



**Australian Government**

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

**ANNUAL** **2012**  
**Report** **1111**



**Australian Government**

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

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25 October 2011

Senator Chris Evans  
Minister for Tertiary Education, Skills, Jobs and Workplace Relations  
Parliament House  
**CANBERRA ACT 2600**

Dear Minister

It is my pleasure to present to you the Annual Report for the Coal Mining Industry (Long Service Leave Funding) Corporation for the year ended 30 June 2011 which marks the nineteenth (19<sup>th</sup>) year of the Corporation's administration of long service leave funding in the Australian black coal mining industry.

The year to 30 June 2011 has seen a continued recovery in financial markets as a consequence of which the Corporation has enjoyed further improvement in the financial standing of the Fund.

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'A J Weston', written in a cursive style.

A J Weston  
Chairman

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# General Commentary

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## Introduction

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

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

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

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

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

## Position Post 1 January 2012

The Corporation acknowledges that should the Coal Mining Industry (Long Service Leave) Legislation Amendment Bill 2011 gain successful passage in the Australian Parliament and receive Royal Assent during November 2011 the effect to the amendments will be from 1 January 2012.

## The Corporation

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

- Two (2) Directors are appointed to represent companies engaged in black coal mining in New South Wales, Queensland and Tasmania;
- One (1) Director is appointed to represent companies engaged in black coal mining in Western Australia;
- One (1) Director is appointed to represent the Construction, Forestry Mining and Energy Union (CFMEU) (Mining and Energy Division);
- One (1) Director is appointed to represent the Electrical Division of the Communications, Electrical and Plumbing Union; the CFMEU (in its capacity as the successor to the Federated Engine Drivers' and Firemen's' Association of Australia); and the Australian Manufacturing Workers Union, and
- One (1) Director is appointed to represent the Colliery Officials' Association of New South Wales. The Association of Professional Engineers, Scientists and Managers Australia (in its capacity as the successor to the Australian Collieries Staff Association), and the Mine Managers Association of Australia (in its capacity as the successor to the New South Wales Coal Mines Managers' Association).

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

## Directors of the Corporation

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

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

### 1 Nominated by Employers in the Coal Industry

- **Mr Arthur Weston (5/5)**  
Chairman  
(Reappointed 01.03.2010 until 28.02.2012)
- **Mr Steven Reynolds (5/5)**  
(Reappointed 19.04.2011 until 18.04.2013)
- **Mr Kieren Turner (5/5)**  
(Appointed 30.04.2010 until 29.04.2012)

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

- **Mr Andrew Vickers (5/5)**  
(Appointed 26.07.2011 until 25.07.2013)
- **Mr Glenn Thompson ( 4/5 )**  
(Reappointed 28.01.2010 until 27.01.2012)
- **Ms Catherine Bolger (5/5)**  
(Appointment expired 29.05.2011)
- **Mr Christopher Powell (0/0)**  
(Appointed 30.05.2011 until 29.05.2013)

## Committees

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

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

## Term of Appointment of Directors

During the year Ms Catherine Bolger's appointment expired on 29 May 2011.

Mr. Christopher Powell was appointed from 30 May 2011 representing the Colliery Officials Association of New South Wales.

## Administration

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

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

## Management

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

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

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

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

### MISSION STATEMENT

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

1. Sufficient funds are provided by employers by way of levy to finance the cost of this liability.
2. Proper records of individual entitlement is kept.
3. Employers are properly reimbursed for authorised payment of long service leave.

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

## Management Objectives

### Primary Objectives

The primary objectives of the Corporation are to:

- (a) manage the collection of levies payable by employers on behalf of the Commonwealth and promptly remit these collections to Consolidated Revenue;
- (b) promptly reimburse employers for properly approved payments of long service leave to their employees;
- (c) advise the Minister (with the assistance of a consulting actuary) on the setting of the rate of levy to be paid by employers sufficient to provide (invested) assets in the Fund to meet the estimated liability for future reimbursements payments to employers.

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

### Other Management Objectives

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

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

### Other Objectives include:-

- (a) Sound investment of the assets of the Fund to minimise the necessary rate of levy on employers to finance the payment of reimbursements; and
- (b) Ensuring that all employers of persons in the black coal industry liable to make levy payments to the Commonwealth under the provisions of the legislation make these payments by the due date.

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



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

The Fund has recorded a return on its investment of assets of 12.98% for the 2010/2011 financial year.

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

## **Actuarial Review**

The legislation requires that the Fund be subjected to periodic actuarial reviews and the rate of levy payable by employers be set having regard for the findings of these reviews as to the estimated future liabilities and the adequacy of the invested assets to meet their cost as and when they fall due. Directors have resolved to undertake an Actuarial Review as at 30 June 2011.

## **Professional Assistance to the Corporation**

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

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

## **Publications**

In accordance with the guidelines for the preparation of Annual Reports by Commonwealth Government Authorities, the Directors of the Corporation advise that no publications have been prepared or 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 no requests 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](http://www.coallslcorp.com.au)

## Financial

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

The Statement of Financial Position records the full value of accrued liability for reimbursement of long service leave payments including accrued entitlements under the previous administration arrangements in excess of the assets of the Fund at the time of transfer to the Corporation.

### 2011/2012 Budget

The Corporation anticipates the following receipts and payments for the 2011/2012 financial year assuming the rate of levy payable by employers remains at 2.7% (of 'eligible wages').

#### 2011/2012 Budget

Receipts & Payments	\$'M
Appropriations from Consolidated Revenue* (* from collections of levy payments by employers)	120
Earnings from Investment	61
<b>Less:</b>	
Reimbursements payments to employers	60
Operating Expenses	<u>4</u>
	<u>64</u>
<b>Net Increase in Assets</b>	<b><u>117</u></b>

## Investment

### Investment Objectives

The Corporation has the following three objectives:

1. The broad investment objective of the Corporation is to maximize the long-term investment return, subject to constraints aimed at containing fluctuations in returns over shorter periods within acceptable limits, to accommodate "liquidity risk".
2. More specifically, the objective is to obtain a net return from investment that exceeds inflation, as measured by the Consumer Price Index, by at least 4% per annum over rolling five year periods.
3. The Corporation's assets be invested such that there is less than a 1/3 probability of the employer levy recommended by the actuary rising above 2.7%p.a.

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

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

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

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

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

2007	2008	2009	2010	2011
12.08%	-6.72%	-11.61%	16.88%	12.98%

This represents an annual average return of 4.72% with an average real rate of 1.65% pa (i.e. after adjustment for movement in inflation – CPI).

# **Independent Audit Report**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Minister for Tertiary Education, Skills, Jobs and Workplace Relations**

I have audited the accompanying financial statements of the Coal Mining Industry (Long Service Leave Funding) Corporation for the year ended 30 June 2011, which comprise: a Statement by the Directors and Secretary; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; and Notes to the financial statements 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 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 the directors determine is necessary to enable the preparation 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.

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 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 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.

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

***Independence***

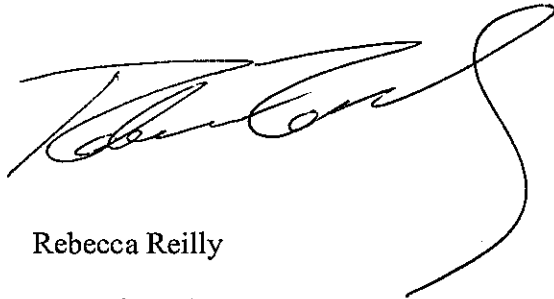
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

***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 2011 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Rebecca Reilly

Executive Director

Delegate of the Auditor-General

Canberra

25 October 2011

# Financial Statements

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*For the Year Ended  
30 June 2011*

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**COAL MINING INDUSTRY  
(LONG SERVICE LEAVE FUNDING)  
CORPORATION**

***Financial  
Statements***

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***For the Year Ended  
30 June 2011***

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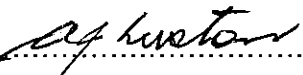



## STATEMENT BY DIRECTORS AND SECRETARY


In our opinion, the attached financial statements for the year ended 30 June 2011 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  
25 October 2011

Signed   
A VICKERS  
Director  
25 October 2011

Signed   
R Hamilton  
Secretary  
25 October 2011

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Year Ended 30 June 2011**

	Notes	2011 \$'000	2010 \$'000
<b>Expenses</b>			
Investment expenses	8(c)	2,584	-
Professional services	8(d)	1,051	1,186
Director's remuneration	8(e)	41	16
Administration expenses	8(f)	1,998	1,278
Other expenses		58	198
Write-up of provision	7	179,216	132,146
<b>Total Expenses</b>		<b>184,948</b>	<b>134,824</b>
<b>Revenues</b>			
Investment revenue	8(b)	92,161	92,266
<b>Total Owned Sourced Revenue</b>		<b>92,161</b>	<b>92,266</b>
<b>Net Cost of Services</b>		<b>(92,787)</b>	<b>(42,558)</b>
Revenue from Government	1.5, 8(a)	119,306	97,548
<b>Surplus on Continuing Operations</b>		<b>26,519</b>	<b>54,990</b>
<b>Surplus Attributable to the Australian Government</b>		<b>26,519</b>	<b>54,990</b>

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

## BALANCE SHEET

As at 30 June 2011

ASSETS	Notes	2011 \$'000	2010 \$'000
<b>Financial Assets</b>			
Cash and Cash Equivalents	4	20,406	50,788
Receivables	5(a)	158	570
Investments	6	805,333	613,878
Other assets	5(b)	373	337
<b>Total financial assets</b>		<u>826,270</u>	<u>665,573</u>
<b>Total assets</b>		<u>826,270</u>	<u>665,573</u>
<b>LIABILITIES</b>			
Investments	6	-	98
Trade payables		453	253
Other payables		94	105
Provisions	7	876,996	742,909
<b>Total liabilities</b>		<u>877,543</u>	<u>743,365</u>
<b>Net assets</b>		<u>( 51,273)</u>	<u>(77,792)</u>
<b>EQUITY</b>			
Retained (Deficit)		<u>(51,273)</u>	<u>(77,792)</u>
<b>Total Equity</b>		<u>(51,273)</u>	<u>(77,792)</u>

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Total Retained Earnings/(Accumulated Deficit) at the beginning of the financial year		(77,792)	(132,782)
Net surplus for the period		26,519	54,990
Total Retained Earnings/(Accumulated Deficit) at the end of the financial year	3	(51,273)	(77,792)
Closing Balance Attributable to the Australian Government		(51,273)	(77,792)

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

## CASH FLOW STATEMENT

For The Year Ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>OPERATING ACTIVITIES</b>			
<i>Cash Received:</i>			
Investment Income		55,274	42,346
Receipts from Government		119,306	97,548
Net GST Received		231	211
<i>Total cash received:</i>		<u>174,811</u>	<u>140,105</u>
<i>Cash used:</i>			
Reimbursement to employers		45,129	62,790
Administration expenses		1,998	1,278
Other expenses		1,191	1,540
<i>Total cash used:</i>		<u>48,318</u>	<u>65,608</u>
<b>Net cash from operating activities</b>	4	<u><u>126,493</u></u>	<u><u>74,497</u></u>
<b>INVESTING ACTIVITIES</b>			
<i>Cash received:</i>			
Sale of financial instruments		169,826	109,658
<i>Cash used:</i>			
Purchase of financial instruments		(326,701)	(152,102)
<b>Net cash used by investing activities</b>		<u>(156,875)</u>	<u>(42,444)</u>
<b>Net increase in cash held</b>		<b>(30,382)</b>	32,053
Cash and cash equivalents at the beginning of the reporting period		<u>50,788</u>	<u>18,735</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	4	<u><u>20,406</u></u>	<u><u>50,788</u></u>

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

## SCHEDULE OF COMMITMENTS

As at 30 June 2011

	2011 \$'000	2010* \$'000
<b>BY TYPE</b>		
Other commitments	-	-
Commitments receivable	-	-
<b>Net commitments</b>	<b>-</b>	<b>-</b>
<b>BY MATURITY</b>		
Other commitments		
One year or less	-	-
From one to five years	-	-
Over five years	-	-
Commitments receivable	-	-
<b>Net commitments</b>	<b>-</b>	<b>-</b>

\*Net commitments of \$1,200,000 were reported in the prior year audited financial statements. On examining further the conditions applicable to those commitments it was decided that no such disclosure is required in the current year. Accordingly, the prior year comparative information has been amended for consistency with the current year financial statements. This is a disclosure item only and did not have an impact on the financial position or the results of the Corporation for any period previously reported on.

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

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2011

### 1. Summary of Significant Accounting Policies

#### 1.1 Basis of Preparation of the Financial Statements

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

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

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2010; and,
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

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

#### 1.2 Significant Accounting Assumptions and Estimates

The Corporation makes certain assumptions in calculating the 'Provision for Reimbursements' that may affect the reported amount of the liability at balance date. In calculation the provision consideration is given to expected future wage and salary levels, experience of employee departures and employee years of service.

No other accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 1. Summary of Significant Accounting Policies continued

##### 1.3 New Australian Accounting Standards

###### Adoption of new Australian Accounting Standards

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

###### Future Australian Accounting Standard requirements

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

##### 1.4 Taxation

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

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

##### 1.5 Revenue

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

###### *Investment Revenue*

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

###### *Revenues from Government*

Revenues from Government are recognised to the extent they have been received into the Corporation's bank account. The Corporation collects a levy paid by employers in a levy collection account. This levy is transferred to Consolidated Revenue and is appropriated back from Consolidated Revenue on a monthly basis. As this levy account is not controlled by the Corporation it is not recognised as revenue until it is appropriated back to the Corporation. At 30 June 2011 the balance in this levy account was \$11,962,756 (2010: \$9,451,879) and this amount was remitted on 1 July 2011, to Consolidated Revenue. (Refer Note 2 for further details).

##### 1.6 Cash

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



## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 1. Summary of Significant Accounting Policies continued

##### 1.7 Financial Assets

The Corporation classifies its financial assets in the following categories

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

##### Financial assets at fair value through profit or loss

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

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

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

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

##### Loans and receivables

Trade receivables and other receivables, that have fixed or determinable payments that are not quoted in an active market are classified as 'Loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment, if any. Interest is recognised by applying the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the instrument, or where appropriate, a shorter period.

##### 1.8 Financial Liabilities

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

Financial liabilities recognised and derecognised on trade date.

##### Financial liabilities at fair value through profit or loss

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

##### Other financial liabilities

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

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 1. Summary of Significant Accounting Policies continued

##### 1.9 Fair value measurement principles

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

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

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

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

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

Investments in unlisted unit trusts are recorded at the exit price as reported by the managers of such trusts.

It is a requirement of all managers that if derivatives are utilised, any such derivatives are fully cash backed. The portfolio is not to be leveraged.

##### 1.10 Derecognition of Financial Assets and Liabilities

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 1. Summary of Significant Accounting Policies continued

##### 1.11 Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

##### *Financial Assets held at Amortised Cost*

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

##### 1.12 Trade Creditors

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

##### 1.13 Contingent Liabilities and Contingent Assets

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

##### 1.14 Provision for Reimbursements

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

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

The accrued liability is re-calculated annually using the total weeks of service expected to qualify for long service leave payment and multiplied by the average weekly cost of long service leave in each of the separate states (NSW, TAS, QLD & WA) and brought into the accounts as a provision. On the basis of this calculation the accrued liability as at 30 June 2011 is \$877 million (2010 - \$743 million).

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

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 1. Summary of Significant Accounting Policies continued

##### 1.14 Provision for Reimbursements

As a result of the actuarial review at 30 June 2007 the Board of Directors enacted an amendment to the enabling legislation reducing the levy rate from 2.8% of eligible wages to 2.7% and this had Ministerial approval to be effective from 1 August 2008.

##### 1.15 Going concern

The Coal Industry Long Service Leave Fund is legally separate from the Commonwealth and is ultimately responsible for all its own debts. However the existence of total liabilities in excess of total assets of the Coal Industry Long Service Leave Fund as reported in the Balance Sheet has little bearing on whether the Coal Industry Long Service Leave Fund debts will be met.

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. The situation does not itself mean that an authority is not a going concern.

The Corporation has a deficiency in net assets of \$51,273 thousand (2010: \$77,792 thousand). This has principally come about due to the poor investment returns in prior reporting periods. It is anticipated that over the longer term when the liabilities are expected to be realised there will be sufficient funds to pay all obligations of the Corporation. In the meantime the Corporation will continue to actuarially assess the liabilities of the Corporation and where, in the opinion of the Board, funds are required to meet obligations, the current levy will be modified to increase assets sufficient to meet the long term liabilities.

##### 1.16 Significant event

The Coal Mining Industry (Long Service Leave) Legislation Amendment Bill 2011 is currently being considered by the Australian Parliament and likely to be passed and enacted by late November 2011 with effect to the amendments from 1 January 2012.

#### 2. Activities

(a) *Enabling Legislation*

The Corporation was established by the *Coal Mining Industry (Long Service Leave Funding) Act 1992*.

(b) *Segment Reporting*

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

#### 3. Funding

During the period 1 July 2010 until 30 June 2011 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 4. 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.

<b>Reconciliation of Net Cost of Services to the Net Cash from Operating Activities</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Net Cost of Services	(92,787)	(42,558)
Add revenue from Government	119,306	97,548
Net investment (gains) / losses	(34,277)	(49,745)
(Increase)/decrease in other current assets	(36)	(186)
Increase/(decrease) in trade payables	200	82
Increase/(decrease) in provision for reimbursements	134,087	69,356
Net cash from operating activities	<u>126,493</u>	<u>74,497</u>
<b>Reconciliation of Cash</b>		
Cash balance comprises:		
Cash on Hand		
Corporation	2,644	4,295
Deposits at Custodian	17,762	46,493
<b>Total Cash</b>	<u>20,406</u>	<u>50,788</u>
<b>Balance of cash at 30 June shown in Cash Flow Statement</b>	<u>20,406</u>	<u>50,788</u>

#### 5. Receivables

<b>(a) Debtors</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
<i>Other debtors</i>		
Balances due from brokers		
Receivable for securities sold	158	82
Margin accounts	-	488
<b>Total Debtors (net)</b>	<u>158</u>	<u>570</u>

Debtors (gross) are aged as follows:

Not Overdue:	-	570
<b>Total Debtors (gross)</b>	<u>158</u>	<u>570</u>

<b>(b) Other assets</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Accrued income from investments	196	137
Accrued bank interest	81	173
GST paid and claimable	96	27
<b>Total other assets</b>	<u>373</u>	<u>337</u>
<b>Total Receivables</b>	<u>531</u>	<u>907</u>

All the receivables are current receivables.

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 June 2011**

**6. Financial instruments at Fair Value through Profit or Loss**

	2011	2010
(a) Investments	\$'000	\$'000
At the beginning of the year	613,780	521,933
Purchases	326,690	151,797
Sales	(169,414)	(109,695)
Realised and unrealised gains/(losses) (Note 8 (b))	34,277	49,745
At end of year	<u>805,333</u>	<u>613,780</u>
Financial Assets - Investments	805,333	613,878
Financial Liabilities - Investments	-	(98)
Total	<u>805,333</u>	<u>613,780</u>

(b) As at 30 June 2011, a total of \$823 million (2010 - \$661 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	2011		2010	
	\$'000	%	\$'000	%
AMP	66,036	8	49,462	8
State Street Global Advisors	70,575	9	48,959	7
Hyperion	52,703	6	50,734	8
UBS	-	-	65,823	10
Macquarie	61,743	8	46,801	7
Pimco	146,468	18	128,585	19
Lazard	59,174	7	38,333	6
Loomis Sayles	20,034	2	15,170	2
BT Global	2,845	-	5,904	1
Vanguard	73,439	9	48,221	7
K2 Advisors	37,787	5	-	-
QIC	217,085	26	117,905	18
J P Morgan Cash Account	15,544	2	45,116	7
	<u>823,433</u>	100	661,013	100
Cash held directly by the Corporation	2,644		4,295	
	<u>826,077</u>		<u>665,308</u>	

All investments were held on behalf of the Corporation by the Master Custodian, J P Morgan Investor Services Limited. For the year ended 30 June 2011, the gross return on the investment of funds was 12.98% (2010: 16.88%). The balances in the above table include cash, receivables and payables held with the individual managers.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

The above investments were held at the reporting date in the following categories:

	2011		2010	
	\$'000	%	\$'000	%
<b>Current investments</b>				
Australian Fixed Interest	237,118	29	204,802	31
Overseas Fixed Interest	146,468	18	128,585	19
Australian Equities	173,620	21	135,868	20
Overseas Equities	144,014	17	97,180	15
Alternatives	40,633	5	-	-
Property Trust	66,036	8	49,462	8
Cash and cash equivalents	18,188	2	49,411	7
	<b>826,077</b>	<b>100</b>	<b>665,308</b>	<b>100</b>

	2011	2010
	\$'000	\$'000
<b>7. Provisions</b>		
Provision for reimbursements - Current	53,959	55,342
- Non-Current	823,037	687,567
	<b>876,996</b>	<b>742,909</b>
Balance at beginning of year	742,909	673,553
Reimbursement paid to coal mining employers	(45,129)	(62,790)
Write-up of provision	179,216	132,146
Balance at end of year	<b>876,996</b>	<b>742,909</b>

	2011	2010
	\$'000	\$'000
<b>8. Statement of Comprehensive Income</b>		
<b>8 (a) Revenues from Government</b>		
Revenues from Government		
- Levy Collections from Employers	119,160	97,460
- Interest	146	88
	<b>119,306</b>	<b>97,548</b>

Revenue from Government is recognised at the time the Corporation becomes entitled to receive the revenue.

<b>8 (b) Investment Revenue</b>		
Dividends	2,762	1,680
Unit Trust Distributions	48,644	36,909
Interest income – Fixed interest securities	2,099	2,438
Interest income – Deposit interest	1,795	1,494
Net realised gains on sale of investments	1,301	7,779
Investment revenue arising from changes in fair value of assets held at reporting date	35,560	41,966
	<b>92,161</b>	<b>92,266</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 June 2011**

	2011 \$'000	2010 \$'000
<b>8. Statement of Comprehensive Income continued</b>		
<b>8 (c) Investment Expenses</b>		
Investment loss arising from changes in fair value of assets held at reporting date	2,584	-
	<u>2,584</u>	<u>-</u>
<b>8 (d) Professional Services</b>		
Rendering of Services - External Parties	1,051	1,186
<i>Remuneration of Auditors:</i>	2011	2010
Amounts received, or due and receivable by:	\$	\$
Australian National Audit Office – audit of the financial statements for the reporting period	40,000	34,000
	<u>40,000</u>	<u>34,000</u>
<i>Other professional services:</i>		
PriceWaterhouseCoopers – audit of investment reporting	37,643	38,773
PriceWaterhouseCoopers – internal audit services	29,500	31,000
	<u>67,143</u>	<u>69,773</u>

No other services were provided by the Australian National Audit Office.

**8 (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.

	2011 \$	2010 \$
Remuneration received or due and receivable by Directors:	<u>40,991</u>	<u>15,732</u>

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

	Number	Number
- \$ Nil - \$14,999	<u>7</u>	<u>7</u>

**8 (f) Administration Expenses**

	2011 \$'000	2010 \$'000
Administration fees	1,425	1,278
Transition to new administration platform	573	-
	<u>1,998</u>	<u>1,278</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 9 Liabilities Not Recognised

As at 30 June 2011 the Directors are not aware of any Liability Not Recognised (2010: None). The Corporation is exempt from income tax.

#### 10 Related Party Disclosures

Directors of the Corporation

The Directors of the Corporation during the year were:

- Arthur WESTON (Chairman), Consultant – Reappointed 1/3/2010
- Steve REYNOLDS, Human Resources Manager, Wesfarmers Premier Coal – Reappointed 19/4/2011
- Glenn THOMPSON, Assistant National Secretary, Australian Manufacturing 'Workers' Union, Director CBUS and ACIRT Pty Ltd – Reappointed 28/1/2010
- Catherine BOLGER, Director, NSW APESMA – Appointment expired 29/5/2011
- Andrew VICKERS, National Secretary of CFMEU, Mining and Energy Division – Appointed 26 July 2009
- Kieran TURNER, Consultant – Appointed 30/04/2010
- Christopher POWELL, Colliery Officials Association of NSW – Appointed 30/5/2011

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

The aggregate remuneration of Directors is disclosed in Note 8(e).

#### 11 Economic Dependency

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 June 2011**

**12 Financial Instruments**

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

<b>Financial Instruments</b>	<b>Accounting Policies</b>	<b>Terms and Conditions</b>
------------------------------	----------------------------	-----------------------------

(i) Financial Assets are recognised when control over 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 Corporation's 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 is 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.
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## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 12 Financial Instruments continued

##### b) Interest Rate Risk – 30 June 2011

	Floating Interest Rate	Fixed Interest	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000
<b>30 June 2011</b>				
Cash & Cash Equivalents	20,406	-	-	20,406
Equity Investments	-	-	52,191	52,191
Unit Trusts	-	-	753,142	753,142
Receivables and Other Assets	-	-	531	531
<b>Total Financial Assets</b>	<b>20,406</b>	<b>-</b>	<b>805,864</b>	<b>826,270</b>
Trade and other Payables	-	-	547	547
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>547</b>	<b>547</b>

	Floating Interest Rate	Fixed Interest	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000
<b>30 June 2010</b>				
Cash & Cash Equivalents	50,788	-	-	50,788
Deposits held with broker margin accounts	488	-	-	488
Equity Investments	-	-	50,263	50,263
Unit Trusts	-	-	499,273	499,273
Fixed Interest	-	64,342	-	64,342
Receivables and Other Assets	-	-	419	419
<b>Total Financial Assets</b>	<b>51,276</b>	<b>64,342</b>	<b>549,955</b>	<b>665,573</b>
Trade and other Payables	-	-	358	358
Fixed Interest Futures	-	98	-	98
<b>Total Financial Liabilities</b>	<b>-</b>	<b>98</b>	<b>358</b>	<b>456</b>

The amounts disclosed in the above table are on a non-look through basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 12 Financial Instruments continued

##### c) Credit Risk Exposures

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

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

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

##### d) Categories of Financial Instruments

	Fair Value 2011 \$'000	Fair Value 2010 \$'000
<b>FINANCIAL ASSETS</b>		
<b>Amortised cost</b>		
Cash and cash equivalents	20,406	50,788
<b>Fair value through profit or loss</b>		
Equity securities	52,191	50,263
Unit Trusts	753,142	499,273
Fixed interest securities	-	64,342
<b>Loans and receivables</b>		
Loans and receivables	531	907
	<u>826,270</u>	<u>665,573</u>
<b>FINANCIAL LIABILITIES</b>		
<b>Fair value through profit or loss</b>		
Fixed Interest Futures	-	98
<b>Amortised cost</b>		
Payables	547	358
	<u>547</u>	<u>456</u>
<b>Carrying value of Net Financial Assets</b>	<b>825,723</b>	665,117
<b>Less Provisions</b>	<b>876,996</b>	742,909
<b>Carrying value of Net Assets per Balance Sheet</b>	<b>(51,273)</b>	(77,792)

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 12 Financial Instruments continued

##### e) Liquidity Risk

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

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

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

##### f) Market Risk

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

##### (i) Currency Risk

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

The currency risk demonstrates the sensitivity to a reasonably possible change in the AUD/Trade Weighted Index with all other variables held constant, on the Corporation's Profit and Loss and the Corporation's Equity. For the year ended 30 June 2011 the Corporation has no direct exposure to currency risk (2010: None).

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 12 Financial Instruments continued

##### (ii) Interest Rate Risk

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

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

At 30 June 2011, if interest rates decreased/(increased) by volatility per sector as shown in table below, with all other variables held constant, operating result and equity would have been \$18 thousand higher/(lower) (2010: \$656 thousand higher/(lower))

<b>Volatility Factor</b>	<b>+</b>	<b>-</b>
<b>30 June 2011</b>		
Australian Cash	0.1%	(0.1)%
<b>30 June 2010</b>		
Australian Cash	0.1%	(0.1)%
Australian fixed interest	1.1%	(1.1)%
<b>Impact on Net Surplus/Total Equity</b>	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2011</b>	<b>18</b>	<b>(18)</b>
30 June 2010	(656)	656

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 12 Financial Instruments continued

##### (iii) Other Price Risk

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

##### 30 June 2011

<b>Volatility Factor</b>	<b>+</b>	<b>-</b>
Australian equity securities	28.6%	(28.6)%
International equity securities	24.5%	(24.5)%
Property	19.7%	(19.7)%
Hedges	8.3%	(8.3)%
High Yield Debt	12.9%	(12.9)%

##### 30 June 2010

<b>Volatility Factor</b>	<b>+</b>	<b>-</b>
Australian equity securities	28.6%	(28.6)%
International equity securities	24.5%	(24.5)%
Property	19.7%	(19.7)%
Hedges	8.3%	(8.3)%
High Yield Debt	12.9%	(12.9)%

<b>Impact on Net Surplus/Total Equity</b>	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2011</b>	<b>115,541</b>	<b>(115,541)</b>
30 June 2010*	84,226	(84,226)

\*The Impact on Net Surplus/Total Equity at 30 June 2010 was incorrectly reported in the prior year audited financial statements as \$195,611,000/(\$195,611,000). This has been amended in the current year financial statements. This was a disclosure error and did not have an impact on the financial position or the results of the Corporation for any period previously reported on.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 30 June 2011

#### 12 Financial Instruments continued

30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Equity investments	52,191	-	-	52,191
Unit Trusts	-	566,874	186,268	753,142
	<u>52,191</u>	<u>566,874</u>	<u>186,268</u>	<u>805,333</u>
30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Equity investments	50,263	-	-	50,263
Unit Trusts	-	499,273	-	499,273
Fixed Interest Securities	-	61,375	2,967	64,342
	<u>50,263</u>	<u>560,648</u>	<u>2,967</u>	<u>613,878</u>
<b>Financial liabilities at fair value through profit or loss</b>				
Fixed Interest Futures	(98)	-	-	(98)
	<u>(98)</u>	<u>-</u>	<u>-</u>	<u>(98)</u>

#### (ii) Transfers between levels

There were no significant transfers between levels 1, 2 and 3 during the year.

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

	Fixed Interest securities \$'000	Unlisted unit trusts \$'000	Total \$'000
<b>Opening balance</b>	2,976	-	2,976
Purchases	-	183,845	183,845
Sales	(2,976)	(18)	(2,994)
Gains and losses recognised in profit or loss	-	2,441	2,441
<b>Closing balance</b>	<u>-</u>	<u>186,268</u>	<u>186,268</u>

#### 13 Contingent Liabilities and Assets

The Corporation has no contingent liabilities and assets.

#### 14 Events occurring after the reporting period

Subsequent to 30 June 2011, there have been significant falls in local and international share markets which have impacted the market value of the Corporations's investments. No adjustment has been made in the financial statements at 30 June 2011 for these events. There have been no other significant events subsequent 30 June 2011 which would impact on the financial position or the results of the Corporation.