Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

ANNUAL REPORT 2015/2016

LETTER OF TRANSMITTAL

Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

Coal Mining Industry
(Long Service Leave Funding)
Corporation
ABN 12 039 670 644
Locked Bag 2021
Newcastle NSW 2302

Toll Free: 1300 852 625
Intl: +61 (2) 4948 3362
Fax: +61 (2) 4962 3469
lsl@coallslcorp.com.au
www.coallslcorp.com.au

11 October 2016

Senator the Hon. Michaelia Cash
Minister for Employment
Parliament House
CANBERRA ACT 2600

Dear Minister,

I am pleased to provide the Coal Mining Industry (Long Service Leave Funding) Corporation Annual Report for the year ended 30 June 2016 for presentation to the Parliament.

This report has been prepared in accordance with 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.

On behalf of the Board of Directors, as the Accountable Authority, I certify the Corporation:

- has conducted a fraud risk assessment and prepared a fraud control plan;
- has in place appropriate fraud prevention, detection, investigation and reporting mechanisms that meets the needs of the Corporation; and
- all reasonable measures have been taken to appropriately deal with any fraud relating to the Corporation.

Yours sincerely

A. Vickers

Mr Andrew Vickers
Chairman

CONTENTS

INTRODUCTION

Established by the Coal Mining Industry (Long Service Leave) Administration Act 1992 (the Administration 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 history of the Fund is of interest to many, representing significant value to those who have worked, or continue to work, in the Australian Black Coal Mining Industry (CMI). Established as a portable Long Service Leave Scheme for the Australian Black Coal Mining Industry in 1949, the scheme was administered by Federal and State Governments until 1992, when it was established as a statutory authority of the Australian Government.

The Coal Mining Industry (Long Service Leave) Payroll Levy 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 mining 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.

ABOUT THE CORPORATION

The Corporation is a corporate Commonwealth entity established by the Administration 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 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 six (6) meetings and one (1) strategy session (5/6 May 2016) 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 detailed in the table below:

NAME OF DIRECTOR	NOMINATED BY	TERM OF APPOINTMENT		MEETING ATTENDANCE						
				2015			2016			
		FROM	TO	11 Aug	6 Oct	16 Dec	23 Feb	12 Apr	5/6 May	21 Jun
Mr Arthur Weston (Chair**)	Employers*	01 Mar 2012	28 Feb 2016	✓	✓	✓	✓	–	–	–
Mr Martin Aicken (Deputy Chair***)	Employers*	30 Jul 2015	29 Jul 2019	✓	✓	✓	✓	✓	✓ / ✓	✓
Mr Bradley Neven	Employers*	14 Apr 2015	13 Apr 2019	✓	✓	✓	✓	✓	✓ / ✓	✓
Mr Mark Klasen	Employers*	16 Mar 2016	15 Mar 2020	–	–	–	–	✓	✓ / ✓	✓
Mr Glenn Hall	Employees^	30 May 2013	29 May 2017	✓	✓	✓	✓	✓	✓ / ✓	✓
Mr Andrew Vickers (Chair^^)	Employees^	26 Jul 2013	25 Jul 2017	✓	✓	✓	✓	✓	✓ / –	✓
Mr Lee Webb	Employees^	14 Dec 2015	13 Dec 2019	–	–	–	✓	✓	✓ / ✓	✓

* Nominated by employers in the Black Coal Mining Industry
^ Nominated by employees in the Black Coal Mining Industry
** Mr Weston retired on 28 February 2016
*** Mr Aicken was Deputy Chair from 1 March 2016
^^ Mr Vickers was Deputy Chair from 1 July 2015 to 28 February 2016, and Chair from 1 March 2016

BOARD AND SUB-COMMITTEES

The Board has specific measures and procedures in place to identify, monitor and manage risks related to: Corporation governance; the potential for fraud and theft; changes to the legislative or political environment; the investment strategy; the financial position; and outsourcing arrangements.

The Corporation and its contracted service providers are required to comply with relevant policies, including its policies in relation to risk and fraud control.

The Board maintains a high level of corporate governance through sub-committees, as follows:

AUDIT RISK AND COMPLIANCE COMMITTEE (ARCC)

The ARCC meets bi-monthly and its' 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 to oversee governance issues for the Corporation.

INVESTMENT COMMITTEE (IC)

The IC meets bi-monthly and its' key objectives include: to provide assistance to the Board in the discharge of its responsibility to exercise due care and skill in relation to formulating and giving effect to an investment strategy; to oversee the performance of investment managers, asset consultants and master custodian; and to provide an additional forum for communication on issues relating to investment management and performance.

TRANSITIONAL SERVICE REVIEW COMMITTEE (TSRC)

The TSRC meets regularly, and provides a forum for Directors to consider and evaluate applications for recognition of service and calculation of long service leave entitlement under the Transitional Provisions of the Amendment Act. The TSRC may seek legal guidance from the Corporation's legal advisors in relation to the interpretation of the legislation.

ORGANISATIONAL REVIEW COMMITTEE (ORC)

The ORC meets regularly, and is a committee that provides Directors with a forum to consider, review and evaluate organisational structure and utilisation of outsourced service providers in the delivery of an effective, efficient, ethical and economical service delivery model.

As part of the Corporation's 2016 annual internal audit plan, the conduct and performance of the Board of Directors and Independent Committee members were reviewed against the Corporation Board Charter. A primary objective for the Corporation's Board Sub-Committees is to support the efficiency of the Board, by delegating tasks allowing more time for issues to be discussed in sufficient depth.

In complying with Government's direction, the Board has appointed independent members to the ARCC, IC, TSRC and ORC.

ORGANISATIONAL STRUCTURE

The Corporation has progressed its business model during the reporting period. Since 2015, the organisation has evolved from an administrative services entity to a multi-faceted, pro-active business prioritising client service and stakeholder relations. It was evident there were limitations between what the historic structure (outsourced arrangements with the Corporation's service providers) could provide and what needed to be delivered.

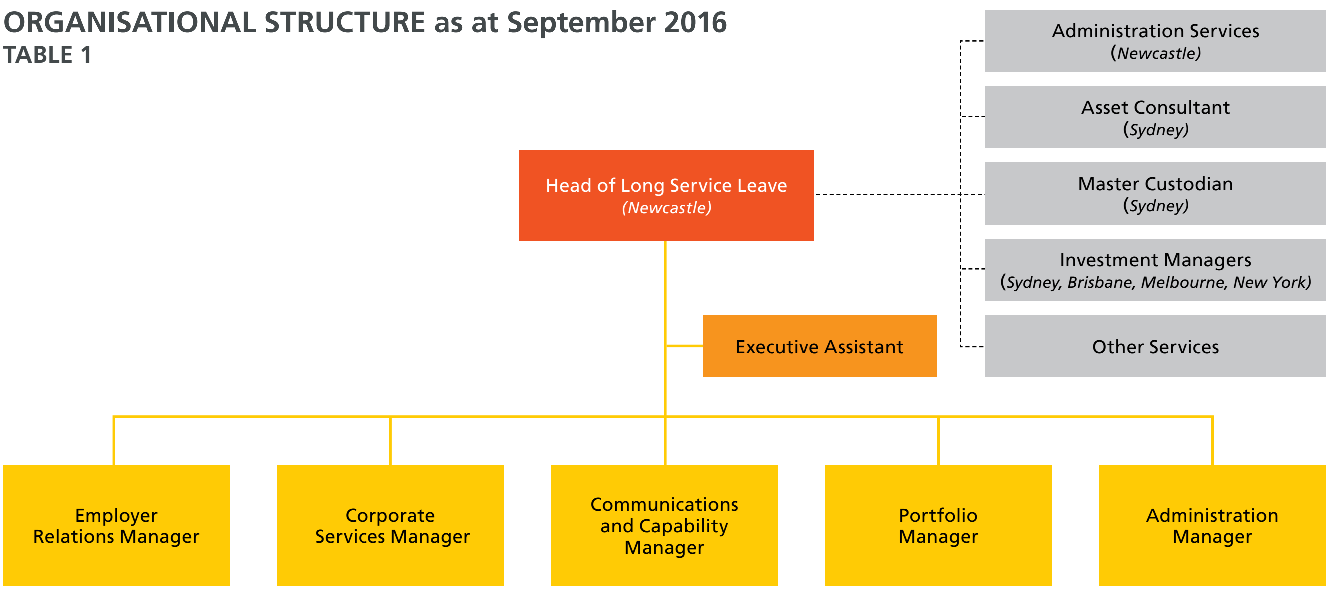
The new context in which the Corporation must operate includes: an increased funds-under-management load; evolved governance requirements; a commitment to proactive compliance enforcement; streamlined, secure online self-services; and improved client and stakeholder engagement.

The Corporation's response has been to work with the administration service provider to build capacity and capability through an enhanced resource of senior executives. These executive resources are guided by the Board and work in conjunction with all of the outsourced service providers in the delivery of the Corporations strategic priorities.

The organisational structure and relationships with outsourced service providers is shown in Table 1.

For the reporting period, Mine Wealth and Wellbeing Services Pty Ltd acted as the administration service provider. The current administration contract expires in June 2017.

ORGANISATIONAL STRUCTURE as at September 2016
TABLE 1



PURPOSE

MISSION

To facilitate the payment of long service leave entitlements to persons employed in the Australian black coal mining industry.

ROLE

The Coal Mining Industry (Long Service Leave Funding) Corporation (the Corporation) is a statutory authority established under the Coal Mining Industry (Long Service Leave) Administration Act 1992. It operates in a complex operational environment; regulated by the Australian Government; commercially focused; and inter-dependent on the Australian Black Coal Mining Industry.

Its role is to:

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

The Corporation strives to operate in the most efficient and cost-effective manner. Working with its stakeholders, including industry employers, eligible employees, employer and employee organisations, the Minister of Employment, the Government and service providers, the Corporation is continually pursuing excellence to build capacity and create optimum efficiency and effectiveness of the Long Service Leave Fund (the Fund).

OBJECTIVES

PRIMARY OBJECTIVES

The Corporation ensure that the following primary objectives are undertaken in compliance with the Administration Act, Public Governance, Performance and Accountability Act (PGPA Act), finance laws and associated legislation:

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

b) ensure that a proper record of individual entitlement is kept;

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

d) 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.

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 these liabilities as and when they fall due. An actuarial review was completed as at 30 June 2014.

INVESTMENT OBJECTIVES

The investment policy 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.

The Corporation has the following three objectives:

1) The broad investment objective of the Corporation is to maximise 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 3% per annum over rolling eight 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 – Willis Towers Watson.

INVESTMENT OBJECTIVES (CONT)

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

MANAGER	TYPE (ASSET CLASS) OF INVESTMENT
AMP Capital	Unlisted Property
AMP Capital	Global Listed Property
Artisan	Overseas (Ex. Aust.) Emerging Market Equities
Bridgewater	Risk Parity
Brigade	Multi-Strategy Alternative Credit
Hyperion	Australian Equities
J P Morgan Cash Account	Cash
K2 Advisors	Hedge Fund
Lazard Australia	Australian Equities
Macquarie Funds Group	Australian Equities
MFS	Overseas (Ex. Aust.) Emerging Market Equities
Palisade	Unlisted Infrastructure
PIMCO	Overseas (Ex. Aust.) Bonds
QIC	Australian Inflation Linked Bonds
QIC	Australian Fixed Interest
Schroders	Overseas (Ex. Aust.) Bonds
State Street Global Advisors	Overseas (Ex. Aust.) Equities
Stone Harbor	Emerging Markets
Vanguard Asset Management	Overseas (Ex. Aust.) Equities

The following returns have been achieved in the last five (5) years (ending 30 June)				
2016	**2015**	**2014**	**2013**	**2012**
3.40%	7.28%	13.13%	14.81%	4.35%

STATEMENT OF NON-COMPLIANCE WITH SIGNIFICANT FINANCE LAWS

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.

The Corporation is aware of its compliance obligations with finance laws and undertakes a range of compliance activities to maintain ongoing compliance and assurance.

The Board of Directors promotes the proper use and management of public resources by regularly reviewing, approving and monitoring expenditure of the Corporation. A Board Charter outlines the director's responsibilities to: act with care and diligence; honestly, in good faith and for a proper purpose; not improperly use their position to gain an advantage or cause detriment to themselves or another person; disclose any material conflicts of interest that relates to the affairs of the Corporation; and maintain confidentiality of information in the course of discharging their duties.

The Corporation's governance and policy framework sets the standards of expected good governance practices through a schedule of proposed development and ongoing review of a comprehensive suite of policies. This includes the Outsourcing policy, which outlines the Corporations requirements when selecting, engaging, assessing performance and monitoring outsourced service providers. All outsourced service providers to the Corporation are expected to be familiar with Corporation policies, and to report any matters of non-compliance to the Corporation.

A risk management framework ensures the risks of the Corporation are identified, assessed, evaluated and reported.

The Corporation has a 'top-down' positive risk culture, encouraging a culture of identification, investigation, mitigation and learning, in order to develop real risk maturity and an organisation-wide positive approach to risk management. Strategic objectives of the Corporation, including the investment strategy, are aligned to the Corporation's risk appetite. These objectives are clearly articulated in the annual Corporate Plan, which also communicates associated performance measures.

The Corporation has a robust internal control framework, which includes system controls, peer reviews, incident reporting mechanisms, and the assurances and actions associated with annual audit processes. Reporting mechanisms ensure any significant activities or issues are reported to the responsible Minister in a timely manner.

ANNUAL PERFORMANCE STATEMENTS

INTRODUCTORY STATEMENT

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 2015-16 financial year and accurately presents the Coal Mining Industry (Long Service Leave Funding) Corporation's performance in accordance with s39(2) of the PGPA Act.

PART A
PURPOSE 1

Ensure funds provided by employers by way of levy are sufficient to finance the cost of reimbursements of long service leave.

RESULTS

PERFORMANCE CRITERION 1

All levies collected by the Corporation are remitted to the Consolidated Revenue Fund by the first business day of the month following receipt of the levy.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.2)

RESULTS AGAINST PERFORMANCE CRITERION

The Consolidated Revenue process ensures all levies collected by the Corporation are remitted to the Commonwealth Government Consolidation Revenue Fund by the first business day of the month following the receipt of the levy. Monthly reporting requirements ensures this process is completed in a timely manner.

The efficiency of this process facilitates the timely reimbursement process to eligible employees.

PERFORMANCE CRITERION 2

Employer audit reports are required to be submitted annually. Where audit reports are not submitted, the Corporation takes steps to notify the relevant employer and requires the audit report to be provided, and where appropriate, will consider seeking penalties.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.2)

RESULTS AGAINST PERFORMANCE CRITERION

Internal auditing sampling identified that 65% of audit reports were received within the stipulated timeframe from employers. Employers have 6 months from their financial year end to submit their independent audit reports as stipulated in the Payroll Levy Collection Act.

The Corporation sends out reminders to employers two months prior to their financial year-end, with another reminder at three months after their financial year end. If the Corporation does not receive the employers audit report by the due date (i.e. six months after their financial year end), monthly reminder letters are sent thereafter. Where appropriate, the Corporation will implement penalties against employers who fail to lodge audit reports in the given timeframe.

Obtaining audit reports from employers in a timely manner underpins the Corporation's process of ensuring all levy payments made by the employer reconcile against levy payments accounted for in the employer's financial statements. If levy payments do not reconcile, the employer is given the opportunity to resubmit the audit report or provide an explanation for the discrepancy. This enables the Corporation to achieve its purpose of ensuring that all employers have provided the accurate amounts of levy payments.

ANALYSIS OF PERFORMANCE AGAINST PURPOSE

The Corporation is committed to ensuring that the current levy rate is sufficient to fund current and future long service leave liabilities. The Corporation seeks advice from an independent actuary to ensure the levy is sufficient to meet the estimated liability for current and future reimbursement payments to employers, and to ensure alignment with the Corporation's investment strategies. Actuarial analysis indicates that the Fund is in surplus and there will be a review of the levy rate of 2.7% in the coming 12 months.

The Corporation currently performs a range of other related activities to support fund sufficiency, including:

- providing actuarial information to the Minister;
- effectively managing the collection and payment of levies in accordance with agreed Service Level Agreements (SLA);
- maintaining accurate records of levies paid by employers;
- maintaining an audit register of employers; and
- promptly remitting levies paid by employers to the Consolidated Revenue Fund.

Overall, the Corporation is confident that it has robust processes in place to ensure appropriate levy payments are made for eligible employees by employers. The Corporation has recently appointed an Employer Relations Manager who will continue to work with employers to ensure they are aware of and comply with their legislative requirements in relation to the payment of the levy for eligible employees.

PART B
PURPOSE 1

Ensure the investment of those funds are sufficient to finance the cost of reimbursements of long service leave.

RESULTS

PERFORMANCE CRITERION 1

The net return from investment for the rolling five year period ended 30 June exceeded inflation by at least 4%.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.5)

RESULTS AGAINST PERFORMANCE CRITERION

The net return from investment of the total fund for the rolling five year period ending 30 June 2016 was 8.50%. This resulted in the Fund exceeding a net investment return for the five year rolling period of CPI + 4%. The fund outperformed its targeted net investment return by 2.57%.

This investment return supports the Corporations strategy and purpose to ensure the levy provided by employers and the investment of those funds are sufficient to finance the cost of reimbursements of LSL entitlements.

PERFORMANCE CRITERION 2

The Custodian provides monthly reports to the Corporation detailing the financial performance of the Corporation's investment portfolio and adherence to governance and compliance regulation.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.5)

RESULTS AGAINST PERFORMANCE CRITERION

In the 2015-16 financial year, the Investment Committee and Board received and reviewed all monthly reports from the Custodian detailing the financial performance of the Corporation's investment portfolio and adherence to governance and compliance regulation. The Custodian also provided the Corporation with an annual attestation in relation to compliance with required regulations.

This reporting provides the Board with oversight on the Corporations investment portfolio and its performance which supports and facilitates the Corporations purpose of being able to ensure there are sufficient funds to finance the cost of reimbursements of LSL entitlements.

PERFORMANCE CRITERION 3

The Asset Consultants provides all monthly reports to the Corporation including the financial performance of the investment portfolio and monitoring and rating of the individual investment managers.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.5)

RESULTS AGAINST PERFORMANCE CRITERION

In the 2015-16 financial year, the Investment Committee and Board received and reviewed all monthly reports from the Asset Consultant detailing the financial performance of the investment portfolio and monitoring and assessing the performance of the individual investment managers. The Corporation receives assurance from the Asset Consultant that all investment managers comply with investment strategy as outlined in the Corporation's Statement of Investment Policy (SIOP).

This reporting provides the Board with oversight on the Corporations investment portfolio and its performance which supports and facilitates the Corporations purpose of being able to ensure there are sufficient funds to finance the cost of reimbursements of LSL entitlements.

ANALYSIS OF PERFORMANCE AGAINST PURPOSE

The Corporation is aware of the current challenges facing the Coal Mining Industry and is committed to implementing prudent investment strategies to ensure that the current investment strategy will be sufficient to fund current and future long service leave liabilities. The Corporation's Investment Committee and Asset Consultant play an important role in providing oversight of investment strategies and asset allocations and makes investment recommendation to the Board. The Board also reviews the investment strategy annually to reflect fundamental changes in the investment environment and changes to the Corporation's investment policy.

In December 2015, as a result of an anticipated, continuing low investment return environment, the Corporation revised its long-term investment objective by 1% downward from CPI+4% for a five year rolling period to a CPI+3% for an eight year rolling period. This revision was recommended by the Investment Committee and approved by the Board in December 2015.

The Corporation currently performs a range of activities to ensure the investment of funds are sufficient to finance the cost of reimbursements of current and future LSL entitlements, including;

- sourcing external strategic investment advice from the independent chair of the Investment Committee and Asset Consultant;
- providing advice of any significant changes to the investment strategy to the Minister;
- prudent investment strategies detailed in the Corporation's investment plan; and
- ongoing engagement and performance monitoring of professional investment managers and the Asset Consultant to ensure investments are undertaken within the constraints of the investment plan.

Overall, the Corporation is confident that it has robust processes in place to closely monitor the fund's investment strategy and performance relative to current market conditions and applicable legislation to ensure that funds are invested appropriately within the approved risk profile, and that those funds can meet current and future LSL entitlement payments.

PURPOSE 2

Ensure proper records of levy payments, qualifying service of employees and reimbursements are kept.

RESULTS

PERFORMANCE CRITERION 1

More than 90% of monthly returns from employers are processed within 10 working days of receipt.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.1)

RESULTS AGAINST PERFORMANCE CRITERION

Internal audit sampling identified that the Corporation has achieved a 70% success rate in ensuring monthly returns from employers are processed within 10 working days of receipt.

Incomplete monthly returns provided by employers can cause delays to processing monthly levy returns.

The Corporation recognises the importance of timely and efficient processing of monthly returns in achieving the Corporations purpose of maintaining accurate and up-to-date records of employees Long Service Leave (LSL) entitlements and is constantly striving to improve its processes.

PERFORMANCE CRITERION 2

More than 90% of monies banked are allocated to notional accounts on the day following the appropriation of funds received by the Government.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.1)

RESULTS AGAINST PERFORMANCE CRITERION

The Corporation has achieved its performance criteria of ensuring more than 90% of monies are allocated to notional accounts on the day following the appropriation of funds received by the Government. This has been achieved by implementing efficient business processes, and relies on the completeness and accuracy of the information provided by employers on the levy payment advice form.

Timely allocation to notional accounts ensures that the employees account balance and LSL entitlements are accurate and current, which enables the Corporation to achieve its purpose of ensuring proper records are maintained.

PERFORMANCE CRITERION 3

More than 95% of administrative employer and employee telephone and email enquiries are responded to within 24 hours.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.3)

RESULTS AGAINST PERFORMANCE CRITERION

The service standard for responding to telephone enquiries is 24 hours and email enquiries is five working days. In the 2015-16 financial year, the Corporation responded to more than 21,000 telephone calls and 5000 emails. Monthly reporting also ensures that the Corporation is meeting their service standards. The majority of enquiries relate to employee’s long service leave (LSL) entitlements, when entitlements will vest and whether employers are paying the levy.

These enquiries:

- ensure an employee's details are accurate and up-to-date as an enquiry usually prompts an LSL entitlement confirmation process for the employee;
- assist in the identification of any inaccuracies with client records;
- ensure accurate service histories are maintained by the Corporation; and
- update personal information details of clients.

Overall, these enquiries facilitate the Corporation's purpose of ensuring accurate records and service histories of employee's are maintained by the Corporation.

PERFORMANCE CRITERION 4

The website is being utilised, as measured by the number of hits to the website.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.3)

RESULTS AGAINST PERFORMANCE CRITERION

During the 2015-16 financial year, the Corporation's website received 40,000 visits with approximately 94,000 pages viewed. The three most visited resources on the website were the Employee Forms, Notice to Employees and Employee FAQ's accounting for approximately 24,500 page visits.

The Corporation's website usage is a good indicator that the information provided on the website is beneficial to clients of the Corporation. The website aims to guide clients on the requirements of the Corporation to enable the capture of up-to-date, accurate and complete information, thus promoting the purpose of the Corporation in maintaining accurate records.

Accurate records assist the Corporation in processing the monthly levy returns in a more efficient manner. If the information contained on levy returns are accurate and complete, the Corporation does not have to seek further information from the employers, thus supporting the Corporation's purpose of maintaining timely and accurate records of employee's qualifying service.

ANALYSIS OF PERFORMANCE AGAINST PURPOSE

While the Corporation is committed to achieving its purpose of ensuring accurate records of levy payments, qualifying service of employees and reimbursements are maintained for the Coal Mining Industry employees, it is always striving to further improve its current systems and processes. As part of this ongoing effort, the Corporation is currently engaged in the development a new administrative platform that will further enhance the Corporations capabilities in maintaining complete and accurate records. The Corporation regularly reviews its Service Level Agreement (SLA) with the Administrator to ensure better alignment between the Corporation's purpose and service commitments including record management expectations.

Current activities provide assurance that ensure records are accurately recorded, maintained, updated, and reviewed, including:

- timely, proactive resolution of incorrect monthly returns;
- the maintenance of a central register of employee and employer data;
- client engagement, including training and workshops;
- providing clients with relevant and detailed information on its website;
- good record management practices;
- investment in a new phone system in January 2016 which ensures better service delivery in line with SLA's and improved reporting capabilities;
- robust internal processes e.g. peer reviews; and
- annual assurance by internal audit.

PURPOSE 3

Ensure employers are properly reimbursed for payments of long service leave.

RESULTS

PERFORMANCE CRITERION 1

All reimbursement payments are made to the employer within five working days of a complete application from the employer.

CRITERION SOURCE

2015-16 Corporate Plan (section 4.4)

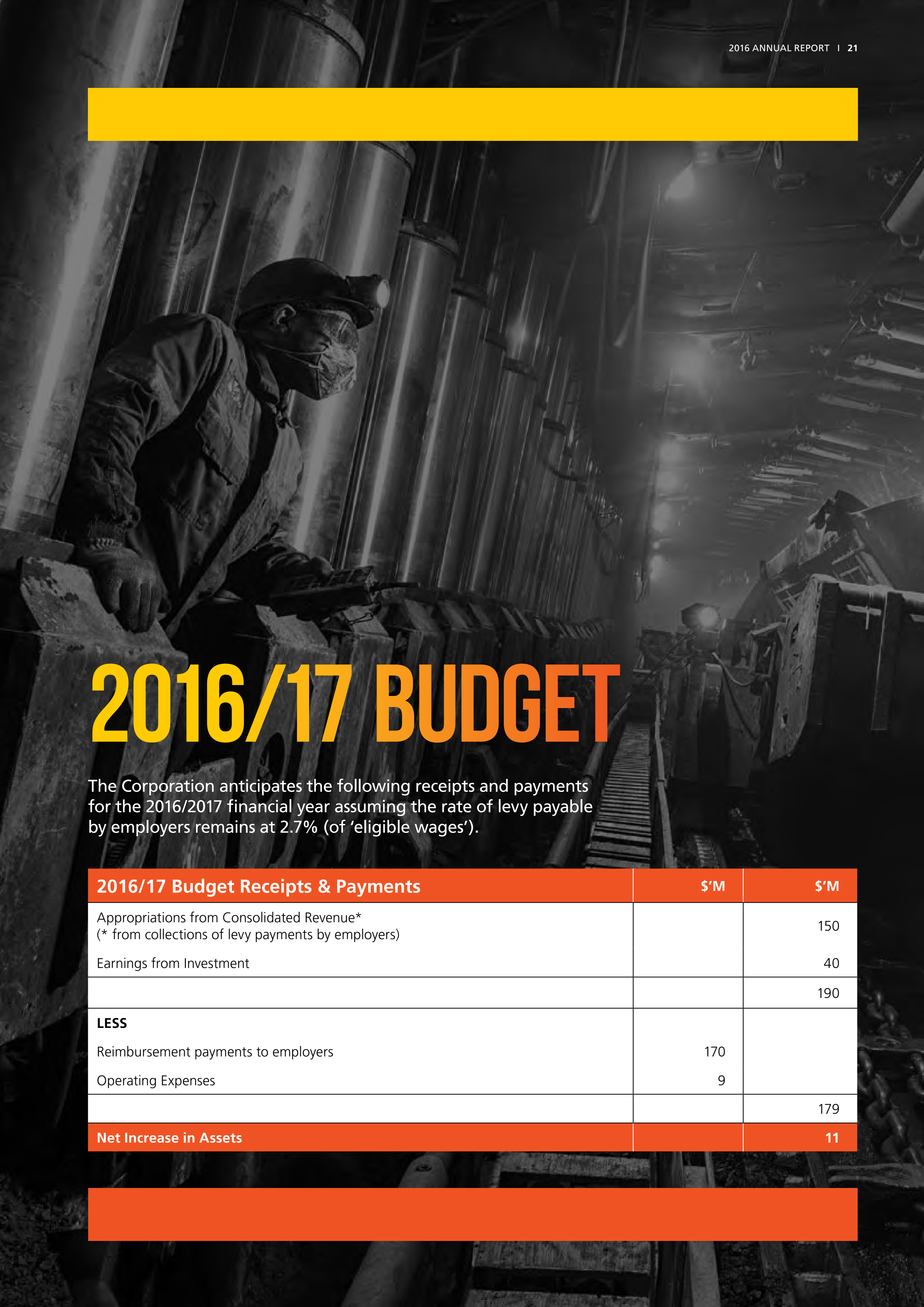
RESULTS AGAINST PERFORMANCE CRITERION

Internal Audit sampling identified that 95% of employers were reimbursed for payments of long service leave for their employees within five working days of receiving a completed application from the employer in accordance with the Corporation's Employer Reimbursement Rules and the Service Level Agreement.

There is a non-processing period of five working days after month-end (unit price upload) during which reimbursements cannot be paid. This impacts the Corporations ability to meet the established service deliverable timeframe. In such circumstances, payments are made on the sixth working day based on a 'first in first out' basis of employer applications received.

ANALYSIS OF PERFORMANCE AGAINST PURPOSE

The Corporation is confident it has robust process in place to ensure its purpose of providing prompt reimbursements for LSL entitlements is achieved. The development of the new administrative platform will further enhance the efficiency of business processes and ensure prompt reimbursement to employers are maintained.



2016/17 BUDGET

The Corporation anticipates the following receipts and payments for the 2016/2017 financial year assuming the rate of levy payable by employers remains at 2.7% (of 'eligible wages').

2016/17 Budget Receipts & Payments	$'M	$'M
Appropriations from Consolidated Revenue* (* from collections of levy payments by employers)		150
Earnings from Investment		40
		190
LESS		
Reimbursement payments to employers	170	
Operating Expenses	9	
		179
Net Increase in Assets		**11**

FINANCIAL STATEMENTS

STATEMENT BY DIRECTORS AND HEAD OF LONG SERVICE LEAVE

In our opinion, the attached financial statements for the year ended 30 June 2016 of the Coal Mining Industry (Long Service Leave Funding) Corporation (the "Corporation") 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 the Corporation will be able to pay its debts as and when they fall due.

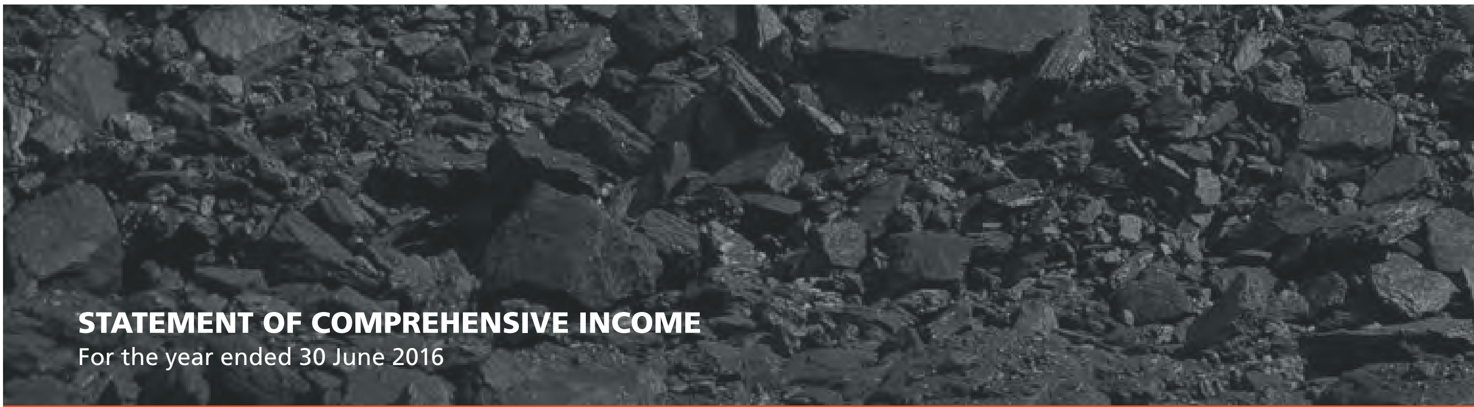
This Statement is made in accordance with a resolution of the Directors.

Andrew Vickers
Chairman

Martin Aicken
Deputy Chairman

Darlene Perks
Head of Long Service Leave

11 October 2016



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
EXPENSES			
Investment Expenses	1.2(a)	**6,644**	13
Professional Services	1.2(b)	**2,707**	2,296
Directors' Remuneration and Expenses	1.2(c)	**171**	164
Administration Expenses	1.2(d)	**4,637**	3,558
Other Expenses		**299**	210
Increase in Provision for Reimbursements	4	**172,904**	172,129
Total Expenses		**187,362**	178,370
OWN-SOURCE REVENUE			
Investment Revenue	1.1(b)	**56,632**	98,944
Total Own-Source Revenue		**56,632**	98,944
Net (Cost of) Services		**(130,730)**	(79,426)
Revenues from Government		**146,970**	158,607
Surplus on Continuing Operations		**16,240**	79,181
Other Comprehensive Income		**-**	-
Total Comprehensive Income		**16,240**	79,181

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Financial Assets			
Cash and Cash Equivalents	3	**41,907**	39,691
Equity Investments	2,8	**68,886**	86,831
Unit Trusts	2,8	**1,355,622**	1,317,242
Trade and Other Receivables	2.3	**2,379**	2,014
Total financial assets		**1,468,794**	1,445,778
Total assets		**1,468,794**	1,445,778
LIABILITIES			
Trade payables		**336**	245
Other payables		**76**	215
Provisions	4,6	**1,227,485**	1,220,661
Total liabilities		**1,227,897**	1,221,121
Net assets		**240,897**	224,657
EQUITY			
Retained Surplus		**240,897**	224,657
Total Equity		**240,897**	224,657

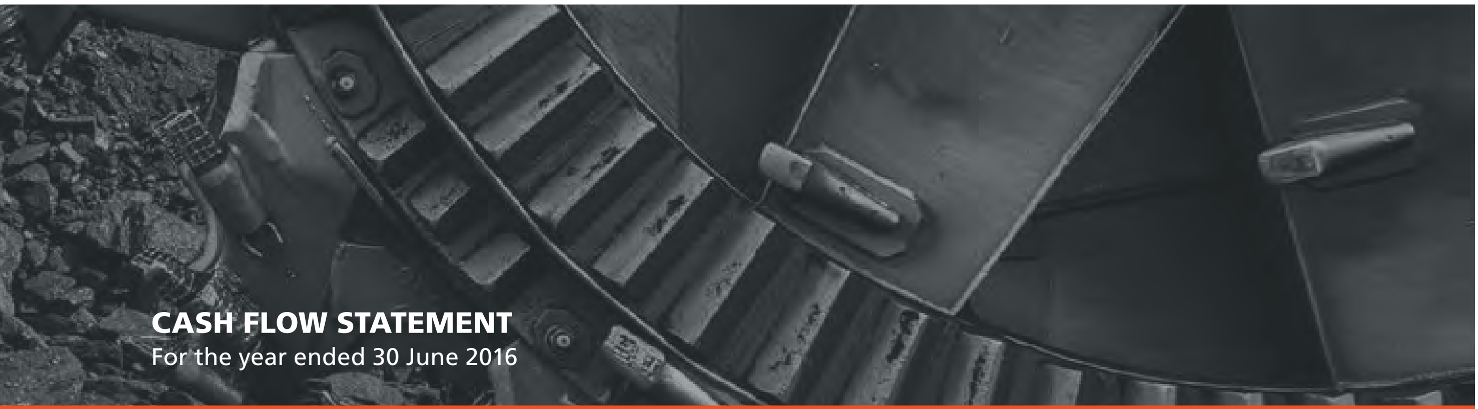
The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Balance at the beginning of the financial year		**224,657**	145,477
Net surplus for the year		**16,240**	79,181
Other Comprehensive Income for the year		**-**	-
Total Comprehensive Income for the year		**240,897**	224,657
Closing Balance as at 30 June		**240,897**	224,657

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



CASH FLOW STATEMENT
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
OPERATING ACTIVITIES			
Cash Received			
Investment Income		37,400	56,435
Receipts from Government		146,970	158,607
Net GST Received		590	556
		184,960	215,598
Cash Used			
Reimbursements to Employers		166,080	162,124
Administration Expenses		5,153	3,558
Investment Expenses		93	1,850
Other Expenses		3,207	1,617
		174,533	169,149
Net Cash Flow from/(used by) Operating Activities	3	10,427	46,449
INVESTING ACTIVITIES			
Cash Received			
Sale of Investments		280,792	125,368
		280,792	125,368
Cash Used			
Purchase of Investments		(289,003)	(178,719)
		(289,003)	(178,719)
Net Cash Flow from/(used by) Investing Activities		(8,211)	(53,351)
Net Increase/(Decrease) in Cash Held		2,216	(6,902)
Cash at the beginning of the reporting period		39,691	46,593
Cash at the End of the Reporting Period	3	41,907	39,691

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

OVERVIEW

OBJECTIVES OF THE CORPORATION

The Corporation is an Australian Government controlled entity. It is a not-for-profit entity. The sole activity of the Corporation is the receipt of appropriations from the Australian Government from levies paid by employers and the reimbursement to employers for long service leave payments made to eligible employees employed in the Australian Black Coal Mining Industry. The Corporation is responsible for the collection and remittance of levies to Consolidated Revenue on behalf of the Australian Government.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The continued existence of the Corporation in its present form is dependent on Government policy and on continuing appropriations by Parliament for the Corporation's administration.

The financial statements have been prepared in accordance with:

a) Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FFR) for reporting periods ending on or after 1 July 2015; and,

b) 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 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

Adoption of new 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, the following standard has been assessed however it is not expected to have a significant impact on the financial statements:

AASB 9 Financial Instruments effective for reporting periods on or after 1st January 2018.

FUNDING

During the period 1 July 2015 until 30 June 2016 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 2014 until 30 June 2015: 2.7%).

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.

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.

GOING CONCERN

The Corporation is legally separate from the Commonwealth and is ultimately responsible for all its own debts.

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.

EVENTS AFTER THE REPORTING PERIOD

There have been no specific events subsequent to 30 June 2016 that had the potential to significantly affect the ongoing structure and financial activities of the entity which would impact on the financial position as at 30 June 2016 or the results of the Corporation for the year ended on that date.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPREHENSIVE INCOME

1.1 OWN-SOURCE REVENUE	2016 $'000	2015 $'000
(a) Revenues from Government		
Revenue from Government		
– Levy collections from employers	**146,970**	158,607
Total Revenue from Government	**146,970**	158,607

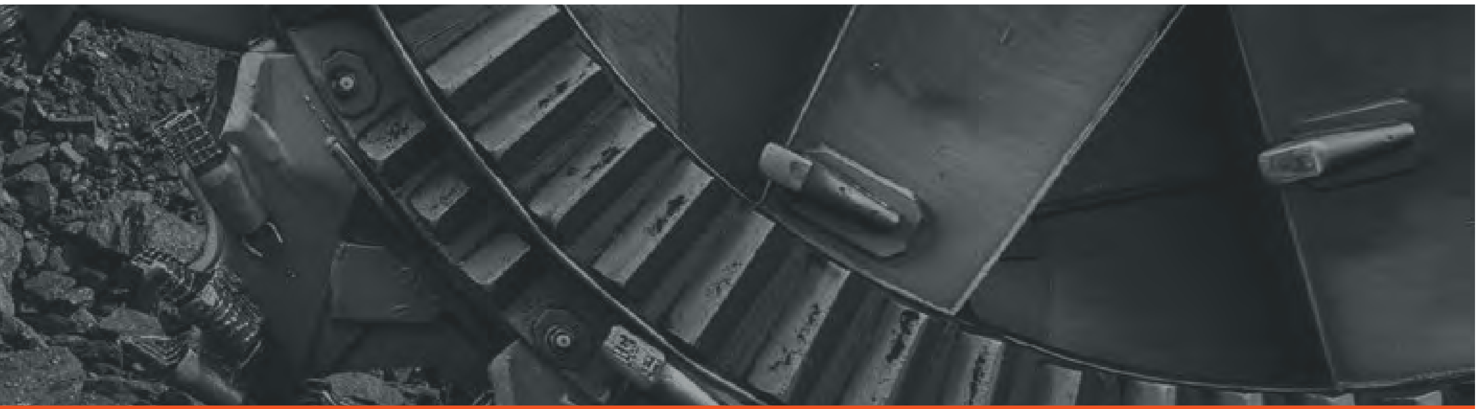
Accounting Policy

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. The levy is transferred to 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 the Corporation as it is not controlled by the Corporation until this appropriation occurs. At 30 June 2016 the balance in this levy account was $11,963,055 (2015: $13,131,571) and this amount was remitted on 1 July 2016 to Consolidated Revenue.

	2016 $'000	2015 $'000
(b) Investment Revenue		
Dividends	**2,311**	2,987
Unit Trust Distributions	**33,392**	52,393
Deposit Interest	**987**	1,134
Investment manager fee rebates	**1,074**	909
Investment revenue arising from changes in fair value (investments held at reporting date)	**15,550**	41,070
Net realised gains on sale of investments	**3,318**	451
Total Investment Revenue	**56,632**	98,944

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 of the instrument. 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 during the financial year.



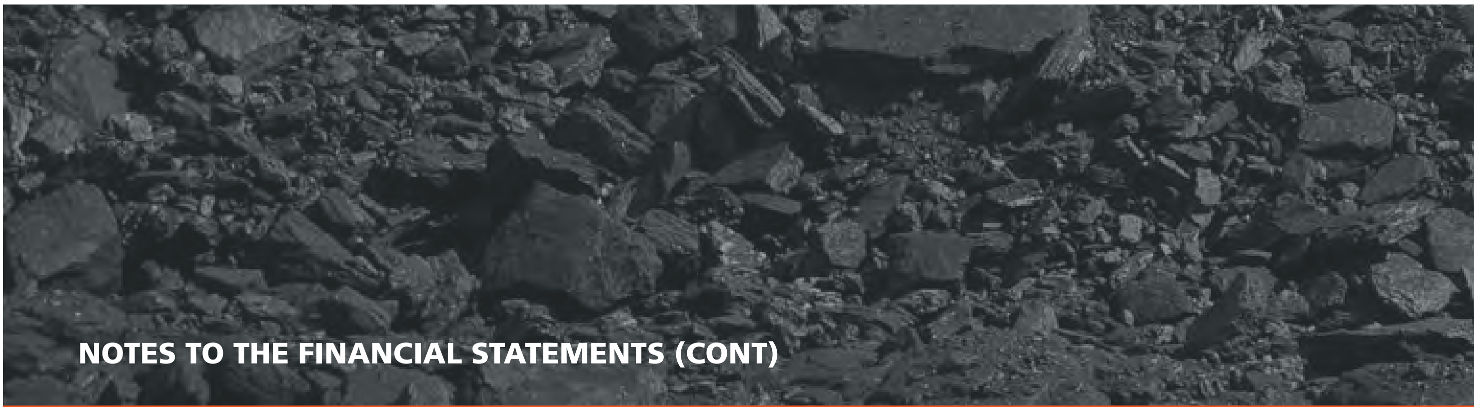
1.2 EXPENSES	2016 $'000	2015 $'000
(a) Investment Expenses		
Net realised losses on sale of investments	6,644	13
Total Investment Expenses	**6,644**	**13**
(b) Professional Services		
Rendering of Services – External Parties	2,707	2,296
Remuneration of Auditors		
Amounts received, or due and receivable by: Australian National Audit Office – audit of the Financial statements for the reporting period.	70	70
Total	**70**	**70**

(c) 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 the Corporation as approved.

	2016 $'0	2015 $'0
Remuneration received or due and receivable by Directors	56,084	63,526
Directors expenses	114,510	100,490
Total	**170,594**	**164,016**

	2016 $'000	2015 $'000
(d) Administration Expenses		
Administration fees	4,637	3,558



NOTES TO THE FINANCIAL STATEMENTS (CONT)

2. FINANCIAL ASSETS AND LIABILITIES

2.1 CASH AND CASH EQUIVALENTS	2016 $'000	2015 $'000
Cash at Bank – CBA	**39,781**	38,024
Deposits at Custodian	**2,126**	1,667
Total cash and cash equivalents shown in Cash Flow Statement	**41,907**	39,691

Accounting Policy

Cash and cash equivalents means 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. Cash and cash equivalents include:

a) cash on hand; and
b) 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

2.2 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	2016 $'000	2015 $'000
(a) Investments		
At the beginning of the year	**1,404,073**	1,309,213
Purchases	**289,003**	178,719
Sales	**(280,792)**	(125,368)
Realised and unrealised gains/(losses)	**12,224**	41,509
At end of year	**1,424,508**	1,404,073

2.2 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT)	2016 $'000	2015 $'000
(b) As at 30 June 2016, a total of $1,424 million (2015: $1,404 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 as follows:		
AMP Capital Wholesale Office Fund	42,671	32,522
AMP Global Listed Property	84,264	75,973
Artisan Emerging Markets	-	46,587
Bridgewater	68,886	67,680
Brigade	50,576	52,314
Hyperion	68,294	86,831
K2 Advisors	69,189	70,534
Lazard	54,266	88,519
Macquarie Funds Management	55,233	87,595
MFS Emerging Markets Equity Trust	40,036	–
Palisade	46,164	18,820
Pimco	70,676	65,186
QIC Fixed Interest	212,030	218,416
QIC Inflation Plus	126,554	126,307
Schroder Global Bond Fund	64,854	59,690
State Street Global Advisors	101,521	105,687
Stone Harbor	55,003	51,384
Vanguard International Shares Hedged	84,471	150,028
Vanguard International Shares Unhedged	129,820	-
	1,424,508	1,404,073
JP Morgan Cash Account	2,126	1,667
Cash held directly by the Corporation	39,781	38,024
	1,466,415	1,443,764

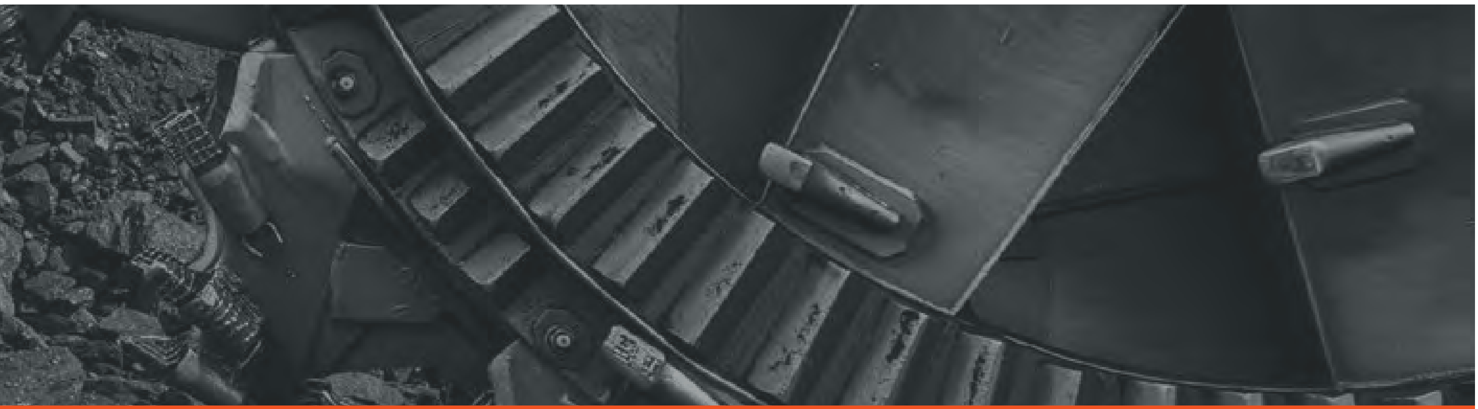
All investments were held on behalf of the Corporation by the Master Custodian, JP Morgan Investor Services Limited. For the year ended 30 June 2016, the gross return on the investment of funds was 3.40% (2015: 7.28%).

NOTES TO THE FINANCIAL STATEMENTS (CONT)

2.2 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT)	2016 $'000	2015 $'000
Sector exposure		
Australian Fixed Interest	**338,584**	344,723
Overseas Fixed Interest	**135,530**	124,876
Australian Equities	**177,793**	262,945
Overseas Equities	**355,848**	302,303
Alternatives	**289,818**	260,731
Property	**126,935**	108,495
Cash and cash equivalents	**41,907**	39,691
	1,466,415	1,443,764

2.3 TRADE AND OTHER RECEIVABLES	2016 $'000	2015 $'000
Accrued income from investments	**2,190**	1,816
Accrued bank interest	**64**	73
GST paid and claimable	**124**	124
Other assets	**1**	1
Total Trade and Other Receivables	**2,379**	2,014

At 30 June 2016 none of the Trade and Other Receivables are overdue or impaired (30 June 2015: none).



ACCOUNTING POLICY

Financial assets at fair value through profit or loss

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

- Have been acquired principally for the purposes of selling in the near future;
- Is part of an identified portfolio of financial instruments that the Corporation 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.

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. Interest is recognised by applying the effective interest rate.

Financial Liabilities

Financial liabilities are recognised and derecognised on trade date.

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

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.

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.

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).

NOTES TO THE FINANCIAL STATEMENTS (CONT)

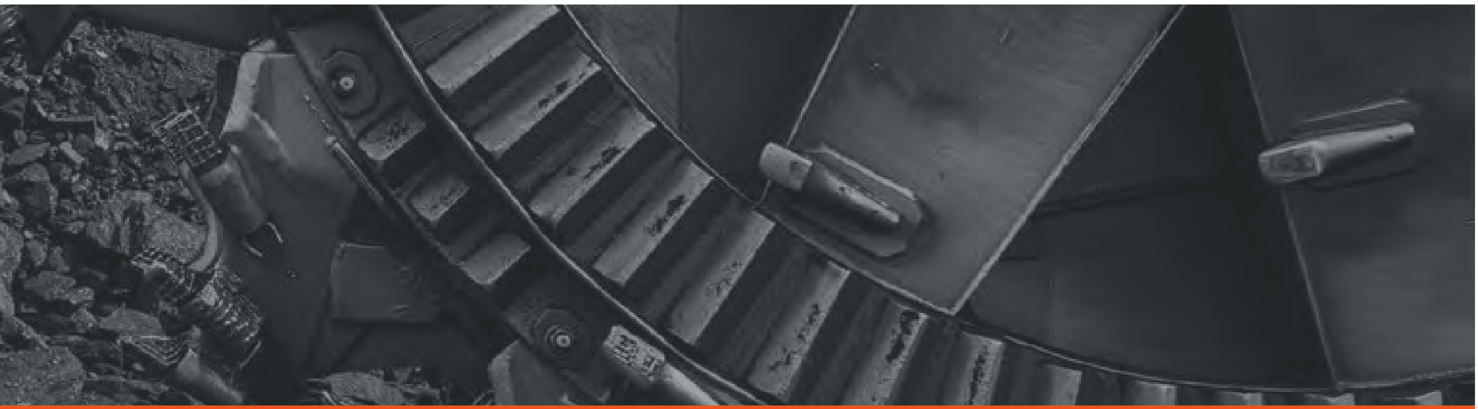
3. CASH FLOW RECONCILIATION

	2016 $'000	2015 $'000
Reconciliation of Cash and Cash equivalents as per Statement of Financial Position and Cash Flow Statement		
Cash and Cash Equivalents as per		
Cash Flow Statement	41,907	39,691
Statement of Financial Position	41,907	39,691
Discrepancy	-	-

	2016 $'000	2015 $'000
Reconciliation of Net (Cost of) Services to the Net Cash from/(used by) Operating Activities		
Net (Cost of) Services	(130,730)	(79,426)
Add Revenue from Government	146,970	158,607
Net investment (gains) / losses	(12,224)	(41,509)
(Increase)/decrease in other current assets	(365)	(1,082)
Increase/(decrease) in supplier payables	(48)	(146)
Net increase/(decrease) in provision for reimbursements	6,824	10,005
Net cash from operating activities	10,427	46,449

4. PROVISIONS

	2016 $'000	2015 $'000
Provision for Reimbursements		
No more than 12 months	918,443	887,475
More than 12 months	309,042	333,186
Total Provision for Reimbursements	1,227,485	1,220,661
Balance at beginning of year	1,220,661	1,210,656
Reimbursements paid to coal mining employers	(166,080)	(162,124)
Increase in Provision for Reimbursements	172,904	172,129
Balance at end of year	1,227,485	1,220,661



The current portion (no more than 12 months) of the provision includes unconditional entitlements where employees have met the eligibility requirements for long service leave. The entire amount has been presented as current however based on past experience the Corporation does not expect that all employees will take the full amount within the next 12 months. Current leave obligations expected to the paid in the next 12 months is $164m (2015: $142m).

The Corporation 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 2016, the salary growth rate assumptions was 2% for long service leave balances with a vesting date of within 3 years and 4% for all other vesting periods (2015: 2.68% and 2.68%). With all other variables held constant a 1% increase in salary growth rates used in the calculation would increase the present value of the provision for reimbursements by $9.1m (2015:$10.8m). A 1% decrease would decrease the present value by $8.9m (2015:$10.5m).

Discount rates

At 30 June 2016, the discount rate utilised was 1.98% for all non-vested categories of long service leave (2015: 2.96%). With all other variables held constant a 1% increase in discount rates used in the calculation would decrease the present value of the provision for reimbursements by $8.8m (2015: $10.3m). A 1% decrease would increase the present value by $9.2m (2015: $10.9m).

Probability factors

At 30 June 2016, the probability factors utilised ranged from 20.61% to 100% depending on the type and category of long service leave (2015: 22.33% to 100%). An increase in the probability factors used in the calculation would increase the present value of the provision for reimbursements. A decrease would decrease the present value.

Accounting Policy

At 30 June 2016 the accrued liability (up to 31 December 2011) was calculated using the total hours of service expected to qualify for long service leave payment and multiplied by the average hourly rate for each full time employee and the average hourly rate for all other employees and brought into the accounts as a provision. From 1 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 'employees' 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 where period of qualifying service is less than eight years. The accrued liability as at 30 June 2016 is estimated to be $1,227 million (2015 – $1,221 million).

The legislation provides that the Corporation 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 2014 the Board of Directors reaffirmed that the levy rate for eligible wages is 2.7%.

Accounting Judgements and Estimates

The provision for reimbursements 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 at least annually, taking into account the most recent available information.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

5. EQUITY POSITION

For the year ended 30 June 2016 there is a surplus in net assets of $240.9m (2015: $224.7m). This surplus is a result of increased revenues over expenses during the year, partly offset by an increase in liabilities due to an increase in the number of eligible employees' and employers' in the Black Coal Mining Industry and, revised estimates of the provision for reimbursements (Note 4).

6. CONTINGENT ASSETS AND LIABILITIES

Unquantifiable contingencies

The Corporation is currently undertaking a Transitional Service Review ("TSR") which was established in line with the changes to the Coal Mining Industry (Long Service Leave) Legislation Amendment Act 2011.

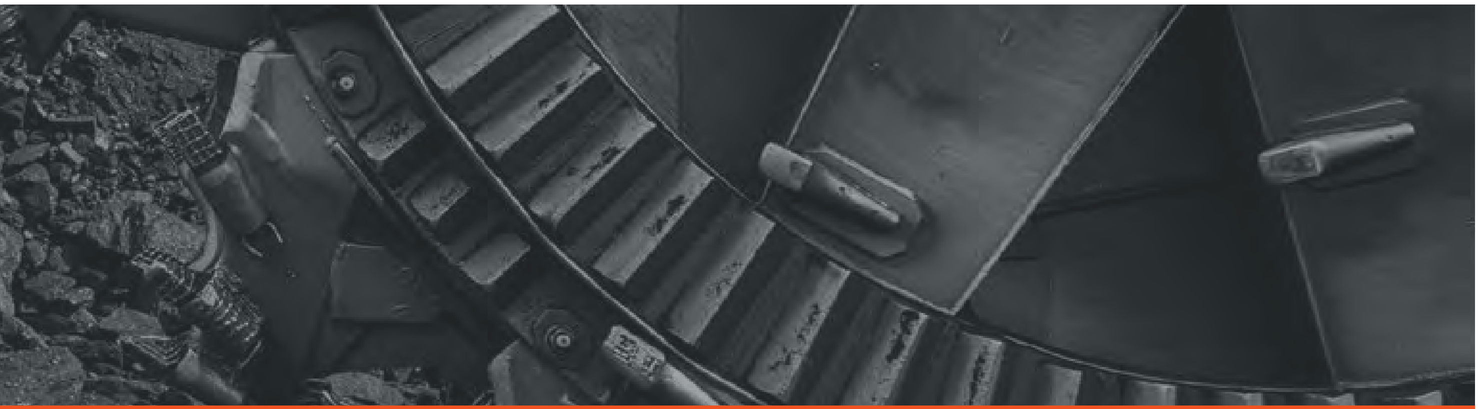
The provision of this Act provides that "Eligible Employees" and "Former Employees" can make application to the Coal Mining Industry (Long Service Leave Funding) Corporation for recognition of period or periods of employment service between 1 January 2000 and 31 December 2011 in the Black Coal Mining Industry that may not be presently recognised and recorded by the Corporation. The Corporation has not raised a liability for unknown claims by employees for recognition of period(s) of employment service between 1 January 2000 and 31 December 2011. At balance date these amounts are unknown and are not reliably measurable.

The Corporation has not recognised levies attributable to those employers of "Eligible Employees" and "Former Employees" that previously did not contribute to the Corporation. At balance date the amounts that would be receivable are not reliably measurable.

The Corporation recognises that there will be a contingent asset arising in respect of the Transitional Service Review applications yet to be funded however was unable to quantify this amount with any reasonable certainty at balance date. The Corporation also recognises that there will be a contingent liability arising in respect of unknown claims by employees for recognition of period(s) of employment service between 1 January 2000 and 31 December 2011. At balance date these amounts are unknown and are not reliably measurable.

Included in the Provision for Reimbursements at 30 June 2016 is a liability of $3.8m (30 June 2015: $9m) which is an estimate of future expected claims from eligible Coal Mining Industry employees as a result of the Transitional Service Review. Recognition of a contingent asset for unallocated levies in arrears was not made because at balance date a reliable estimate could not be determined.

Contingent liabilities and assets are not recognised in the Statement of Financial Position but are reported in the relevant 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. Contingent assets are disclosed when settlement is probable, but not virtually certain and contingent liability are disclosed when settlement is greater than remote.



7. RELATED PARTY DISCLOSURES

The Directors of the Corporation during the year were:

- Mr Arthur Weston – Chairman (Resigned 28 February 2016)
- Mr Andrew Vickers – Chairman (Reappointed 26 July 2013 for a 4 year term)
- Mr Glenn Hall (Appointed 30 May 2013 for a 4 year term)
- Mr Bradley Neven (Appointed 14 April 2015 for a 4 year term)
- Mr Martin Aicken (Appointed 30 July 2015 for a 4 year term)
- Mr Mark Klasen (Appointed 16 March 2016 for a 4 year term)
- Mr Lee Webb (Appointed 15 December 2015 for a 4 year term)

Other than where noted, Directors held their positions for the full year.
There were no transactions with related parties during the year (2015: none).

8. FINANCIAL INSTRUMENTS

a) Statement of Terms, Conditions and Accounting Policies

(i) Financial Assets are recognised when control over the future economic benefits is established and the amount of the benefit can be reliably measured. Investments consist of short term deposits, equities and unit trusts.

Financial Instruments	Accounting Policies	Terms and Conditions
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.
Equity Investments	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.
Trade and Other Receivables	Recognised at face value adjusted for impairment.	Usually settled within 30 days.

(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.

Financial Instruments	Accounting Policies	Terms and Conditions
Payables	Recognised at their nominal amounts as it approximates fair value.	Settlement net 30 days.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

8. FINANCIAL INSTRUMENTS (CONT)

b) Interest Rate Risk	Floating $'000	Fixed Interest $'000	Non-interest bearing $'000	Total $'000
30 Jun 16				
Cash & Cash Equivalents	**41,907**	–	–	**41,907**
Equity Investments	–	–	**68,886**	**68,886**
Unit Trusts	–	–	**1,355,622**	**1,355,622**
Trade and Other Receivables	–	–	**2,379**	**2,379**
Total Financial Assets	**41,907**	–	**1,426,887**	**1,468,794**
Trade and Other Payables	–	–	**412**	**412**
Total Financial Liabilities	–	–	**412**	**412**
30 Jun 15				
Cash & Cash Equivalents	39,691	–	–	39,691
Equity Investments	–	–	86,831	86,831
Unit Trusts	–	–	1,317,242	1,317,242
Trade and Other Receivables	–	–	2,014	2,014
Total Financial Assets	39,691	–	1,406,087	1,445,778
Trade and Other Payables	–	–	460	460
Total Financial Liabilities	–	–	460	460

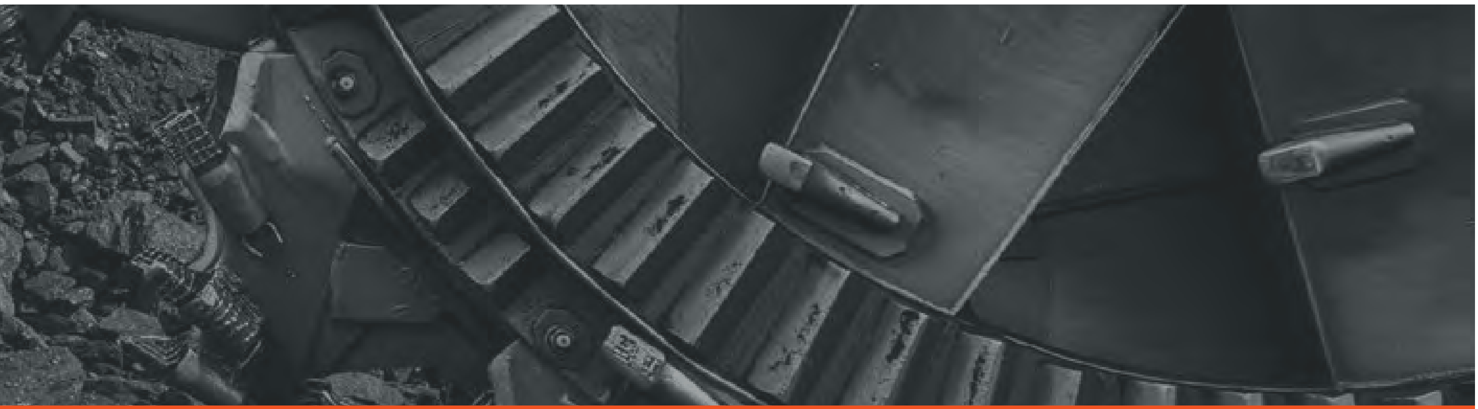
c) Credit Risk Exposures

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 Statement of Financial Position.

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.

The Corporation has counterparty credit procedures in place and the exposure to credit risk is monitored on an ongoing basis in accordance with the Valuation Policy and procedures and the Statement of Investment Objectives and Policy.



8. FINANCIAL INSTRUMENTS (CONT)	Fair Value 2016 $'000	Fair Value 2015 $'000
d) Categories of Financial Instruments		
FINANCIAL ASSETS		
Amortised cost		
Cash and Cash equivalents	**41,907**	39,691
Fair value through profit or loss		
Equity Investments	**68,886**	86,831
Unit Trusts	**1,355,622**	1,317,242
Loans and Receivables		
Trade and Other Receivables	**2,379**	2,014
Total Financial Assets	**1,468,794**	1,445,778
FINANCIAL LIABILITIES		
Amortised cost		
Trade and Other Payables	**412**	460
Total Financial Liabilities	**412**	460
Carrying value of Net Financial Assets	**1,468,382**	1,445,778
Less Provision for Reimbursements	**(1,227,485)**	(1,220,661)
Carrying value of Net Assets per Statement of Financial Position	**240,897**	224,657

NOTES TO THE FINANCIAL STATEMENTS (CONT)

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".

The Corporation's overall market positions are monitored via the investment consultant performance report on a monthly basis and evaluated annually based on rolling three and five year results. There has been no change to the Corporation's exposure to market risks or the manner in which it manages and measures the risk from 2015 to 2016.

(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 2016 the Corporation has no direct exposure to currency risk (2015: None).

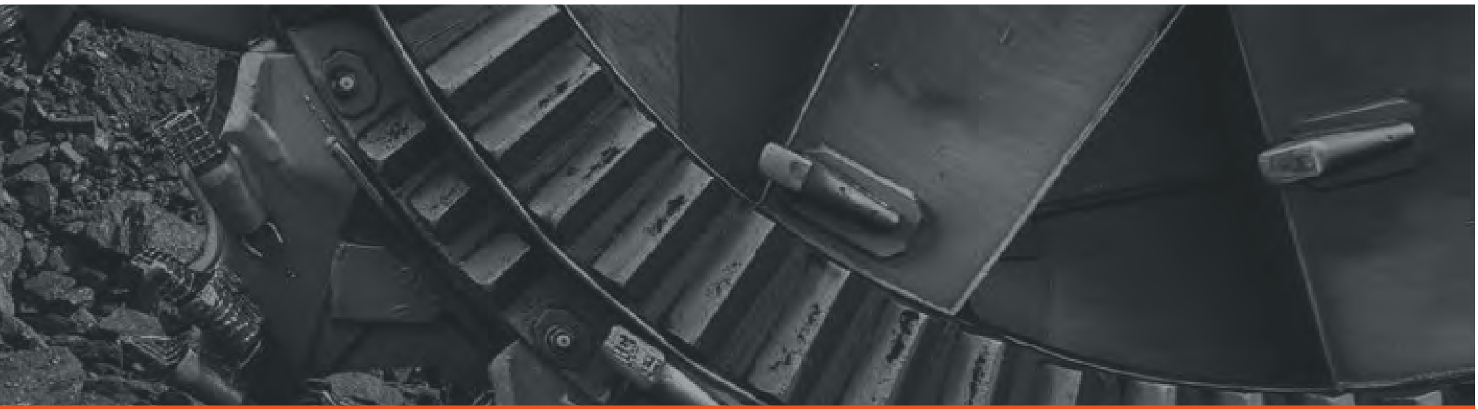
The Corporation is exposed to the effects of exchange rate fluctuations indirectly through its investment in unlisted unit trusts. Exchange rate exposures are managed within approved policy parameters. This exchange rate exposure is managed in line with the Corporation's investment policies. The Corporation's overall policy in foreign currency risk management remains unchanged from the previous reporting period.

(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 rates 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 2016, if interest rates decreased/(increased) by volatility per sector as shown in the table below, with all other variables held constant, operating result and equity would have been $42 thousand higher/(lower) (2015: $40 thousand higher/(lower)).



8. FINANCIAL INSTRUMENTS (CONT)

Volatility Factor	+	-
30 June 2016		
Australian Cash	**0.10%**	0.10%
30 June 2015		
Australian Cash	**0.10%**	0.10%

(iii) Other Price Risk

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

Volatility Factor 30 June 16	+ %	+ $'000	- (%)	- ($'000)
Australian Fixed Interest	1.2%	4,063	1.2%	4,063
Overseas Fixed Interest	0.6%	813	0.6%	813
Australian Equity securities	19.8%	35,203	19.8%	35,203
International Equity securities	16.9%	60,138	16.9%	60,138
Alternatives	5.1%	14,806	5.1%	14,806
Property	16.5%	20,944	16.5%	20,944
Volatility Factor 30 June 15				
Australian Fixed Interest	1.2%	4,137	1.2%	4,137
Overseas Fixed Interest	0.5%	624	0.5%	624
Australian Equity securities	19.9%	52,778	19.9%	52,778
International Equity securities	16.8%	50,787	16.8%	50,787
Alternatives	6.2%	16,097	6.2%	16,097
Property	16.5%	17,975	16.5%	17,975

Impact on Net Surplus/Total Equity	+ $'000	- ($'000)
30 June 16	**135,967**	**135,967**
30 June 15	142,398	142,398

NOTES TO THE FINANCIAL STATEMENTS (CONT)

9. FAIR VALUE MEASUREMENT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

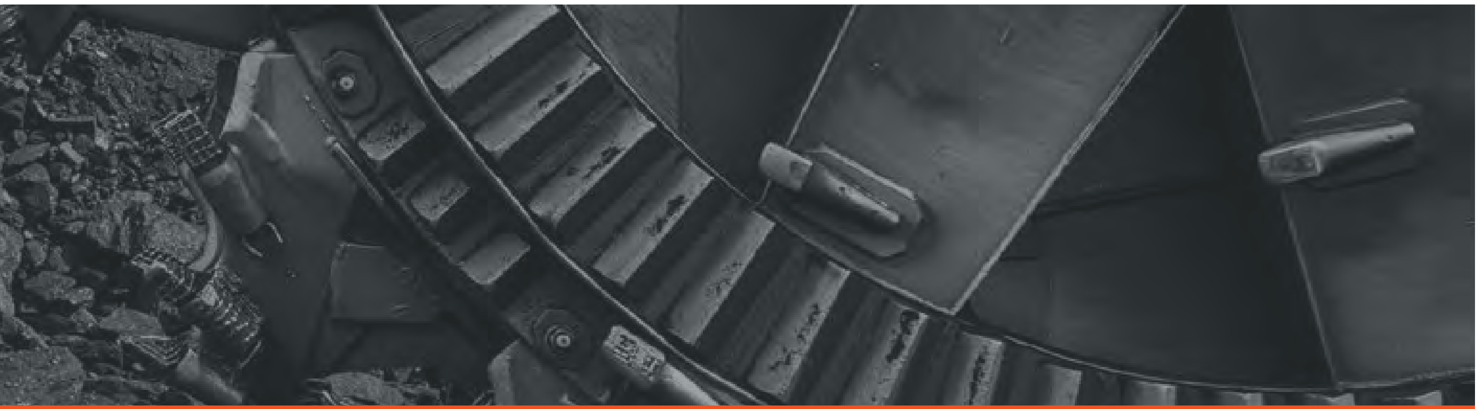
AASB 13 requires enhanced disclosure about fair value measurement. The standard requires an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy. The different levels have been defined as follows:

- 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).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Corporation. The Corporation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Financial instruments which are classified as level 2 investments comprise unlisted unit trust investments which are valued based on the net realisable value provided by the investment manager. The investment manager determines the value based on the fair value of the underlying investments of the Fund.



The following table outlines the Corporation's classification of investments.

Financial assets/ financial liabilities	Fair value as at 30 June 2016 $'000	Fair value as at 30 June 2015 $'000	Fair Value Hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity Investments	68,886	86,831	1	Quoted bid prices in an active market.	N/A	N/A
Unit trusts	1,309,458	1,298,422	2	Recorded at the redemption value per unit as reported by the investment managers of the trusts. The unit price is derived from the value of the underlying investments based on the most recent available prices in the market.	N/A	N/A
Unit trusts	46,164	18,820	3	Recorded at the redemption value per unit as reported by the investment managers of the trusts. The unit price is derived from the value of the underlying investments which have been valued on estimated future cash flows and discount rates.	– Future cash flows of the underlying investments – Discount rates – An increase/ (decrease) of 17.3% (2015: 17.4%) in the unit price (reasonably possible change) would increase/ (decrease) the fair value of the investment by $9.5m (2015: $3.3m).	An increase in the future cash flows would increase the fair value of the investment. An increase in the discount rate would decrease the fair value of the investment.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

(i) Transfers between levels

There were no transfers between levels during the year.

Fair value measurement principles

AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the financial statements.

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.

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 they comply 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 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.

10. COMMITMENTS

The Corporation has the following commitments at 30 June.

Investment commitments	**2016 $'000**	2015 $'000
Within one year	**17,378**	–
From one to five years	**36,000**	66,892

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Employment

I have audited the accompanying annual financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation for the year ended 30 June 2016, which comprise:

- Statement by the Directors and Head of Long Service Leave;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes comprising an Overview, a summary of significant accounting policies and other explanatory information.

Opinion

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

(a) comply with Australian Accounting Standards 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 2016 and its financial performance and cash flows for the year then ended.

Directors Responsibility for the Financial Statements

The Directors of the Coal Mining Industry (Long Service Leave Funding) Corporation 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 and the rules made under that Act. The Directors are also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that 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 have 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors of the entity, 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.

Australian National Audit Office

Clea Lewis

Clea Lewis

Executive Director

Delegate of the Auditor-General

Canberra

11 October 2016

HEAD OFFICE
168 Parry Street,
Newcastle West NSW 2302

POSTAL ADDRESS
Locked Bag 2021,
Newcastle NSW 2300

Tel: 02 4948 3362
Fax: 02 4962 3469
Toll Free:1300 852 625

ABN 12 039 670 644