Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

ANNUAL Report 2014

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Coal Mining Industry
(Long Service Leave Funding) Corporation

16 October 2014

Senator the Hon Eric Abetz
Minister for Employment
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 2014 which marks the twenty-second (22nd) year of the Corporation's administration of long service leave funding in the Australian black coal mining industry.

The Board of the Corporation continues to monitor and review the investment strategy of the Fund with the assistance of the external 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 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 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.

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 six (6) 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 Black Coal Mining Industry

- **Mr Arthur Weston** (6/6)
  Chairman
  (Reappointed 1 March 2012 for a 4 year term)

- **Mr Steven Reynolds** (6/6)
  (Reappointed 19 April 2013 for a 4 year term)

- **Mr Kieren Turner** (6/6)
  (Reappointed 15 June 2012 for a 4 year term)

2 Nominated by Unions Representing Employees in the Black Coal Mining Industry

- **Mr Andrew Vickers** (5/6)
  (Reappointed 26 July 2013 for a 4 year term)

- **Mr Grahame Kelly** (6/6)
  (Appointed 30 January 2012 for a 4 year term)

- **Mr Glenn Hall** (6/6)
  (Appointed 30 May 2013 for a 4 year term)

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 Risk and Compliance, Investment and Transitional Service Review 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 periodically 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 administration of the Corporation is carried out under contract. 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 Internal Audit, Actuarial Services, Legal Counsel and Asset Consultant are all retained under contract on an 'as required' basis.

The basis of management is determined by the governing legislation and the Governance and Policy Framework. The Governance and Policy Framework incorporates Investment Policy 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 mining 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.

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) 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.

Other Objectives

(a) Ensure the activities of the Corporation are carried out in compliance with Statutes.

(b) Ensure the Corporation and its Directors/Agents/Officers properly discharge the obligations of the Corporation under the Coal Mining Industry (Long Service Leave) Administration Act and associated Legislation.

(c) Ensure the Corporation properly discharges its legal liability and obligations to the Australian Government, Employers and Eligible Employees in the Australian Black Coal Mining Industry.

(d) Ensure that sufficient funds are raised by way of levy as provided in the legislation to fully fund the liability for payment of Long Service Leave to eligible employees in the Australian Black Coal Mining Industry according to their entitlements.

(e) Ensure that, on the recommendation of the Consulting Actuary, the amount of levy be set as a percentage of “eligible wages” to be sufficient to finance the cost of current and future accrued entitlements.

(f) Minimise the amount to be raised to meet the cost of long service leave payments by way of levy on employers by the prudent investment of funds.

(g) Ensure that all levies due and payable are remitted to the Corporation promptly and when appropriate, additional levies are imposed on those employers failing to make levy

(h) As payments of long service leave (and consequential reimbursements to employers by the Corporation) are based upon qualifying periods of employment service in the black coal mining industry, which often entail the aggregation of several shorter periods of employment with a number of employers it is therefore necessary that qualifying periods of employment be independently recorded and collated in a central registry. Such a registry is to be maintained by the Corporation to ensure that this central record of employment in the black coal mining industry is colated from information provided by employers and regularly verified. Additionally post 1 January 2012 the Corporation is required to create and maintain “notional accounts” in respect of eligible employees for the purpose of reimbursing employers under the Reimbursement Rules.

(i) 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.

(j) 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.

(k) The Corporation is required by the provisions of the Commonwealth Authorities and Companies (“CAC”) Act to publish an Annual Report.

(l) The Corporation and the Administrator regularly communicates with employers and “eligible employees” engage in the black coal mining industry.

(m) To enhance communication the Corporation has established and maintains its own website. www.coalslcorp.com.au

(n) Compile and maintain financial accounts and associated records in accordance with convention and appropriate accounting standards at all times.

(o) Produce timely periodic reports to inform the Government and those parties directly concerned with the management of the liability for payment of long service leave of the financial affairs of the Corporation and the performance of the Corporation in the discharge of its Statutory Duty.

(p) The Corporation will promptly advise of employment service leave entitlement and issue authority to employers with respect to application for long service leave payments – within 24 hours of application.

(q) Reimbursement payments to employers will be provided in terms of the Reimbursement Rules and dispatched within five (5) working days of receipt of application.

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 these liabilities as and when they fall due. Amendments to legislation effective 1 January 2012 provides for an actuarial review to be undertaken following the completion of the “Transitional Service Review”. It is anticipated that the actuarial review will commence in October 2014.

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 Legal Counsel, Internal Auditing, Actuarial Services, Investment Consultancy and 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 continued to be 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 one (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, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity 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.

2014/2015 Budget

The Corporation anticipates the following receipts and payments for the 2014/2015 financial year assuming the rate of levy payable by employers remains at 2.7% (of 'eligible wages').

2014/2015 Budget **Receipts & Payments**		**$'M**
Appropriations from Consolidated Revenue* (* from collections of levy payments by employers)		150
Earnings from Investment		92
		242
Less:		
Reimbursements payments to employers	130	
Operating Expenses	5	
		135
Net Increase in Assets		**107**

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	Global Listed 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
Lazard (Aust) Asia Pacific Fund	Australian Equities
Stone Harbor	Emerging Markets
Brigade	Multi-Strategy Alternative Credit
K2 Advisors	Hedge Fund
QIC	Australian Fixed Interest
Bridgewater	Risk Parity
Artisan	Overseas (Ex. Aust.) Emerging Market Equities
J P Morgan Cash Account	Cash

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

2010	**2011**	**2012**	**2013**	**2014**
16.88%	12.98%	4.35%	14.81%	13.13%

This represents an annual average return of 12.43% with an average real rate of 9.78% (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

I have audited the accompanying financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation for the year ended 30 June 2014, which comprise: a Statement by Directors and Secretary; the Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to the financial statements comprising a Summary of Significant Accounting Policies and other explanatory information.

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 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 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.

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

GPO Box 707 CANBERRA ACT 2601
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Phone (02) 6203 7300 Fax (02) 6203 7777

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 the 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 2014 and 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

16 October 2014

COAL MINING INDUSTRY (LONG SERVICE LEAVE FUNDING) CORPORATION

Financial Statements

For the Year Ended
30 June 2014

STATEMENT BY DIRECTORS AND SECRETARY

In our opinion, the attached financial statements for the year ended 30 June 2014 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 16 October 2014

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Expenses			
Changes in fair value of investments	9(c)	**46**	3,308
Professional services	9(d)	**2,316**	2,036
Director's remuneration	9(e)	**149**	64
Administration expenses	9(f)	**3,335**	2,325
Other expenses		**104**	65
Increase in provision for reimbursements	8, 1.2	**252,923**	263,337
Total Expenses		**258,873**	271,135
Revenues			
Investment Revenue	9(b)	**154,014**	147,260
Total Owned Sourced Revenue		**154,014**	147,260
Net Cost of Services		**(104,859)**	(123,875)
Revenues from Government	9(a)	**169,838**	170,418
Surplus on Continuing Operations		**64,979**	46,543
Surplus Attributable to the Australian Government		**64,979**	46,543

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

ASSETS	Notes	2014 $'000	2013 $'000
Financial Assets			
Cash and Cash Equivalents	5	**46,593**	57,123
Investments	7	**1,309,213**	1,103,985
Other Assets	6	**932**	582
Total financial assets		**1,356,738**	1,161,690
Total assets		**1,356,738**	1,161,690
LIABILITIES			
Trade payables		**605**	515
Other payables		**-**	113
Provisions	8	**1,210,656**	1,080,564
Total liabilities		**1,211,261**	1,081,192
Net assets		**145,477**	80,498
EQUITY			
Retained Surplus		**145,477**	80,498
Total Equity		**145,477**	80,498

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Total Retained Earnings/(Accumulated Deficit) at the beginning of the financial year		**80,498**	33,955
Net surplus for the period		**64,979**	46,543
Total Retained Earnings at the end of the financial year	4	**145,477**	80,498
Closing Balance Attributable to the Australian Government		**145,477**	80,498

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

CASH FLOW STATEMENT
For The Year Ended 30 June 2014

	Notes	2014 $'000	2013 $'000
OPERATING ACTIVITIES			
Cash Received:			
Investment income		**45,232**	47,093
Receipts from Government		**169,838**	170,418
Net GST received		**476**	438
Total cash received:		**215,546**	217,949
Cash used:			
Reimbursement to employers		**122,832**	105,720
Administration expenses		**3,321**	2,255
Investment expenses		**1,584**	1,150
Other expenses		**1,432**	1,657
Total cash used:		**129,168**	110,782
Net cash from operating activities	5	**86,378**	107,167
INVESTING ACTIVITIES			
Cash used:			
Purchase of investments		**(149,923)**	(363,925)
Sale of investments		**53,015**	198,106
Net cash used by investing activities		**(96,908)**	(165,819)
Net decrease in cash held		**(10,530)**	(58,652)
Cash at the beginning of the reporting period		**57,123**	115,775
Cash at the end of the reporting period	5	**46,593**	57,123

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

SCHEDULE OF COMMITMENTS
As at 30 June 2014

	2014 **$'000**	2013 $'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.)

SCHEDULE OF CONTINGENCIES
As at 30 June 2014

	2014 $'000	2013 $'000
Contingent assets		
Other contingencies	-	-
Total Contingent assets	-	-
Contingent liabilities		
Claims for long service leave	-	20,000
Total Contingent liabilities	-	20,000
Net Contingent assets/(liabilities)	-	(20,000)

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

The Corporation received an estimate from its Actuaries, Mercer, dated 30th June 2014 where it outlined two scenarios that the Corporation may face in the future relating to future claims. The actuary's assessment was a worst case scenario because it made the assumption that no levy would be collected to off-set the liability. Following the estimate from the actuary the contingent liability (please refer to note 8 for further detail) was recognised as a liability in the accounts in the current financial year in the amount of $30.5m. Recognition of a contingent asset was not made because at balance date a reliable estimate could not be determined (please refer to note 10 for further detail).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

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 is a general purpose financial report.

The continued existence of the Coal Mining Industry (Long Service Leave Funding) Corporation, ("the Corporation") in its present form is dependent on Government policy and on continuing appropriations by Parliament for the Corporation's administration. The Corporation is a not-for-profit entity.

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 statement of financial position 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 Corporation 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.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

1. Summary of Significant Accounting Policies continued

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 1.15. 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 at least annually, taking into account the most recent available information.

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. Fair value gains 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.

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. 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 2014 the balance in this levy account was $15,458,899 (2013: $18,093,717) and this amount was remitted on 1 July 2014 to Consolidated Revenue. (Refer Note 3 for further details).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

1. Summary of Significant Accounting Policies continued

1.6 Cash

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.

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 are 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 the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

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 statement of financial position 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.

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 AASB 13

The Corporation has applied AASB 13 for the first time in the current year. 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. AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Corporation has not made any new disclosures required by AASB 13 for the 2013 comparative period. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

1. Summary of Significant Accounting Policies continued

1.11 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.

1.12 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.

1.13 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).

1.14 Contingent Liabilities and Contingent Assets

Contingent liabilities and assets are not recognised in the Statement of Financial Position 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.

1.15 Provision for Reimbursements

The provision represents the expected liability for the reimbursement of employers for the long service leave entitlements of eligible employees in the Australian Black Coal Mining 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 $389.98M and this amount was brought to account in the financial statements for the Corporation for the year ended 30 June 1993.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

1. Summary of Significant Accounting Policies continued

1.15 Provision for Reimbursements continued

At 30 June 2014 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. In prior years 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 by employer 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 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. The accrued liability as at 30 June 2014 is estimated to be $1,210 million (2013 - $1,081 million).

The legislation provides that the Coal Mining Industry Long Service Leave Fund ("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 2011 the Board of Directors reaffirmed that the levy rate for eligible wages is 2.7%.

1.16 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.

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 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 Commonwealth.

3. Funding

During the period 1 July 2013 until 30 June 2014 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).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

4. Equity Position

For the year ended 30 June 2014 there is a surplus in net assets of $145,477 thousand (2013: $80,498 thousand). This surplus is a result of increased revenues over expense 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 1.2, 8).

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.

	2014	2013
Reconciliation of Net Cost of Services to the Net Cash from Operating Activities	**$'000**	$'000
Net Cost of Services	**(104,859)**	(123,875)
Add revenue from Government	**169,838**	170,418
Net investment (gains) / losses	**(108,433)**	(96,886)
(Increase)/decrease in other current assets	**(350)**	(2)
Increase/(decrease) in supplier payables	**90**	(105)
Increase/(decrease) in provision for reimbursements	**130,092**	157,617
Net cash from operating activities	**86,378**	107,167

	2014	2013
Reconciliation of Cash	**$'000**	$'000
Cash at Bank – CBA	**45,250**	33,166
Deposits at Custodian	**1,343**	23,957
Total Cash	**46,593**	57,123
Balance of cash at 30 June shown in Cash Flow Statement	**46,593**	57,123

6. Other assets

	2014	2013
	$'000	$'000
Accrued income from investments	**764**	440
Accrued bank interest	**118**	105
GST paid and claimable	**50**	37
Total other assets	**932**	582

All other receivables are current receivables

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

7. Financial instruments at Fair Value through Profit or Loss

	2014 $'000	2013 $'000
(a) Investments		
At the beginning of the year	**1,103,985**	841,197
Purchases	**149,810**	364,008
Sales	**(53,015)**	(198,106)
Realised and unrealised gains/(losses)	**108,433**	96,886
At end of year	**1,309,213**	1,103,985

(b) As at 30 June 2014, a total of $1,313 million (2013 - $1,128 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:

Financial Instruments	**2014 $'000**	**%**	2013 $'000	%
AMP	**69,268**	**5**	55,589	5
State Street Global Advisors	**90,712**	**7**	85,377	8
Hyperion Asset Management	**95,643**	**7**	81,394	7
QIC Asset Management	**131,348**	**10**	110,356	10
Macquarie Funds Management	**86,655**	**7**	72,708	6
Pimco	**117,877**	**9**	96,798	8
Lazard	**90,285**	**7**	82,172	7
Stone Harbour	**50,780**	**4**	40,593	4
K2 Advisors	**66,158**	**5**	54,224	5
Vanguard	**140,653**	**11**	123,028	11
Bridgewater	**67,204**	**5**	48,143	4
QIC Fixed Interest	**212,796**	**16**	177,331	16
Asian Emerging Markets	**40,953**	**3**	31,779	3
Brigade	**50,917**	**4**	44,760	4
J P Morgan Cash Account	**1,343**	**0**	23,597	2
	1,312,591		1,128,209	
Cash held directly by the Corporation	**45,250**		33,166	
	1,357,841		1,161,375	

All investments were held on behalf of the Corporation by the Master Custodian, JP Morgan Investor Services Limited. For the year ended 30 June 2014, the gross return on the investment of funds was 12.5% (2013: 14.8%).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

7. Financial instruments at Fair Value through Profit or Loss (Continued)

	2014 $'000	%	2013 $'000	%
Current investments				
Australian Fixed Interest	**440,104**	**32**	373,067	32
Overseas Fixed Interest	**197,506**	**15**	164,580	14
Australian Equities	**326,283**	**24**	271,873	23
Overseas Equities	**186,354**	**14**	166,771	14
Alternatives	**91,732**	**7**	72,372	6
Property Trust	**69,268**	**5**	55,589	5
Cash and cash equivalents	**46,593**	**3**	57,123	5
	1,357,841		1,161,375	

8. Provisions

	2014 $'000	2013 $'000
Provision for reimbursements - Current	**114,276**	77,709
- Non-Current	**1,096,381**	1,002,855
	1,210,656	1,080,564
Balance at beginning of year	**1,080,564**	922,947
Reimbursement paid to coal mining employers	**(122,831)**	(105,720)
Increase in provision	**252,923**	263,337
Balance at end of year	**1,210,656**	1,080,564

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 (see also Note 10).

9. STATEMENT OF COMPREHENSIVE INCOME

	2014 $'000	2013 $'000
9 (a) Revenues from Government		
Revenues from Government		
- Levy collections from employers	**169,838**	170,338
- Interest	**-**	80
Revenue from Government is recognised at the time the Corporation becomes entitled to receive the revenue.	**169,838**	170,418

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

9. STATEMENT OF COMPREHENSIVE INCOME (Continued)

9 (b) Investment Revenue

	2014 $'000	2013 $'000
Dividends	3,115	3,067
Unit Trust Distributions	39,743	41,020
Deposit Interest	1,973	2,356
Investment manager fee rebates	704	623
Investment revenue arising from changes in fair value (investments held at reporting date)	108,479	100,194
	154,014	147,260

9 (c) Investment Expenses

	2014 $'000	2013 $'000
Investment losses arising from changes in fair value (assets held at reporting date)	43	-
Net realised losses on sale of investments	3	3,308
	46	3,308

9 (d) Professional Services

	2014 $'000	2013 $'000
Rendering of Services - External Parties	2,316	2,036

Remuneration of Auditors

	2014 $'000	2013 $'000
Amounts received, or due and receivable by: *Australian National Audit Office* – audit of the financial statements for the reporting period.	65	49
	65	49

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.

	2014 $	2013 $
Remuneration received or due and receivable by Directors:	149,346	64,180

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

	Number	Number
- $ Nil - $14,999	6	6

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

9. STATEMENT OF COMPREHENSIVE INCOME (Continued)

9 (f) **Administration Expenses**	**2014** **$'000**	2013 $'000
Administration fees	**3,335**	**2,325**

10 Contingent Assets

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 December 2011 in the Black Coal Mining Industry that may not be presently recognised and recorded by the Corporation.

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.

11 Related Party Disclosures

Directors of the Corporation

The Directors of the Corporation during the year were:

- Mr. Arthur Weston – Chairman (Reappointed 1 March 2012 for a 4 year term)
- Mr. Steven Reynolds (Reappointed 19 April 2013 for a 4 year term)
- 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 (Reappointed 26 July 2013 for a 4 year term)
- Mr. Grahame Kelly (Appointed 30 January 2012 for a 4 year term)
- Mr Glenn Hall (Appointed 30 May 2013 for a 4 year term)

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

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

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

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.

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 2014

13 Financial Instruments continued

b) Interest Rate Risk – 30 June 2014

	Floating	Fixed Interest	Non-interest bearing	Total
30-Jun-14	**$'000**	**$'000**	**$'000**	**$'000**
Cash & Cash Equivalents	**46,593**	**-**	**-**	**46,593**
Equity Investments	**-**	**-**	**94,157**	**94,157**
Unit Trusts	**-**	**-**	**1,215,056**	**1,215,056**
Receivables and Other Assets	**-**	**-**	**932**	**932**
Total Financial Assets	**46,593**	**-**	**1,310,145**	**1,356,738**
Trade and other Payables	**-**	**-**	**605**	**605**
Total Financial Liabilities	**-**	**-**	**605**	**605**

	Floating	Fixed Interest	Non-interest bearing	Total
30-Jun-13	$'000	$'000	$'000	$'000
Cash & Cash Equivalents	57,123	-	-	57,123
Equity Investments	-	-	80,616	80,616
Unit Trusts	-	-	1,023,369	1,023,369
Receivables and Other Assets	-	-	582	582
Total Financial Assets	57,123	-	1,104,567	1,161,690
Trade and other Payables	-	-	628	628
Total Financial Liabilities	-	-	628	628

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

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 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 Policy.

d) Categories of Financial Instruments

	Fair Value 2014 $'000	Fair Value 2013 $'000
FINANCIAL ASSETS		
Amortised cost		
Cash and cash equivalents	**46,593**	57,123
Fair value through profit or loss		
Equity securities	**94,157**	80,616
Unit Trusts	**1,215,056**	1,023,369
Loans and receivables		
Loans and receivables	**932**	582
	1,356,738	1,161,690
FINANCIAL LIABILITIES		
Amortised cost		
Payables	**605**	628
	605	628
Carrying value of Net Financial Assets	**1,356,133**	1,161,062
Less Provisions	**1,210,656**	1,080,564
Carrying value of Net Assets per statement of financial position	**145,477**	80,498

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

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."

The Corporation's overall market positions are monitored via the investment consultant performance report on a quarterly 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 2013 to 2014

(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 2014 the Corporation has no direct exposure to currency risk (2013: None).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

13 Financial Instruments continued

The Corporation undertakes certain investment transactions denominated in foreign currencies, hence it is exposed to the effects of exchange rate fluctuations. 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 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 2014, 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 $12 thousand higher/(lower) (2013: $57 thousand higher/(lower)).

Volatility Factor	+	-
30 June 2014		
Australian Cash	0.10%	0.10%
30-Jun-13		
Australian Cash	0.10%	0.10%
Impact on Surplus/Total Equity	**$'000**	**$'000**
30-Jun-14	47	47
30-Jun-13	57	57

(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-Jun-14	**(%)**	**($'000)**	**(%)**	**($'000)**
Australian Equity securities	19.8%	52,699	19.8%	52,699
International Equity securities	17.1%	40,318	17.1%	40,318
Property	16.5%	11,429	16.5%	11,429
Hedges	21.9%	8,969	21.9%	8,969
High Yield Debt	4.3%	24,502	4.3%	24,502

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

13 Financial Instruments (Continued)

30-Jun-13

Volatility Factor	**+**	**-**
Australian equity securities	23.6%	23.6%
International equity securities	19.5%	19.5%
Property	16.5%	16.5%
Hedges	24.6%	24.6%
High Yield Debt	12.9%	12.9%

Impact on Net Surplus/Total Equity	**$'000**	**$'000**
30-Jun-14	**148,858**	**148,858**
30-Jun-13	142,683	142,683

g) 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. For this purpose, the significance of an input is assessed against 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.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2014

13 Financial Instruments (Continued)

g) Fair value measurement recognised in the statement of financial position (Continued)

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

30 June 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at fair value through profit or loss				
Equity investments	**94,157**	**-**	**-**	**94,157**
Unit Trusts	**-**	**1,215,056**	**-**	**1,215,056**
	94,157	**1,215,056**	**-**	**1,309,213**

30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Equity investments	80,616	-	-	80,616
Unit Trusts	-	1,023,369	-	1,023,369
	80,616	1,023,369	-	1,103,985

(i) Transfers between levels

There were no transfers between levels during the year.

14 Events Occurring After the Report Period

There have been no specific events subsequent to 30 June 2014 which would impact on the financial position as at 30 June 2014 or the results of the corporation for the year ended on that date.