Act 2009 to the new statutory long service leave scheme established by this Act.

- provides for changes in the amounts reimbursed to employers by the adoption of new "Reimbursement Rules" effective from 1 January 2012.

## The Corporation

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

One Director is to be appointed to represent the companies engaged in black coal mining in New South Wales or Tasmania.

One Director is to be appointed to represent the companies engaged in black coal mining in Queensland.

One Director is to be appointed to represent companies engaged in black coal mining in Western Australia.

Two Directors are to be appointed to represent the Mining and Energy Division of the Construction, Forestry, Mining and Energy Union.

One Director is to be appointed to represent the following organisations:

(a) the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia;

b) the Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union;

(c) the Association of Professional Engineers, Scientists and Managers Australia;

(d) the Colliery Officials Association of New South Wales;

(e) the Mine Managers Association of Australia.

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

## Directors of the Corporation

There were a total of five (5) meetings of the Board of the Corporation convened during the year.

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

**1 Nominated by Employers in the Coal Industry**

- **Mr Arthur Weston** (5/5)
  Chairman
  (Reappointed 01.03.2012 until 28.02.2016)

- **Mr Steven Reynolds** (5/5)
  (Reappointed 19.04.2011 until 18.04.2013)

- **Mr Kieren Turner** (4/4)
  (Appointment expired 29.04.2012)
  (Reappointed 15.06.2012 to 14.06.2016)

**2 Nominated by Unions Representing Employees in the Coal Industry**

- **Mr Andrew Vickers** (4/5)
  (Appointed 26.07.2011 until 25.07.2013)

- **Mr Glenn Thompson** ( 3/3 )
  (Appointment expired 27.01.2012)

- **Mr Grahame Kelly** (2/2)
  (Appointment 30.01.2012 to 29.01.2016)

- **Mr Christopher Powell** (4/5)
  (Appointed 30.05.2011 until 29.05.2013)

## Committees

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

During the year in complying with Government’s direction, the Board continued its appointment of an independent member to the Audit Committee.

## Administration

AUSCOAL Services Pty Ltd acted for the Corporation in the administration and collection of levies and the payment of reimbursements.

AUSCOAL Services Pty Ltd is also the administrator of coal industry superannuation scheme and serves substantially the same employers and employees as are subject to the long service leave legislation administered by the Corporation. We believe that the close synergy between these administrations also continues to produce efficiencies and a benefit in administration costs to the Corporation. The Corporation regularly tests the costs of administration provided by AUSCOAL Services Pty Ltd against the general marketplace to ensure they remain cost-effective.

## Management

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

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

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

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

## MISSION STATEMENT

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

1. Sufficient funds are provided by employers by way of levy to finance the cost of this liability.

2. Proper records of individual entitlement is kept.

3. Employers are properly reimbursed for authorised payment of long service leave.

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

# Management Objectives

### Primary Objectives

The primary objectives of the Corporation are to:

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

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

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

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

## Other Management Objectives

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

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

## Other Objectives include:-

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

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

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

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

The Fund has recorded a return on its investment of assets of 4.35% for the 2011/2012 financial year.

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

## Actuarial Review

The legislation requires that the Fund be subjected to periodic actuarial reviews and the rate of levy payable by employers be set having regard for the findings of these reviews as to the estimated future liabilities and the adequacy of the invested assets to meet their cost as and when they fall due. During the 2011/2012 year the Directors resolved to undertake an Actuarial Review as at 30 June 2011. The review concluded with the Actuary recommending that the levy rate remain at 2.7% of “eligible wages”.

## Professional Assistance to the Corporation

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

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

## Publications

In accordance with the guidelines for the preparation of Annual Reports by Commonwealth Government Authorities, the Directors of the Corporation advise that a number of “Employer and Employee Information Brochure” publications were prepared and issued by the Corporation during the period of this Annual Report.

## Freedom of Information

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

During the year of this report the Corporation received 1 request for information under these provisions.

## Compliance

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

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

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

## Financial

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

The Statement of Financial Position records the full value of accrued liability for reimbursement of long service leave payments.

## 2012/2013 Budget

The Corporation anticipates the following receipts and payments for the 2012/2013 financial year assuming the rate of levy payable by employers remains at 2.7% (of 'eligible wages').

| **2012/2013 Budget Receipts & Payments** | | **$'M** |
|---|---|---|
| Appropriations from Consolidated Revenue* | | 165 |
| (* from collections of levy payments by employers) | | |
| Earnings from Investment | | 55 |
| **Less:** | | |
| Reimbursements payments to employers | 60 | |
| Operating Expenses | 3 | |
| | | 64 |
| **Net Increase in Assets** | | **157** |

# Investment

## Investment Objectives

The Corporation has the following three objectives:

1. The broad investment objective of the Corporation is to maximize the long-term investment return, subject to constraints aimed at containing fluctuations in returns over shorter periods within acceptable limits, to accommodate “liquidity risk”.

2. More specifically, the objective is to obtain a net return from investment that exceeds inflation, as measured by the Consumer Price Index, by at least 4% per annum over rolling five year periods.

3. The Corporation’s assets be invested such that there is less than a 1/3 probability of the employer levy recommended by the actuary rising above 2.7%p.a.

In setting the strategy, the Board has had regard to the historical and expected future rates of return on various classes of asset (including equities, fixed interest, property, various alternative assets and cash). It recognises that whilst return seeking assets (e.g. equities and growth alternatives like property) are expected to yield a higher return over the longer term than risk diversifying assets (e.g. fixed interest and cash). The associated volatility is higher, increasing the likelihood of poor or negative returns over shorter time frames.

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

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

| Manager | Type (Asset Class) of Investment |
|---|---|
| AMP Capital Investors | Australian Property |
| State Street Global Advisors | Overseas (Ex. Aust.) Equities |
| Vanguard Asset Management | Overseas (Ex. Aust.) Equities |
| Hyperion | Australian Equities |
| QIC | Australian Inflation Linked Bonds |
| Macquarie Funds Group | Australian Equities |
| PIMCO Global Fund | Overseas (Ex. Aust.) Bonds and High Yield Debt |
| Lazard (Aust) Asia Pacific Fund | Australian Equities |
| Loomis Sayles | Specialist Credit – Senior Bank Loans |
| BT Global | Hedge Funds |
| K2 Advisors | Hedge Funds |
| QIC | Australian Fixed Interest |
| J P Morgan Cash Account | Cash |

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

| 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| -6.72% | -11.61% | 16.88% | 12.98% | 4.35% |

This represents an annual average return of 3.18% with an average real rate of -0.79% pa (i.e. after adjustment for movement in inflation – CPI).

# Independent Audit Report

Australian National
Audit Office

## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Employment and Workplace Relations

I have audited the accompanying financial statements of Coal Mining Industry (Long Service Leave Funding) Corporation for the year ended 30 June 2012, which comprise: a Statement by Directors and Secretary; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; and Notes to the Financial Statements.

***Directors' responsibility for the financial statements***

The directors of the Coal Mining Industry (Long Service Leave Funding) Corporation are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

***Auditor's responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Coal Mining Industry (Long Service Leave Funding) Corporation's preparation of the financial statements that give a true and fair view 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 Coal Mining Industry (Long Service Leave Funding) Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting

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estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

***Independence***

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

***Opinion***

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

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

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Coal Mining Industry (Long Service Leave Funding) Corporation's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office

John Jones
Executive Director
Delegate of the Auditor-General
Canberra

4 October 2012

# Financial Statements

*For the Year Ended*
*30 June 2012*

# COAL MINING INDUSTRY (LONG SERVICE LEAVE FUNDING) CORPORATION

# Financial Statements

*For the Year Ended*
*30 June 2012*

## STATEMENT BY DIRECTORS AND SECRETARY

In our opinion, the attached financial statements for the year ended 30 June 2012 of the Coal Mining Industry (Long Service Leave Funding) Corporation are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997, as amended.*

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

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

Signed ..................................
A Weston
Chairman

Signed ..................................
A Vickers
Deputy Chairman

Signed ..................................
R Hamilton
Secretary

4th October 2012

## STATEMENT OF COMPREHENSIVE INCOME

**For the Year Ended 30 June 2012**

| | Notes | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **Expenses** | | | |
| Changes in fair value of investments | 9(c) | **23,631** | 2,584 |
| Professional services | 9(d) | **1,316** | 1,051 |
| Director's remuneration | 9(e) | **64** | 41 |
| Administration expenses | 9(f) | **3,498** | 1,998 |
| Other expenses | | **321** | 58 |
| Increase in provision for reimbursements | | **95,648** | 179,216 |
| **Total Expenses** | | **124,478** | 184,948 |
| **Revenues** | | | |
| Investment Revenue | 9(b) | **62,644** | 92,161 |
| **Total Owned Sourced Revenue** | | **62,644** | 92,161 |
| **Net Cost of Services** | | **(61,834)** | (92,787) |
| Revenues from Government | 9(a) | **147,062** | 119,306 |
| **Surplus on Continuing Operations** | | **85,228** | 26,519 |
| **Surplus Attributable to the Australian Government** | | **85,228** | 26,519 |

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

# BALANCE SHEET
**As at 30 June 2012**

| ASSETS | Notes | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and Cash Equivalents | 5 | **115,775** | 20,406 |
| Receivables | 6(a) | **-** | 158 |
| Investments | 7 | **841,197** | 805,333 |
| Other Assets | 6(b) | **580** | 373 |
| **Total financial assets** | | **957,552** | 826,271 |
| **Total assets** | | **957,552** | 826,271 |
| LIABILITIES | | | |
| Trade payables | | **621** | 453 |
| Other payables | | **30** | 94 |
| Provisions | 8 | **922,947** | 876,996 |
| **Total liabilities** | | **923,597** | 877,543 |
| **Net assets** | | **33,955** | ( 51,273) |
| EQUITY | | | |
| Retained Surplus/(Deficit) | | **33,955** | ( 51,273) |
| **Total Equity** | | **33,955** | ( 51,273) |

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

# STATEMENT OF CHANGES IN EQUITY
**For the year ended 30 June 2012**

| | Note | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| Total Retained Earnings/(Accumulated Deficit) at the beginning of the financial year | | **(51,273)** | (77,792) |
| Net surplus for the period | | **85,228** | 26,519 |
| Total Retained Earnings/(Accumulated Deficit) at the end of the financial year | 4 | **33,955** | (51,273) |
| Closing Balance Attributable to the Australian Government | | **33,955** | (51,273) |

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

## CASH FLOW STATEMENT
**For The Year Ended 30 June 2012**

| | Notes | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| *Cash Received:* | | | |
| Investment Income | | **62,509** | 55,274 |
| Receipts from Government | | **147,062** | 119,306 |
| Net GST received | | **487** | 231 |
| *Total cash received:* | | **210,058** | 174,811 |
| *Cash used:* | | | |
| Reimbursement to employers | | **49,921** | 45,128 |
| Administration expenses | | **4,528** | 2,430 |
| Investment expenses | | **839** | 760 |
| *Total cash used:* | | **55,288** | 48,318 |
| **Net cash from operating activities** | 5 | **154,770** | 126,493 |
| **INVESTING ACTIVITIES** | | | |
| *Cash used:* | | | |
| *Purchase of investments* | | **( 67,746)** | ( 326,700) |
| Sale of investments | | **8,345** | 169,825 |
| **Net cash used by investing activities** | | **( 59,401)** | ( 156,874) |
| **Net increase in cash held** | | **95,369** | ( 30,382) |
| Cash at the beginning of the reporting period | | **20,406** | 50,820 |
| **Cash at the end of the reporting period** | 5 | **115,775** | 20,406 |

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

# SCHEDULE OF COMMITMENTS
**As at 30 June 2012**

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **BY TYPE** | | |
| Other commitments | - | - |
| Commitments receivable | - | - |
| ***Net commitments*** | - | - |
| **BY MATURITY** | | |
| Other commitments | | |
| One year or less | - | - |
| From one to five years | - | - |
| Over five years | - | - |
| | - | - |
| Commitments receivable | - | - |
| ***Net commitments*** | - | - |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 June 2012

### 1. Summary of Significant Accounting Policies

### 1.1 Basis of Preparation of the Financial Statements

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

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

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and,
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

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

### 1.2 Significant Accounting Judgements and Estimates

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related and actual results. The estimates and assumptions for the provision of reimbursements have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The corporation provides reimbursements to employers for the long service leave entitlements of their employees when leave is taken. This provision for reimbursement is in accordance with the accounting policy stated in Note 1.14. By its nature, the value of the provision is calculated based on estimates of salary growth as well as the probability that the employee will be entitled to the liability, discounted to the present value. These assumptions are reviewed as least annually, taking into account the most recent available information.

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 1. Summary of Significant Accounting Policies continued

### 1.3 New Australian Accounting Standards

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

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

### 1.4 Taxation

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

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

### 1.5 Revenue

The revenues described in this Note are revenues relating to the core operating activities of the Corporation.

*Investment Revenue*
Interest income is recognised as it accrues using the effective interest method of the instrument. Dividend and distribution income is recognised when the right to receive a dividend/distribution has been established.

*Revenues from Government*
Revenues from Government are recognised to the extent they have been received into the Corporation's bank account. The Corporation collects a levy paid by employers in a levy collection account. This levy account is not recognised as revenue until it is paid to the Corporation as it is not controlled by the Corporation. The levy is transferred to consolidated revenue and is appropriated back from consolidated revenue on a monthly basis. At 30 June 2012 the balance in this levy account was $13,666,035 (2011: $11,963,756) and this amount was remitted on 2 July 2012, to Consolidated Revenue. (Refer Note 3 for further details).

### 1.6 Cash

Cash and cash equivalents means cash on hand and demand deposits in bank accounts 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
## 30 June 2012

### 1. Summary of Significant Accounting Policies continued

### 1.7 Financial Assets

The Corporation classifies its financial assets in the following categories

- Financial instruments at fair value through profit or loss
- Loans and receivables

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

- Have been acquired principally for the purposes of selling in the near future;
- Are a part of an identified portfolio of financial instruments that the Corporation manages together and has a recent pattern of short term profit taking; or
- Are derivatives that are not designated and effective as a hedging instrument.

The classification depends on the nature and purpose of the financial assets as determined at the time of initial recognition. Financial assets are recognised and derecognised on trade date.

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 incorporates any interest earned on the financial asset.

Loans and receivables
Trade receivables 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. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the instrument, or where appropriate, a shorter period.

### 1.8 Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities recognised and derecognised on trade date.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss incorporates any interest paid on the financial liability.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

# NOTES TO THE FINANCIAL STATEMENTS
# 30 June 2012

## 1. Summary of Significant Accounting Policies continued

### 1.9 Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the balance sheet 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 another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance date applicable for an instrument with similar terms and conditions. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Corporation would receive or pay to terminate 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.

### 1.10 Derecognition of Financial Assets and Liabilities

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

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

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 1. Summary of Significant Accounting Policies continued

### 1.11 Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

*Financial Assets held at Amortised Cost*
If there is objective evidence that an impairment loss has been incurred for loans and receivables 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.

### 1.12 Trade Creditors

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

### 1.13 Contingent Liabilities and Contingent Assets

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

### 1.14 Provision for Reimbursements

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

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

The accrued liability (up to 31 December 2011) is re-calculated annually using the total weeks of service expected to qualify for long service leave payment and multiplied by the average weekly cost of long service leave in each of the separate states (NSW, TAS, QLD & WA) and brought into the accounts as a provision. From the first of January 2012, legislation established a notional account for each employee where appropriation is made by government and that amount, together with earnings, is credited to the members' notional account. The total accrued liability is reviewed based on the estimates of salary growth, the probability that the employee will be entitled to the liability, discounted to its present value. On the basis of this calculation the accrued liability as at 30 June 2012 is 923 million (2011 - $877 million).

# NOTES TO THE FINANCIAL STATEMENTS
# 30 June 2012

## 1. Summary of Significant Accounting Policies continued

### 1.14 Provision for Reimbursements (continued)

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

As a result of the actuarial review at 30 June 2011 the Board of Directors reaffirmed that the levy rate for eligible wages is 2.7%.

### 1.15 Going concern

The Coal Industry Long Service Leave Fund is legally separate from the Commonwealth and is ultimately responsible for all its own debts. However the existence of total liabilities in excess of total assets of the Coal Industry Long Service Leave Fund as reported in the Balance Sheet, in the prior year, has not affected the going concern assumption made in this financial report.

Commonwealth authorities are legally separate from the Commonwealth, but as the Australian Government is solely responsible for their creation and operation they are 'wound up' only when the government decides that all their functions are to be performed by another body or are not to be performed at all.

## 2. Activities

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

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

## 3. Funding

During the period 1 July 2011 until 30 June 2012 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 (refer Note 9).

## 4. Equity Position

For the year ended 30 June 2012 there is a surplus in net assets of $33,955 thousand (2011: $51,273 thousand deficit). This surplus is a result of increased revenues over expense during the year, partly offset by an increase in liability due to an increase in the number of employees' and employers' in the Coal Mining Sector.

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 5. Cash Flow Reconciliation

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

| **Reconciliation of Net Cost of Services to the Net Cash from Operating Activities** | **2012 $'000** | 2011 $'000 |
|---|---|---|
| Net Cost of Services | **(61,834)** | ( 92,787) |
| Add revenue from Government | **147,062** | 119,306 |
| Net investment (gains) / losses | **23,631** | ( 34,278) |
| (Increase)/decrease in other current assets | **( 207)** | ( 36) |
| Increase/(decrease) in supplier payables | **168** | 200 |
| Increase/(decrease) in provision for reimbursements | **45,950** | 134,088 |
| Net cash from operating activities | **154,770** | 126,493 |

| **Reconciliation of Cash** | **2012 $'000** | 2011 $'000 |
|---|---|---|
| Cash at Bank – CBA | **49,823** | 2,644 |
| Deposits at Custodian | **65,952** | 17,762 |
| **Total Cash** | **115,775** | 20,406 |
| **Balance of cash at 30 June shown in Cash Flow Statement** | **115,775** | 20,406 |

### 6. Receivables

| **(a) Debtors** | **2012** | 2011 |
|---|---|---|
| *Other debtors* | **$'000** | $'000 |
| Proceeds from sale of investments | - | 158 |
| | - | 158 |
| **Total debtors (net)** | | |
| All debtors are current assets | | |
| Debtors (gross) are aged as follows: | - | 158 |
| Not Overdue: | - | 158 |
| Total Debtors (gross) | - | 158 |

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

| | 2012 | 2011 |
|---|---|---|
| | $'000 | $'000 |
| **(b) Other assets** | | |
| Accrued income from investments | **413** | 196 |
| Accrued bank interest | **138** | 80 |
| GST paid and claimable | **29** | 96 |
| Total other assets | **580** | 373 |

All other receivables are current receivables

## 7. Financial instruments at Fair Value through Profit or Loss

| | 2012 | 2011 |
|---|---|---|
| **(a) Investments** | **$'000** | $'000 |
| At the beginning of the year | **805,333** | 613,780 |
| Purchases | **67,672** | 326,689 |
| Sales | **(8,176)** | (169,414) |
| Realised and unrealised (losses)/gains (Note 9(c)) | **(23,631)** | 34,278 |
| At end of year | **841,197** | 805,333 |

**(b)** As at 30 June 2012, a total of $923 million (2011 - $823 million) from the assets of the Coal Mining Industry Long Service Leave Fund was invested by the Corporation with the appointed fund managers, in accordance with the approved Investment Policy in the following portions:

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### Financial Instruments

| | 2012 $'000 | % | 2011 $'000 | % |
|---|---|---|---|---|
| AMP | **71,163** | 8 | 66,036 | 8 |
| State Street Global Advisors | **70,439** | 8 | 70,575 | 9 |
| Hyperion | **50,113** | 5 | 52,703 | 6 |
| QIC Asset Mgt | **84,494** | 9 | - | - |
| Macquarie Funds Mgt | **56,338** | 6 | 61,743 | 7 |
| Pimco GI Bond | **87,028** | 9 | 146,468 | 18 |
| Lazard | **58,645** | 6 | 59,174 | 7 |
| Loomis Sayles | **21,705** | 2 | 20,034 | 2 |
| K2 Advisors | **40,533** | 4 | 2,845 | 0 |
| Vanguard | **73,815** | 8 | 73,439 | 9 |
| Pimco Ext Mkt | **75,221** | 8 | 37,787 | 5 |
| QIC Fixed Interest | **152,733** | 17 | 217,084 | 26 |
| J P Morgan Cash Account | **80,807** | 9 | 15,544 | 2 |
| | **923,034** | | 823,433 | |
| Cash held directly by the Corporation | **49,823** | | 2,644 | |
| | **972,857** | | 826,077 | |

All investments were held on behalf of the Corporation by the Master Custodian, J P Morgan Investor Services Limited. For the year ended 30 June 2012, the gross return on the investment of funds was 4.3% (2011: 12.98%).

| | 2012 $'000 | % | 2011 $'000 | % |
|---|---|---|---|---|
| **Current investments** | | | | |
| Australian Fixed Interest | **282,886** | 31 | 237,118 | 29 |
| Overseas Fixed Interest | **125,028** | 14 | 146,468 | 18 |
| Australian Equities | **220,893** | 24 | 173,620 | 21 |
| Overseas Equities | **120,551** | 13 | 144,014 | 17 |
| Alternatives | **21,705** | 2 | 40,633 | 5 |
| Property Trust | **71,163** | 7 | 66,036 | 8 |
| Cash and cash equivalents | **130,630** | 9 | 18,188 | 2 |
| | **972,857** | | 826,077 | |

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **8. Provisions** | | |
| Provision for reimbursements - Current | **47,413** | 53,959 |
| - Non-Current | **875,534** | 823,037 |
| | **922,947** | 876,996 |
| Balance at beginning of year | **876,997** | 742,909 |
| Reimbursement paid to coal mining employers | **(49,698)** | (45,128) |
| Increase in provision | **95,648** | 179,216 |
| Balance at end of year | **922,947** | 876,997 |

| **9. STATEMENT OF COMPREHENSIVE INCOME** | **2012 $'000** | 2011 $'000 |
|---|---|---|
| ***9 (a)* Revenues from Government** | | |
| Revenues from Government | | |
| - Levy Collections from Employers | 146,859 | 119,160 |
| - Interest | 203 | 145 |
| Revenue from Government is recognised at the time the Corporation becomes entitled to receive the revenue. | 147,062 | 119,306 |

| | | |
|---|---|---|
| ***9 (b)* Investment Revenue** | | |
| Dividends | **2,316** | 2,762 |
| Unit Trust Distributions | **56,649** | 48,644 |
| Fixed Interest | **-** | 2,099 |
| Deposit Interest | **3,679** | 1,795 |
| Net realised gains on sales of investments | **-** | 1,301 |
| Investment revenue arising from changes in fair value (investments held at reporting date) | **-** | 35,560 |
| | **62,644** | 92,161 |

| | | |
|---|---|---|
| ***9 (c)* Investment Expenses** | | |
| Investment losses arising from changes in fair value (assets held at reporting date) | **22,485** | 2,584 |
| Net realised losses on sale of investments | **1,146** | - |
| | **23,631** | 2,584 |

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| ***9 (d)* Professional Services** | | |
| Rendering of Services - External Parties | **1,316** | 1,051 |

*Remuneration of Auditors*

| | | |
|---|---|---|
| Amounts received, or due and receivable by: | $ | $ |
| *Australian National Audit Office* – audit of the financial statements for the reporting period. | 65 | 40 |
| | 65 | 40 |

**9 (e) Directors' Remuneration**

*Directors' Expenses and Allowances*
The remuneration of Directors is by way of daily allowances for part-time holders of public office as determined under Part 6 of the determination of the (Commonwealth) Remuneration Tribunal. Directors are also entitled to reimbursement for expenses incurred in travelling to/from meetings and in the conduct of business directly related to the affairs of the Corporation as approved.

| | $ | $ |
|---|---|---|
| **Remuneration received or due and receivable by Directors:** | 64 | 41 |

**The number of directors included in these figures are shown below in the relevant remuneration bands:**

| | Number | Number |
|---|---|---|
| **- $ Nil - $14,999** | 7 | 7 |

***9 (f)* Administration Expenses**

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Administration fees | **1,474** | 1,425 |
| Transition to new admin IT platform | **2,024** | 573 |
| | **3,498** | 1,998 |

**10 Liabilities Not Recognised**

As at 30 June 2012 the Directors are not aware of any liability not recognised (2011: None). The Corporation is exempt from income tax.

# NOTES TO THE FINANCIAL STATEMENTS
# 30 June 2012

## 11 Related Party Disclosures

Directors of the Corporation

The Directors of the Corporation during the year were:

- Mr. Arthur Weston – Chairman (Reappointed 1 March 2013 for a 4 year term)
- Mr. Steven Reynolds (Reappointed 19 April 2011 until 18 April 2013)
- Mr. Kieren Turner (Reappointed 15 June 2012 for a 4 year term)

Nominated by Unions representing employees in the black coal mining industry:

- Mr. Andrew Vickers (Appointed 26 July 2011 until 25 July 2013)
- Mr. Grahame Kelly (Appointed 30 January 2012 for a 4 year term)
- Mr Christopher Powell (Appointed 30 May 2011 until 29 May 2013)
- Mr Glenn Thompson (Appointment expired 27 January 2012)

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

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

## 12 Economic Dependency

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

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 13 Financial Instruments

#### a) Statement of Terms, Conditions and Accounting Policies

| Financial Instruments | Accounting Policies | Terms and Conditions |
|---|---|---|

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 13 Financial Instruments continued

### b) Interest Rate Risk – 30 June 2012

| | Floating | Fixed Interest | Non-interest bearing | Total |
|---|---|---|---|---|
| **30-Jun-12** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Cash & Cash Equivalents** | **115,775** | **-** | **-** | **115,775** |
| **Equity Investments** | **-** | **-** | **49,143** | **49,143** |
| **Unit Trusts** | **-** | **-** | **792,054** | **792,054** |
| **Receivables and Other Assets** | **-** | **-** | **580** | **580** |
| **Total Financial Assets** | **115,775** | **-** | **841,777** | **957,552** |
| **Trade and other Payables** | **-** | **-** | **651** | **651** |
| **Total Financial Liabilities** | **-** | **-** | **651** | **651** |

| | Floating | Fixed Interest | Non-interest bearing | Total |
|---|---|---|---|---|
| 30-Jun-11 | $'000 | $'000 | $'000 | $'000 |
| Cash & Cash Equivalents | 20,406 | - | - | 20,406 |
| Equity Investments | - | - | 52,191 | 52,191 |
| Unit Trusts | - | - | 753,142 | 753,142 |
| Receivables and Other Assets | - | - | 531 | 531 |
| Total Financial Assets | 20,406 | - | 805,864 | 826,271 |
| Trade and other Payables | - | - | 547 | 547 |
| Total Financial Liabilities | - | - | 547 | 547 |

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 13 Financial Instruments continued

### c) Credit Risk Exposures

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

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

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

### d) Categories of Financial Instruments

| | **Fair Value 2012 $'000** | Fair Value 2011 $'000 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| **Amortised cost** | | |
| Cash and cash equivalents | **115,775** | 20,406 |
| **Fair value through profit or loss** | | |
| Equity securities | **49,143** | 52,191 |
| Unit Trusts | **792,054** | 753,142 |
| Fixed interest securities | **-** | - |
| **Loans and receivables** | | |
| Loans and receivables | **580** | 531 |
| | **957,552** | 826,271 |
| **FINANCIAL LIABILITIES** | | |
| **Amortised cost** | | |
| Payables | **651** | 547 |
| | **651** | 547 |
| **Carrying value of Net Financial Assets/(Net Liability)** | **956,902** | 825,724 |
| **Less Provisions** | **922,947** | 876,996 |
| **Carrying value of Net Assets per Balance Sheet** | **33,955** | ( 51,273) |

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 13 Financial Instruments continued

#### e) Liquidity Risk

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

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

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

#### f) Market Risk

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

#### (i) Currency Risk

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

The currency risk demonstrates the sensitivity to a reasonably possible change in the AUD/Trade Weighted Index with all other variables held constant, on the Corporation's Profit and Loss and the Corporation's Equity. For the year ended 30 June 2012 the Corporation has no direct exposure to currency risk (2011: None).

# NOTES TO THE FINANCIAL STATEMENTS
# 30 June 2012

## 13 Financial Instruments continued

### (ii) Interest Rate Risk

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

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

At 30 June 2012, if interest rates decreased/(increased) by volatility per sector as shown in table below, with all other variables held constant, operating result and equity would have been $81 thousand higher/(lower) (2011: $18 thousand higher/(lower))

| **Volatility Factor** | **+** | **-** |
|---|---|---|
| **30 June 2012** | | |
| Australian Cash | 0.10% | 0.10% |
| Australian fixed interest | 1.10% | 1.10% |
| **30-Jun-11** | | |
| Australian Cash | 0.10% | 0.10% |
| Australian fixed interest | 1.10% | 1.10% |
| **Impact on Surplus/Total Equity** | **$'000** | **$'000** |
| **30-Jun-12** | 81 | 81 |
| 30-Jun-11 | 18 | 18 |

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 13 Financial Instruments continued

#### (iii) Other Price Risk

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

**30-Jun-12**

| **Volatility Factor** | **+** | **-** |
|---|---|---|
| Australian equity securities | 25.70% | 25.70% |
| International equity securities | 22.30% | 22.30% |
| Property | 17.40% | 17.40% |
| Hedges | 8.30% | 8.30% |
| High Yield Debt | 13.80% | 13.80% |

**30-Jun-11**

| **Volatility Factor** | **+** | **-** |
|---|---|---|
| Australian equity securities | 28.60% | 28.60% |
| International equity securities | 24.50% | 24.50% |
| Property | 19.70% | 19.70% |
| Hedges | 8.30% | 8.30% |
| High Yield Debt | 12.90% | 12.90% |

| **Impact on Net Surplus/Total Equity** | **$'000** | **$'000** |
|---|---|---|
| **30-Jun-12** | **115,712** | **115,712** |
| 30-Jun-11 | 115,541 | (115,541) |

#### g) Fair value measurement recognised in the Balance Sheet

The table below analyses financial instruments valued at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs)

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 13 Financial Instruments continued

### e) Fair value measurement recognised in the Balance Sheet continued

| 30 June 2012 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Equity investments | 49,143 | - | - | 49,143 |
| Unit Trusts | - | 598,727 | 193,326 | 792,054 |
| | 49,143 | 598,727 | 193,326 | 841,197 |

| 30 June 2011 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Equity investments | 52,192 | - | - | 52,192 |
| Unit Trusts | - | 566,874 | 186,268 | 753,142 |
| | 52,192 | 566,874 | 186,268 | 805,333 |

**(ii) Transfers between levels**
There were no significant transfers between levels 1, 2 and 3 during the year.

**(iii) Movement in level 3 instruments**

| | Debt securities $'000 | Unlisted unit trusts $'000 | Total $'000 |
|---|---|---|---|
| **Opening balance** | - | 186,268 | 186,268 |
| Purchases | - | 6,870 | 6,870 |
| Sales | - | ( 204) | ( 204) |
| Gains and losses recognised in profit or loss | - | 393 | 393 |
| **Closing balance** | | 193,326 | 193,326 |

# NOTES TO THE FINANCIAL STATEMENTS
## 30 June 2012

### 14 Contingent Liabilities and Assets

The Corporation has no unquantifiable or remote contingencies.

### 15 Events Occurring After the Report Period

There have been no specific events subsequent to 30 June 2012 which would impact on the financial position as at 30 June 2012 or the results of the corporation for the year ended on that date.