ANNUAL REPORT 2017-2018

Long Service Corporation

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31 October 2018

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The Hon. Matthew Kean, MP
Minister for Innovation and Better Regulation
GPO Box 5341
SYDNEY NSW 2000

Dear Minister

Long Service Corporation Annual Report 2017-18

I am pleased to submit the annual report for Long Service Corporation (LSC) for the year ended 30 June 2018, for presentation to Parliament.

This report has been prepared in accordance with the *Annual Report (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983* and regulations under those Acts.

Yours sincerely

Martin Hoffman
Chief Executive Officer

Contents

Chief Executive Officer's Report

I am pleased to present the 2017-18 Annual Report for Long Service Corporation (LSC). I became the Chief Executive Officer (CEO) when the statutory body transferred from NSW Treasury to the Department of Finance, Services and Innovation (DFSI) on 1 January 2018. I would like to acknowledge and thank former CEO Michael Pratt AM, who oversaw LSC as part of NSW Treasury prior to 2018.

LSC finished the year in a strong financial position with a surplus of $153.2 million and an equity balance of $372 million. This result was driven by a number of factors, including significant growth in investment and levy revenue offset by changes to the way LSC values its scheme liabilities.

LSC's Investment Fund return of 10.8 per cent, or $123.2 million, was above the benchmark of 10.5 per cent. The fund is now valued at over $1.3 billion and includes $122 million transferred into the fund from operating bank accounts during the financial year.

Levy revenue increased by $33.6 million (21 per cent) to $194.9 million over the 2016 -17 financial year. Total expenses increased by $37.9 million (28 per cent) to $171.2 million compared to the restated expenses in 2016 -17 year. Restating expenses was required due to a change to the applied discount rate used to value scheme liabilities and resulted in an increase in expenses of $21 million for 2016 -17.

I would like to thank former Executive Director, Industrial Relations Group, Vicki Telfer, who chaired the Building and Construction Industry Long Service Payments Committee (BCI Committee) and the Contract Cleaning Industry Long Service Leave Committee (CCI Committee) for six years from 11 July 2011 to 31 December 2017. DFSI Deputy General Counsel, Mary Snell has replaced Ms Telfer as Chair of these hard working committees.

Finally, thank you to LSC Director, Kathy Skuta and the team for their continued commitment to providing exceptional customer service. The highly engaged and passionate LSC team has focused on ongoing service improvement throughout the year. This includes addressing the growing appetite for digital transactions and delivering an agile and efficient cost to service approach while progressing reforms.

I look forward to working with the team in 2018 -19 as we continue to focus on the Premier's Priority of improving customer satisfaction with government services and increasing the number of transactions conducted via digital channels while continuing to maintain a strong financial position.

Martin Hoffman
Chief Executive Officer

1. About Long Service Corporation

1.1 Who we are

LSC, a separate statutory authority and part of DFSI, was established as the Building and Construction Industry Long Service Payments Corporation in 1982. With the introduction of the *Long Service Corporation Act 2010* and the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*, the organisation's name changed to the Long Service Corporation.

LSC administers the *Building and Construction Industry Long Service Payments Act 1986* and the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* to provide portable long service payments to building and construction and contract cleaning workers in NSW.

Prior to the introduction of these schemes, many workers in the building and construction and contract cleaning industries were unable to qualify for an entitlement for leave under the *Long Service Leave Act 1955* as they did not remain with the same employer for a long enough period. The schemes administered by LSC enable workers to receive long service benefits for their service in their industry.

As at 30 June 2018, LSC provides portable long service schemes to 391,524 workers and 34,249 employers in the building and construction industry and 67,174 workers and 853 employers in the contract cleaning industry.

Our stakeholders

LSC has a diverse range of stakeholders in the building and construction and the contract cleaning industries. The organisation engages with the NSW community, government, employers, workers and third parties. LSC monitors its engagement through customer satisfaction surveys and feedback.

Stakeholders	Key issues
NSW community (Levy payers and general community)	• Levy payers: Levy payment of 0.35% on all building and construction work valued at $25,000 and above; and 1.7% of ordinary wages for the contract cleaning scheme. • General community: Information about levy rate and why we have it.
Workers (Workers, self employed workers, trade unions)	• Workers: Membership, recording service, claiming entitlements, other scheme related information and advice. • Self employed workers: Registration, recording service, claiming entitlements, other scheme related information and advice. • Trade unions: Worker advocacy, scheme coverage, scheme entitlements and industry committee membership.
Employers (Employers, employer groups/industry associations)	• Employers: Responsibilities under the acts; registration; lodging worker service returns; claiming entitlements; compliance; levy contributions, payment plans and queries. • Employer groups: Employer advocacy, scheme coverage, scheme entitlements and industry committee membership.
Third parties (Private certifiers, suppliers, interstate schemes, tax agents)	• Private certifiers: Regulation, policy and payment arrangements within the building and construction scheme. • Suppliers: Policy, procedures and payment arrangements. • Interstate schemes: National Reciprocal Agreement (NRA), national cooperation initiatives. • Tax agents: Submitting returns for self employed workers in the building and construction scheme.
Government (Local government, government agencies)	• Local government: Levy collection agent, scheme information for the building and construction scheme. • Government agencies contracting work in both industries: Responsibilities under the acts.

1.2 Legislation administered

LSC administers acts and regulations on behalf of the Minister for Innovation and Better Regulation. The following acts and regulations constitute the primary legislation which governs LSC's core business:

- *Building and Construction Industry Long Service Payments Act 1986 No 19;*
- *Building and Construction Industry Long Service Payments Regulation 2017;*
- *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010 No 122;*
- *Contract Cleaning Industry (Portable Long Service Leave Scheme) Regulation 2017; and*
- *Long Service Corporation Act 2010 No 123.*

1.3 What we do

Our functions

- Ensuring industry workers are registered in the scheme and recording service.
- Ensuring industry employers are aware of their obligations and complying with the scheme.
- Collecting the long service levy and managing the fund.
- Paying claims to workers and employers.
- Marketing the scheme to the participating NSW industries.

Our structure

LSC has four core business areas:

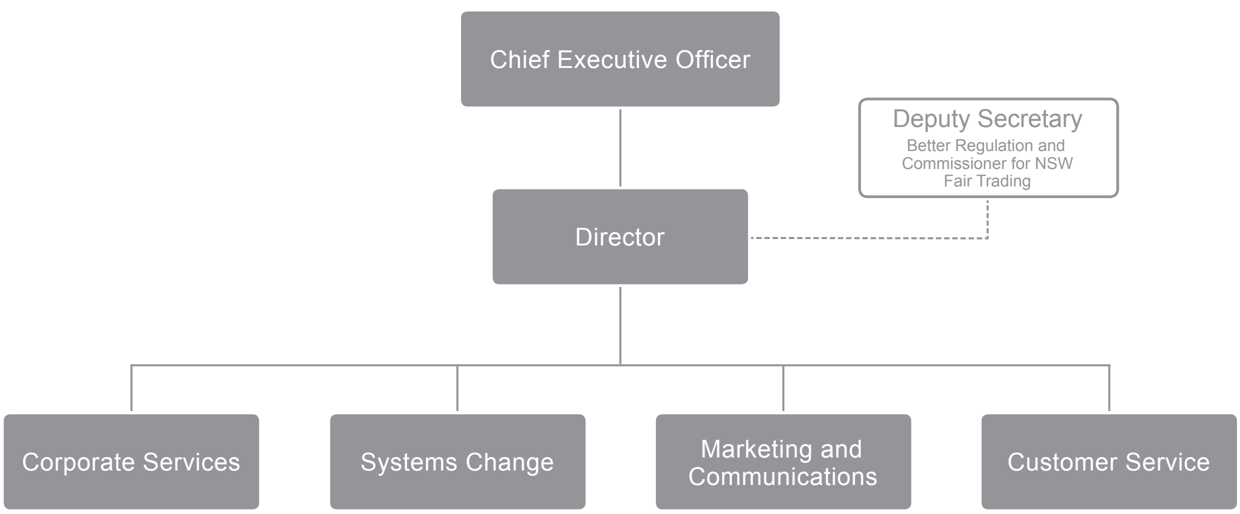
Corporate Services – provides on-going support services of financial management; budgeting; levy collection; audit and risk management; committee secretariat; records, assets and facilities management; procurement and contract management; and information security management.

Systems Change – implements new core Information and Communication Technology (ICT) systems, including the New Integrated Leave System (NILS) ICT projects and improvements to current legacy systems to deliver service improvements in the short term.

Marketing and Communications – manages business planning; annual reporting; marketing campaigns; internal and external communication; and website, intranet and digital media management.

Customer Service – delivers frontline service to customers including quality assurance; initiatives to improve and streamline client services; and compliance.

Organisational structure



1.4 Principal officers

Martin Hoffman, Chief Executive Officer (Secretary, Department of Finance Services and Innovation)
Master of Business Administration (Hons), Master of Applied Finance, Bachelor of Economics

Kathy Skuta, Director
Master of Economics, Bachelor of Commerce (Hons)

Allison Payne, Senior Manager Corporate Services
Bachelor of Business (Accounting), Grad Cert Business Administration

Chris Merry, Senior Manager Systems Change

Nicole Bauche, Manager Marketing and Communications
Bachelor of Arts (Hons Media Studies)

Liz Roberts, Senior Manager Customer Service
Diploma Management

2. Highlights and achievements

2.1 Director's report

The 2017-18 financial year was one of transformational change at LSC. We implemented a restructure of the business resulting in a new executive team with better alignment of resources to support strategic objectives and improve customer service and operations. LSC seamlessly transitioned from NSW Treasury into DFSI under the Better Regulation Division from 1 January 2018.

We also delivered on key priorities that will transform our interactions with workers and employers including:

- The completion of a high level design for a New Integrated Leave System (NILS). Consultancy firm, Capgemini, was engaged to: facilitate customer journey mapping; discover insights and pinch points through staff, key stakeholder and industry feedback; and compare best practice methods and systems used in other organisations. This high-level outcome will support the design of the new system. The NILS project is focused on delivering citizen-focused ICT services, anytime, anywhere in line with the State Priority of conducting 70 per cent of government transactions via digital channels by 2019.
- The LSC server infrastructure was moved to the Government Data Centre (GovDC) as part of a government wide initiative to centralise critical server infrastructure to highly-secure and reliable locations.
- At the time of the GovDC move, LSC also replaced its hardware and upgraded to Office 365, which provides cloud based services for Microsoft Office and further collaboration services including the use of Sharepoint.
- The dedicated team at LSC maintained their commitment to administering portable long service leave schemes to an excellent standard by responding to more than 130,000 enquiries and paying 11,744 claims.
- To better track customer satisfaction, LSC introduced a Net Promotor Score (NPS) survey as well as sought feedback through our online portals. LSC received a baseline NPS customer satisfaction score of +19 as at 30 June. We aim to improve this result year on year.

LSC commenced preparations to relocate to a new DFSI building on Mann Street, Gosford in early 2019, capping off the year of change. LSC is working closely with the DFSI's Office Accommodation Program team to ensure a smooth transition into the new premises.

I look forward to another productive year working with staff and the industry committees. LSC will continue to evolve and change to exceed our customers' expectations. Key initiatives include the NILS project and further integration with DFSI including the office relocation project, along with many other opportunities and challenges.

Kathy Skuta
Director

2.2 Review of operations

Business Plan 2017-18

Focus	Actions	Target
Our People	Implement group and corporation-wide dial-turner actions eg. Employee Voice Sessions	Improved collaboration and workplace behaviour results in 2018 survey
	Implement new team structure	New team structure implemented by 29/09/2017
	Conduct leadership training	Leadership Training completed by 29/06/2018
	Drive Performance Development Program	Performance Development Plans (PDP) in place for all staff by 29/09/2017 with ongoing conversations with staff
	Transition to DFSI from 1 Jan 2018	Regulation for the building and construction industry to be managed end to end within the same cluster
Our Customers, Services and Innovation	Conduct employer/worker surveys	Survey results demonstrate improved customer satisfaction
	Improve complaint handling	Complaint handling policy and procedures updated 29/12/2017
	Consumer feedback mechanism on website	Widget on website by 3/11/2017
	Waratah rebranding project	Rebranding LSC completed by 29/06/2018
	Website improvements	Website platform that improves customer experience
	New Integrated Leave System (NILS) schemes project	NILS schemes high level design completion by 29/06/2018
	Alternative levy payment options	Levy payment options process completed by 29/06/2018
	Online claims, Document Verification Service (DVS), Coverage Index (subject to review)	Program Board review completed
	Amend Building and Construction Industry (BCI) levy rate	Levy rate amendment options reviewed
	Contract Cleaning Industry (CCI) project scheme update	CCI scheme correctly administered
Our Governance, Regulation and Finance	Deliver Annual Report	Deliver Annual Report on schedule to Secretary by 13/10/2017
	CCI unregistered employers project	Employers with more than 20 workers targeted for compliance by 29/06/2018
	Information Security Management System (ISMS) implementation	Securely maintain confidential and sensitive data/ISMS review completed by 29/06/2018
	Penetration testing	Security gaps identified and remediated by 29/06/2018
	Implement New Integrated Leave System (NILS) finance project	New finance system design completed by 30/11/2017, implementation scheduled 2018-19
	GovDC migration	Implemented by 25/09/2017
	Update Council Levy Agreements	Council Levy Agreements review completed 29/06/2018
	Refresh Business Continuity Planning (BCP)	BCP plan updated by 31/10/2017 and tested by 29/12/2017
	Actuary and fund advisor tenders	Contracted by 30/04/2018
	Update Investment Strategy	Investment Strategy “health check” completed 29/06/2018
	Delegations review	Revised delegations submitted to the Secretary by 31/10/2017
	Refresh/upgrade Knowledge Base	Redesign completed by 29/06/2018

Organisational overview

- A new executive team was appointed in September 2017, following a restructure of LSC to enhance overall effectiveness and efficiency. As a result, four teams were co-located with managers in an open-plan office. Former offices were turned into meeting rooms.
- All ongoing LSC staff completed their annual PDP.
- Staff training in 2017-18 financial year included privacy, CCI statements, LeaveTrack changes and complaint handling. Managers undertook DFSI mandatory training and staff took part in a team building/ leadership day.
- A call evaluation program was implemented, which included a training strategy and creation of phone service appraisals. As part of this all Helpline staff have undergone an evaluation review.

Operations overview 2017-2018		
	BCI	CCI
New worker registrations	43,787	12,468
Workers removed from register	21,522	6,870
Total numbers of registered workers	391,524	67,174
New employer registrations approved	3,859	151
Total number of registered employers	34,249	853
Levy payment online portal	42,341	n/a
Total number of levies collected	$183.3 million	$11.6 million
Worker claims	10,215 *($72.2 million)*	116 *($0.4 million)*
Employer claims	930 *($5.3 million)*	483 *($0.8 million)*
Inbound calls to Helpline	91,980 *(across both schemes)*	
Customer enquiries by email	26,607 *(across both schemes)*	
Customer enquiries via internet	6,289 *(across both schemes)*	
Paper correspondence	15,754 *(across both schemes)*	

Compliance activity

- In March 2018, LSC commenced a major CCI compliance campaign targeting large and medium size employers in the contract cleaning industry who are not registered in the scheme. Education was provided to employers to raise awareness and understanding of their obligations, along with the assistance of a dedicated case manager to help them with lodging returns and negotiating a payment plan for outstanding levies. By 30 June 2018, new employer registrations had increased by 14 per cent with a projected eight per cent increase in new workers and levy revenue.
- A new training program was delivered to customer service staff on how to identify and report suspicious claims for BCI long service payments. As a result, there was a seven-fold increase in the number of BCI claims referred for investigation compared to 2016-17.
- One hundred and twenty-seven investigations of BCI employers and workers were conducted for suspected ineligible service and claims. These resulted in the cancellation of 191 workers and 1,005 years of service with an estimated saving of $1.1 million.
- Investigations of suspicious claims resulted in six briefs of evidence being referred to NSW Police for prosecution for fraud.
- Targeting of projects with unpaid BCI levies identified, by data matching with construction databases, resulted in the recovery of $2.57 million.

2.3 Committees - Building and Construction Industry Long Service Payments Committee

The BCI Committee is constituted under the *Building and Construction Industry Long Service Payments Act 1986*. It is an advisory and appellate body, consisting of 10 part-time members appointed by the Minister and chaired by the CEO or his delegate. The BCI Committee is empowered under Section 9 of the Act to advise on administration of the Act, including matters concerning publicity, the investment of funds and the rate of the long service levy.

The Committee decides appeals lodged against LSC decisions to: reject an application for registration in the scheme made on behalf of or by workers; cancel registrations of workers in the scheme; and refuse service credits to registered workers.

It also decides appeals lodged by levy payers in relation to an assessment made of the amount of a long service levy due for construction of a building; a direction given, or refusal to give such direction, in relation to interest payable on a long service levy not paid before the due date, or extension of time for payment of a long service levy.

Apart from its legislated functions, the BCI Committee also acts as 'Customer Council' in relation to customer service standards and helps ensure that the quality and effectiveness of services meet customers' needs.

This year the BCI Committee met on four occasions, providing support and advice to LSC regarding issues such as:

- Proposed regulatory amendments to the appeals process. The new regulations became effective on 1 September 2017.
- Developing a stronger compliance focus so that all employers and workers have a greater awareness of their obligations under the legislation.
- Reviewing the scheme levy.
- Scheme coverage of workers involved in the manufacture of aluminium windows. It was determined that workers in this industry would continue to be covered under the existing arrangements.
- Developing better avenues for people from non-English speaking backgrounds to more readily access scheme information.
- Endorsing new BCI Committee procedures.

Appeals

Sections 49-54 of the Act empower the BCI Committee to determine appeals lodged by workers, employers and levy payers in relation to certain LSC decisions. Appeals are considered and determined on the basis of documentary evidence submitted by the parties involved.

There were no new appeals lodged by levy payers or employers in the 2017-18 financial year.

The Committee heard and gave consideration to 150 appeals lodged by workers.

BCI Industry Committee July 2017 - June 2018

BCI Industry Committee	Meeting attendance
Vicki Telfer (BSc, DipEd, MPA, MALP, MAICD) Executive Director, Industrial Relations Group *Chairperson - 1 July 2017 - 31 December 2017*	2 out of 2
Mary Snell (BA, LLB, MBA) Deputy Counsel, DFSI *Chairperson - 1 January 2018 - 30 June 2018*	2 out of 2
Rita Mallia (B. Economics/Law) State President, Construction Forestry Mining Energy Union (CFMEU), (Construction and General Division) NSW *Nominated by Unions NSW*	4 out of 4
Con Tsiakoulas Unions Organiser, NSW Plumbers Union *Nominated by Unions NSW*	3 out of 4
Kate Minter (BA Social Science, Masters Science) Research Officer, Unions NSW *Nominated by Unions NSW*	3 out of 4
Karen Kellock (Dip HR, Cert IV WHS, Cert IV TAE) Apprenticeship Services Manager, Masters Builders Association (MBA) of NSW *Nominated jointly by the MBA and the Australian Federation of Employers and Industries (AFEI)*	4 out of 4
Ian Jarman (Grad Dip Commerce, Grad Dip Corporate, Securities, Finance, Law, Grad Cert Public Sector Management) Industrial Officer, MBA *Nominated jointly by the MBA and the AFEI*	4 out of 4
Liza Isho (B. Laws (LLB)/B Business) Senior Workplace Relations Consultant, AFEI Associate Solicitor AFEI Legal *Nominated jointly by the MBA and the AFEI*	2 out of 4
David Castledine (B. Eng, LL,B, GAICD) CEO, Civil Contractors Federation (CCF) NSW *Directly appointed by the Minister*	2 out of 4
Brian Seidler (B. Build) Executive Director, MBA *Directly appointed by the Minister*	3 out of 4
David Bare (BE (Mat.) Business Management Certificate (General Management)) Executive Director, NSW Housing Industry Association (HIA) *Directly appointed by the Minister*	2 out of 4
Melissa Adler (B. Com, LLB) Executive Director Workplace Relations, HIA *Directly appointed by the Minister*	1 out of 4

2.3 Committees - Contract Cleaning Industry Long Service Leave Committee

The CCI Committee is constituted under the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*. It is an advisory and appellate body, consisting of eight part-time members appointed by the Minister and chaired by the CEO or his delegate. The CCI Committee is constituted under Section 9 of the Act and is empowered to determine appeals under sections 77-84 of the Act.

The Committee decides appeals lodged by workers against LSC decisions to reject an application for registration in the scheme made on behalf of or by workers, cancel registrations of workers in the scheme and apply a limit on the minimum and maximum rates of pay used to claim (where applicable).

It also decides appeals lodged by employers against LSC decisions to: reject an application for registration in the scheme by an employer; cancel registration of employers in the scheme; refuse or reject an application to register a worker; refuse to grant an exemption or revocation of an exemption from lodging a return; and refuse to grant an extension of time to pay a levy.

Apart from its legislated functions, the CCI Committee also acts as 'Customer Council' in relation to customer service standards and helps ensure that the quality and effectiveness of services meet customers' needs.

This year the CCI Committee met on three occasions, providing support and advice to LSC regarding issues such as:

- Proposed regulatory amendments to the appeals process. The new regulations became effective on 1 September 2017.
- Developing a greater awareness of industry subcontractors and identifying and registering employers not participating in the scheme to ensure compliance.
- Investigating employers with multiple outstanding returns.
- Education of workers and employers in the scheme.
- Developing better avenues for people from non-English speaking backgrounds to more readily access scheme information.
- Endorsing new CCI Committee procedures.
- Reviewing the scheme levy.

Appeals

Sections 77-84 of the Act empowers the CCI Committee to determine appeals lodged by workers and employers in relation to certain decisions. Appeals are considered and determined on the basis of documented evidence submitted by the parties involved.

There were five appeals lodged and determined this financial year.

CCI Industry Committee July 2017 - June 2018

CCI Industry Committee	Meeting attendance
Vicki Telfer (BSc, DipEd, MPA, MALP, MAICD) Executive Director, Industrial Relations Group *Chairperson - 1 July 2017 - 31 December 2017*	2 out of 2
Mary Snell (BA, LLB, MBA) Deputy Counsel, DFSI *Chairperson - 1 January 2018 - 30 June 2018*	1 out of 1
Emma Maiden (B. Economics, Dip Law) Assistant Secretary, Unions NSW *Nominated by Unions NSW*	2 out of 3
Georgia Potter-Butler (LLB/BA Barrister and Solicitor NZ) Industrial Officer, Unions NSW *Nominated by Unions NSW*	3 out of 3
Ravindra Naidoo (BA (Hons) Economics, CPA) Financial Controller, Quad Services *Nominated by the Building Service Contractors Association of Australia (BSCAA)*	1 out of 3
Nicholas Jenkinson (MBA Business Management, BA (Hons) Business & Marketing, BTEC National Diploma) State Manager, Pickwick Group *Nominated by the BSCAA*	1 out of 3
John Laws (Cert IV Assessment, Cert IV Finance Broking, Cert Personnel Administration) Executive Director, Australian Cleaning Contractors' Alliance (ACCA), Registered Contract Cleaning Manager *Nominated by the Australian Cleaning Contractors' Alliance (ACCA)*	2 out of 3
Natalie Stephens General Manager, Procare Property Services Pty Ltd, Vice President ACCA *Nominated by the ACCA*	2 out of 3
Alex Morales (BA Communications) Lead Organiser, United Voice *Nominated by United Voice*	3 out of 3
Mel Gatfield (BA Industrial Relations) Branch Secretary, United Voice *Nominated by United Voice*	3 out of 3

3. Governance

3.1 Audit and risk management and insurance activities

Audit and Risk Committee

LSC has its own independent Audit and Risk Committee (ARC) comprising of a Chair and two members. The committee meets regularly to monitor identified risks and oversee audits and reviews of LSC activities.

ARC Committee	Meeting attendance
Dr Felicity Barr PhD, MHSc, BA, FAICD, FAAG	5 out of 5
Malcolm Freame BEc, FCA, CISA, GAICD	5 out of 5
Neal O'Callaghan BEc, DipAcc, GAICD	5 out of 5

Business Continuity Management and Planning

LSC's localised Business Continuity Management (BCM) plan and its associated supporting documentation was reviewed, tested and updated in December 2017 by management and members of the business continuity teams. The transition during the year to DFSI, and in particular incorporation into BRD who also have offices in the region, has provided additional support teams for LSC to access should an incident occur. LSC has subsequently been included in the performance and review of BRD Business Continuity Plan.

Compliance, Risk, Assurance Management System

LSC's identified risks and controls are maintained in the Protecht ERM Risk, Compliance and Assurance software management system. During the year LSC established its own version of Protecht ERM, removing its previous reliance on the NSW Treasury's instance. Relevant staff within LSC received training on the operation of Protecht ERM.

Risk assessment

Similar to last financial year, strategic and operational risk workshops were conducted with management to identify and assess LSC's material risks and their associated controls.

All LSC's major IT projects undergo monthly risk reviews and assessments, with updates provided to the relevant steering committee and the ARC on changes to risk ratings and the progress of any mitigation strategies and actions.

A risk report is also provided regularly to the ARC on risks rated significant and above as well as new and emerging risks.

Insurance

LSC has insurance in place to cover all its assets and major risks. Insurance policies include workers' compensation, building contents (including office equipment), motor vehicles and public liability. These policies are held with the NSW Government's self-insurance scheme, the Treasury Managed Fund (TMF).

The TMF Premium Incentive Scheme encourages effective risk management. Agencies that manage risk well receive lower premiums, while those with poor risk management are penalised.

LSC's initial insurance premiums for 2017-18 totalled $28,972 (2016-17: $26,427).

To minimise the likelihood and impact of workplace injury, LSC's workers compensation risks are actively managed with pre-emptive six monthly workplace inspections, early intervention and a Work Health and Safety Committee.

3.2 Internal Audit and Risk Management Attestation Statement for 2017-18

Internal Audit and Risk Management Attestation Statement for the 2017-18 Financial Year for Long Service Corporation (LSC)

I, Martin Hoffman, am of the opinion that the LSC has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core requirements	For Each requirement please specify whether compliant, non-compliant, or in transition
Risk Management Framework	
1.1 the agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal Audit Function	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Audit and Risk Committee are:

- **Independent Chair**: Felicity Barr, appointed July 2013 (initially as a member until July 2017, when she was appointed as Chair), extended in February 2015 to 31 July 2019
- **Independent Member**: Neal O'Callaghan, appointed July 2013, extended in July 2016 to 1 August 2020
- **Independent Member**[1]: Malcolm Freame, appointed July 2017 for a period of three years, with an option to extend by another two.

29/8/18

Martin Hoffman,
DFSI Secretary, LSC Chief Executive Officer

[1] Due to a machinery of government change, LSC moved from NSW Treasury to NSW Department of Finance Services and Innovation on 01 January 2018. As a result, through no fault of his own, Mr Freame ceased to meet the definition of independent as per TPP 15-03. Subsequently (20 June 2018), Minister Kean granted an exception to Mr Freame with regards to the independence provision under the policy until 31 December 2018 at which time he will again meet the definition of independent.

3.3 Digital Information Security Annual Attestation Statement for 2017-18

Digital Information Security Annual Attestation Statement for the 2017-2018 Financial Year for the Long Service Corporation

I, Martin Hoffman, am of the opinion that the Long Service Corporation had an Information Security Management System in place during the 2017-2018 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of the Long Service Corporation are adequate, subject to remediation activities focused on the findings identified by KPMG's review in 2017, of which have largely been addressed, with remaining remediation activities planned for the 2018-2019 financial year.

Risks to the digital information and digital information systems of the Long Service Corporation have been assessed against the ISMS being developed in accordance with the NSW Government Digital Information Security Policy.

12/9/17

Martin Hoffman
Secretary

CEO, Long Service Corporation

3.4 Accessing LSC information

Government Information (Public Access) Act 2009

All Government Information (Public Access) (GIPA) and privacy matters relating to LSC are handled by DFSI Ministerial Services. DFSI GIPA policy and reporting is conducted and reported by the department.

Privacy and Personal Information Protection Act 1998

LSC respects the privacy of members of the public who use our services and of our employees. In accordance with section 33 of the *Privacy and Personal Information Protection Act 1998*, LSC has a Privacy Management Plan in place with a copy provided to the Privacy Commissioner. No applications have been received for internal review of conduct under Part 5 of the Act. A statement of data collected, data source, purposes and authority for collection of personal data was also supplied to the Privacy Commissioner.

Induction of new staff includes training on policies and guidelines for protecting personal information and privacy, particularly for staff on the Helpline. Online training modules on privacy requirements are available and ongoing face-to-face training is provided to staff each year to ensure the protection of our customer's information.

LSC's formal complaint mechanism encompasses situations where customers have grievances in respect to requirements of the Act.

4. Financial performance summary

REVENUE AND EXPENSES

Financial year to date, revenue from all sources amounted to $324.4 million, whilst expenditure amounted to $171.2 million. This resulted in a net result of $153.2 million.

The actual net result was greater than budget by $121.1 million, primarily due to the following:

	$'000
• Increased return on TCorp Hour-Glass investment facilities, including LSCIFT	53,253
• Increased collection of levies from both Schemes	45,516
• Decreased finance cost due to unwinding of discount rate	31,362
• Increased long service claim expense	(8,010)
• Decreased personnel services expense	2,126
• Increase in consulting and contractor expenses	(1,241)
• Increased other expenses	(1,941)
	121,066

BUDGET FORECAST AND RESULT	Actual 2017-18 $'000	Budget 2017-18 $'000	Budget 2018-19 $'000
Expenses excluding losses			
Operating expenses			
Personnel services	5,734	7,860	8,258
Other operating expenses	135,487	124,225	126,805
Depreciation and amortisation	215	225	427
Finance costs	29,805	61,167	66,869
TOTAL EXPENSES EXCLUDING LOSSES	**171,241**	**193,477**	**202,359**
Revenue			
Investment revenue	129,337	76,084	88,945
Retained taxes, fees and fines	194,862	149,346	154,476
Other revenue	192	132	134
Total Revenue	**324,392**	**225,562**	**243,555**
NET RESULT	**153,151**	**32,085**	**41,196***

* 2018-19 Budget has not been updated to reflect change in interpretation of AASB 137, with regards to the calculation of the discount rate used in measuring the scheme liabilities.

FINANCIAL TRENDS	Actual 2013-14 $'000	Actual 2014-15 $'000	Restated 2015-16 $'000	Restated 2016-17 $'000	Actual 2017-18 $'000
Expenses excluding losses					
Operating expenses					
Personnel services	6,779	7,514	11,992	4,226	5,734
Other operating expenses	66,623	68,151	275,882	107,108	135,487
Depreciation and amortisation	224	233	152	122	215
Finance costs	53,416	56,684	28,186	21,910	29,805
TOTAL EXPENSES EXCLUDING LOSSES	**127,042**	**132,582**	**316,212**	**133,366**	**171,241**
Revenue					
Investment revenue	97,659	94,436	30,231	117,565	129,337
Retained taxes, fees and fines	121,374	144,498	165,630	161,282	194,862
Other revenue	87	112	140	173	192
Total Revenue	**219,120**	**239,046**	**196,001**	**279,020**	**324,392**
Gain/(loss) on disposal	-	15		(29)	-
NET RESULT (DEFICIT)SURPLUS	**92,078**	**106,479**	**(120,211)**	**145,625**	**153,151**

FINANCIAL POSITION

The principal assets continue to be investments of $1,548.5 million, in the NSW Treasury Corporation (TCorp) Long Term Growth Facility and the Treasury Banking System and the principal liabilities are the estimates for the Provision for Scheme Liabilities of $1,067.8 million as assessed by actuarial consultants. Equity improved with accumulated funds of $372 million at 30 June 2018 . This year, the measurement requirements in the accounting framework has been considered, and advice received, determined the market yield on Commonwealth Bonds best meet the requirements of the Accounting Standards. Consistent with this, the Corporation applied a discount rate of 2.6% at 30 June 2018, 2.6% at 30 June 2017 and 2.0% at 1 July 2016 to measure its scheme liabilities. Applying these rates resulted in a reduction to previously reported equity in the amount of $147,481 million, over the last two reporting periods. Please refer to Note 15 to the Financial Statements for details of significant non cash gains affecting this year's result.

INVESTMENTS

The Corporation invested its funds in the "Long Term Growth" Long Service Corporation Facilities Trust administered by TCorp using external managers under contract to TCorp and the Treasury Banking System.

The following table shows the movement in funds within these facilities and indicates the rate of return compared with the benchmark return. (Note: Below table excludes working capital as cash held at bank.)

	BALANCE ON HAND AS AT		INVESTMENT PERFORMANCE		BENCH MARK
FUND CATEGORIES	**30 JUNE 2018 $'000**	**30 JUNE 2017 $'000**	**INCOME $'000**	**RETURN %**	**RETURN %**
Long term growth	1,327,493	1,082,280	123,213	10.79	10.51
Cash	-	-	-	-	-
Term Deposits	221,000	221,000	2,290	2.63	2.63
TOTAL	1,548,493	1,303,280	125,503		

ACCOUNTS PAYABLE PERFORMANCE

Aged analysis at end of each quarter		Current (within due date) $'000	Less than 30 days overdue $'000	Between 30 and 60 days overdue $'000	Between 61 and 90 days overdue $'000	More than 90 days overdue $'000
All suppliers						
	Sep-17	1,328,224	-	-	-	-
	Dec-17	1,396,113	-	-	-	-
	Mar-18	1,027,707	-	-	-	-
	Jun-18	667,766	-	-	-	-
Small business suppliers						
	Sep-17	24,645	-	-	-	-
	Dec-17	26,319	-	-	-	-
	Mar-18	73,009		-	-	-
	Jun-18	19,401	-	-	-	-

Note: Although Small business registration with the Corporation commenced in January 2012 in accordance with NSWTC 11/12, payments have been tracked from July 2011. A small business is defined as an Australian or New Zealand business with annual turnover of less than $2 Million dollars.

Accounts due or paid within each quarter

Measure	**Sep-17**	**Dec-17**	**Mar-18**	**Jun-18**
All suppliers				
Number of accounts due for payment	285	252	162	263
Number of accounts paid on time	285	252	162	263
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment	1,328,224	1,396,113	657,292	667,766
Dollar amount of accounts paid on time	1,328,224	1,396,113	657,292	667,766
Actual percentage of accounts paid on time (based on $)	100%	100%	100%	100%
Number of payments for interest on overdue accounts	Nil	Nil	Nil	Nil
Interest paid on overdue accounts	Nil	Nil	Nil	Nil
Small business suppliers				
Number of accounts due for payment	27	23	22	28
Number of accounts paid on time	27	23	22	28
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment	24,645	26,319	36,063	19,401
Dollar amount of accounts paid on time	24,645	26,319	36,063	19,401
(based on $)	100%	100%	100%	100%
Number of payments for interest on overdue accounts	Nil	Nil	Nil	Nil
Interest paid on overdue accounts	Nil	Nil	Nil	Nil

Commentary

The Corporation has a policy of payments to all suppliers within 14 days from receipt of a correctly rendered invoice. This is better than the Government directive of 30 days per NSWTC11/12.

The Corporation has not been required to make interest payments to small business in the financial year.

5. Financial statements

5.1 Statement of Chief Executive Officer

LONG SERVICE CORPORATION

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

STATEMENT BY CHIEF EXECUTIVE OFFICER

LONG SERVICE CORPORATION

Under Section 41C of the *Public Finance and Audit Act, 1983,* I state that in my opinion:

The accompanying financial statements and notes thereto exhibit a true and fair view of the financial position and financial performance of the Long Service Corporation as at 30 June 2018.

The financial statements have been prepared in accordance with the provisions of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and the Treasurer's Directions.

Further, I am not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

Martin Hoffman
Chief Executive Officer, Long Service Corporation

26 September 2018

INDEPENDENT AUDITOR'S REPORT

Long Service Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Long Service Corporation (the Corporation) which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Other information comprises the information included in the Corporation’s annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor’s Report thereon. The Chief Executive Officer of the Corporation is responsible for the other information. At the date of this Independent Auditor’s Report, the other information I have received comprise the Statement by the Chief Executive Officer.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive Officer’s Responsibilities for the Financial Statements

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Corporation will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor’s Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor’s report.

My opinion does *not* provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

David Daniels
Director, Financial Audit

27 September 2018
SYDNEY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Statement of Comprehensive Income
for the year ended 30th June 2018

	Notes	Actual 2018 $'000	Budget 2018 $'000	Restated Actual 2017* $'000
Expenses excluding losses				
Personnel services	2(a)	5,734	7,860	4,226
Operating expenses	2(b)	135,487	124,225	107,108
Depreciation and amortisation	2(c)	215	225	122
Finance costs	2(d)	29,805	61,167	21,910
TOTAL EXPENSES EXCLUDING LOSSES		**171,241**	**193,477**	**133,366**
Revenue				
Investment revenue	3(a)	129,337	76,084	117,565
Retained taxes, fees and fines	3(b)	194,862	149,346	161,282
Other revenue	3(c)	192	132	173
TOTAL REVENUE		**324,392**	**225,562**	**279,020**
OPERATING RESULT		**153,151**	**32,085**	**145,654**
loss on disposal	4	-	-	(29)
NET RESULT		153,151	32,085	145,625
TOTAL COMPREHENSIVE INCOME		**153,151**	**32,085**	**145,625**

The accompanying notes form part of these financial statements.

** Certain amounts do not correspond to the 2017 financial statements. See note 12(d) for details regarding the restatement.*

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Statement of Financial Position
as at 30th June 2018

	Notes	Actual 2018 $'000	Budget 2018 $'000	Restated Actual 2017 * $'000	Restated 1 July 2016 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	5	50,455	50,789	64,229	36,790
Receivables	6	9,788	9,382	10,047	9,731
Financial assets at fair value	7	221,000	-	221,000	-
Total Current Assets		**281,244**	**60,171**	**295,276**	**46,521**
Non-Current Assets					
Financial assets at fair value	7	1,327,493	1,442,415	1,082,280	1,137,719
Property, plant and equipment					
- Plant and equipment	8	186	361	189	63
Intangible assets	9	411	2,331	458	156
Total Non-Current Assets		**1,328,090**	**1,445,107**	**1,082,927**	**1,137,938**
Total Assets		**1,609,333**	**1,505,278**	**1,378,203**	**1,184,459**
LIABILITIES					
Current Liabilities					
Payables	11	2,583	2,688	2,664	1,899
Provisions	12	1,046,155	942,062	981,767	766,686
Total Current Liabilities		**1,048,738**	**944,750**	**984,431**	**768,585**
Non-Current Liabilities					
Provisions	12	188,589	187,562	174,917	342,644
Total Non-Current Liabilities		**188,589**	**187,562**	**174,917**	**342,644**
Total Liabilities		**1,237,327**	**1,132,312**	**1,159,348**	**1,111,229**
NET ASSETS		**372,006**	**372,966**	**218,855**	**73,230**
EQUITY					
Accumulated Funds		372,006	372,966	218,855	73,230
Total Equity		**372,006**	**372,966**	**218,855**	**73,230**

The accompanying notes form part of these financial statements.

** Certain amounts do not correspond to the 2017 financial statements. See note 12(d) for details regarding the restatement.*

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Statement of Changes in Equity
for the year ended 30th June 2018

	Notes	Accumulated Funds $'000
Balance at 1 July 2017		**366,336**
Prior period adjustment - As a result of change in Discount Rate	**12(d)**	(147,481)
Restated balance as at 1 July 2017		**218,855**
Net result for the year		153,151
Total comprehensive income for the year		**153,151**
Balance at 30 June 2018		**372,006**
Balance at 1 July 2016		**241,648**
Prior period adjustment - As a result of change in Discount Rate	**12(d)**	(168,418)
Restated balance as at 1 July 2016		**73,230**
Net result for the year		145,625
Total comprehensive income for the year		**145,625**
Balance at 30 June 2017 (Restated)*		**218,855**

The accompanying notes form part of these financial statements.

** Certain amounts do not correspond to the 2017 financial statements. See note 12(d) for details regarding the restatement.*

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Statement of Cash Flows
for the year ended 30th June 2018

	Notes	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Personnel services		(5,734)	(7,860)	(7,280)
Long Service Scheme Claims paid		(78,802)	(81,377)	(73,285)
Other		(9,834)	(8,146)	(5,702)
Total Payments		**(94,371)**	**(97,383)**	**(86,267)**
Receipts				
Interest received		5,350	8,999	917
Retained taxes, fees and fines		194,043	149,467	162,349
Other		3,370	2,043	2,004
Total Receipts		**202,763**	**160,509**	**165,270**
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	**108,392**	**63,126**	**79,003**
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		-	7	-
Purchases of plant and equipment		(70)	(303)	(171)
Purchases of investments		(122,001)	(60,492)	(51,000)
Other		(96)	(1,894)	(408)
NET CASH FLOWS FROM/(TO) INVESTING ACTIVITIES		**(122,166)**	**(62,682)**	**(51,579)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowing and advances		-	-	-
Repayment of borrowing and advances		-	-	
NET CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(13,774)**	**444**	**27,424**
Opening cash and cash equivalents		64,229	50,347	36,805
CLOSING CASH AND CASH EQUIVALENTS	5	**50,455**	**50,791**	**64,229**

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Notes to the financial statements

1. Statement of Significant Accounting Policies

(a) **Reporting entity**

The Long Service Corporation (Corporation) is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The Corporation is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The Corporation has its principal office at 19-21 Watt Street, Gosford, and administers the *Building and Construction Industry Long Service Payments Act 1986* and *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*. These Acts provide portable long service payments schemes to building and construction workers and contract cleaning workers in NSW.

The Corporation holds 100% of units issued by the Long Service Corporation Investment Fund (LSCIFT), an investment facility managed by the New South Wales Treasury Corporation (TCorp) at its principal office at Level 7, Deutsche Bank Place, 126 Phillip Street, Sydney, NSW 2000 . The Corporation controls the LSCIFT, making the Corporation a parent entity for reporting purposes.

These financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive Officer on 26 September 2018.

(b) **Basis of preparation**

The Corporation's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015,* and
- the Financial Reporting Directions mandated by the Treasurer.

The Corporation's financial statements are separate financial statements in accordance with AASB 127 'Separate Financial Statements'. The Corporation has applied the exemption from producing consolidated financial statements available under paragraphs 4(a) and Aus4.1 of AASB 10 'Consolidated Financial Statements'.

The Corporation accounts for its investment in its subsidiary, the LSCIFT, by initially measuring the investment at fair value and subsequently classifying the investment as measured at fair value on the basis of the Corporation's business model for managing the investment. Gains or losses are recognised in profit or loss.

Plant and equipment, and financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Corporations presentation and functional currency.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- amount of GST incurred by the entity as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Comparative information

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

(f) Changes in accounting policies, including new and revised AAS

(i) Effective for the first time in 2017-18

There were no new Accounting Standards or Interpretations applied for the first time in 2017-18, which materially impacted the financial performance or position of the Corporation. The accounting policies applied in 2017-18 are consistent with those applied in the previous financial year.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new AAS, unless Treasury determines otherwise.
Certain new standards and interpretations have recently been issued or amended but are not yet effective for the current reporting year. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

The following new Accounting Standards have not been applied and are not yet effective:

- *AASB 9 Financial Instruments*
- *AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding Revenue from Contracts with Customers*
- *AASB 16 Leases*
- *AASB 17 Insurance Contracts*
- *AASB 1058 Income of Not-for-profit Entities*
- *AASB 2016-7 Amendments to Australian Accounting Standards – Deferral AASB15 for not-for-profit entities*
- *AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for-Profit Entities*

(g) Going Concern

The Corporation has adopted the going concern basis, as it is cash flow positive and has adequate resources to pay its liabilities as and when they become payable. In addition to this the Government has the ability to alter the levy rates and legislation in order to increase revenue streams.

2. *Expenses Excluding Losses*

(a) Personnel services expenses

The Corporation received personnel services from NSW Treasury for the period 1st July 2017 to 31st December 2017 and as a result of Machinery of Government changes, for the period 1st January 2018 to 30th June 2018 from the Department of Finance, Services and Innovation to resource the Corporation. The Corporation recognises the relevant employee related expenses associated with this arrangement as follows:

	2018 $'000	2017 $'000
Salaries and wages (including annual leave)	**6,103**	5,950
Salaries - voluntary redundancy	**(44)**	635
Superannuation – defined benefit plans *	**(1,458)**	(3,409)
Superannuation – defined contribution plans	**499**	478
Long service leave provision	**181**	180
Payroll tax and fringe benefits tax	**400**	384
Workers' compensation insurance	**53**	8
Total Personnel services expense	**5,734**	4,226

The amount of Personnel services expense that has been capitalised, and therefore excluded from the above is $0.00 (2017 $0.00)

	2018	2017
* Superannuation – defined benefit plans		
Defined benefit plans – contributions	**172**	201
Defined benefit plans – liability adjustments	**(1,630)**	(3,610)
Total Superannuation – defined benefit plans	**(1,458)**	(3,409)

Superannuation net actuarial gain of $2.6 million (2017: $2.5 m gain) in respect of personnel who are members of defined benefit superannuation plans, are recognised directly in the Net Result. The actuarial gain and loss in the respective years was impacted by changes in the discount rate used to determine the present value of the defined benefit obligations. AASB 119 together with TC 11/17 mandate the yield on Commonwealth Bond (10yr) as the discount rate. This rate increased from 1.99% at 30 June 2016 to 2.62% at 30 June 2017 then increased to 2.65% at 30 June 2018.

(b) Other operating expenses including the following:

	Notes	2018 $'000	2017 $'000
Auditors remuneration - audit of financial statements		**86**	82
Claims paid		**78,802**	73,285
Liability expense		**50,049**	28,965
Increase in provision due to change in discount rate		**-**	
Long service expense	12 (b)	**128,851**	102,250
Operating lease rental expense			
- minimum lease payment		**553**	346
Insurance		**10**	10
Consultants		**1,655**	1,361
Contractors		**328**	280
Computing		**1,631**	994
Marketing		**20**	75
Travel		**26**	23
Occupancy - outgoings, electricity, cleaning and maintenance		**169**	157
Long service levy commissions		**446**	458
Service agreements		**600**	125
Other administrative expenses		**1,110**	947
Other Operating Expenses		**6,549**	4,776
Total other operating expenses		**135,487**	107,108

Recognition and Measurement

Insurance

The Corporation's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience.

Operating Leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term. Existing operating leases relate to leasing premises at 19-21 Watt Street, Gosford, 2-10 Valentine Avenue Parramatta and small items of plant and equipment.
The Corporation is not a party to any finance lease.

(c) Depreciation and amortisation expense

	2018 $'000	2017 $'000
Depreciation		
- Plant and equipment	**0**	7
- Computer equipment	**59**	23
- Motor vehicles	**7**	14
- Leasehold improvements	**5**	1
	72	45
Amortisation		
- Computer software	**143**	77
	143	77
Total depreciation and amortisation expense	**215**	122

Recognition and Measurement

Depreciation of plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation.

All material separately identifiable components of assets are depreciated over their useful lives.

Motor vehicles and plant and equipment are depreciated over five years and computer equipment is depreciated over three years. The Corporation's leasehold improvements are considered to have a useful life equivalent to the un-expired period of the lease.

Intangible assets

The Corporation's intangible assets which comprise computer software are amortised using the straight line method over a period of three or five years.

(d) Finance costs

	Notes	2018 $'000	2017 Restated $'000
Unwinding of discount rate	12 (b)	**29,805**	21,910
		29,805	21,910

Refer Note 12(b)(i) for detail on changes to the discount rate used for the 2018 and 2017 years.

Recognition and Measurement

Finance costs

Scheme liabilities are valued using AASB 137 Provisions, Contingent Liabilities and Contingent Assets, which provides that the increase in a provision resulting from the unwinding of the discount rate is to be recognised as a borrowing cost. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW GGS entities.

3. *Revenue*

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(a) Investment revenue	2018 $'000	2017 $'000
Interest revenue from financial assets not at fair value through profit or loss - Bank interest	**6,125**	3,004
Fair value movements from financial assets at fair value - TCorp IM Long Term Growth Fund	**123,213**	114,561
	129,337	117,565

Investment Revenue

New South Wales Treasury Corporation (TCorp) administers the Corporation's investment funds through its IM Long Term Growth Fund. Investment income comprises interest and changes in the unit value of the Corporation's investments in TCorp IM Long Term Growth Fund. Interest income is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

(b) Retained taxes, fees and fines

	2018 $'000	2017 $'000
Long service levy income	**196,883**	163,007
Long service levy refunds	**(2,021)**	(1,725)
	194,862	161,282

Retained taxes, fees and fines (Long Service Levy Income)

In relation to the Building and Construction Industry a levy is applied at the rate of 0.35% on the value of building and construction of $25,000 or above. Long Service Levy income is recognised when it is received or receivable by the Corporation or the Local Government Councils acting in their capacity as agents.

In relation to the Contract Cleaning Industry, a levy is applied at the rate of 1.7% of the cost of wages paid to workers in that industry. Employers are required to lodge returns on a quarterly basis. Long service levy income is recognised as these returns are lodged with the Corporation on an accruals basis, e.g. income applicable to employer returns received in July for the June quarter are recognised as levy income in June.

(c) Other Revenue

	2018 $'000	2017 $'000
Miscellaneous income	**192**	173
	192	**173**

Other Revenue

Other revenue consists of miscellaneous income that is recognised as it accrues.

4. *Gain / (Loss) on disposal*

	2018 $'000	2017 $'000
Gain / (Loss) on disposal of plant and equipment	**-**	(29)
	-	(29)

5. *Current Assets - Cash and Cash Equivalents*

	2018 $'000	2017 $'000
Cash at bank and on hand	**50,455**	64,229
	50,455	64,229

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

	2018 $'000	2017 $'000
Cash and cash equivalents (per statement of financial position)	**50,455**	64,229
Closing Cash and cash equivalents (per statement of cash flows)	**50,455**	64,229

Refer Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. *Current Assets - Receivables*

	2018	2017
Current	**$'000**	**$'000**
Retained taxes, fees and fines	**8,548**	7,652
Other	**980**	2,272
Less: Allowance for impairment	**(53)**	(53)
Prepayments	**313**	176
	9,788	**10,047**

	2018	2017
Movement in the allowance for impairment	**$'000**	**$'000**
Balance at 1 July	**(53)**	(53)
Amounts written off	**1**	2
Amounts recovered	**-**	-
(Increase) / decrease in allowance recognised in profit and loss	**(1)**	(2)
Balance at 30 June	**(53)**	**(53)**

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 19.

Recognition and Measurement

Receivables

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Receivables, including trade receivables, prepayments etc. are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process. Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Impairment

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The Corporation first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year. Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

7. *Current/Non-Current Assets - Financial Assets at Fair Value*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in net result.

The Corporation determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available- for -sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Current	**2018**	**2017**
TCorp - investments	**$'000**	**$'000**
Bank term deposits	**221,000**	221,000
Non-Current		
TCorp - IM Long Term Growth Fund		
LSC investment facility trust - LSCIFT	**1,327,493**	1,082,280
	1,548,493	**1,303,280**

Refer Note 19 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial instruments.

Recognition and Measurement

All ‘regular way’ purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially and subsequently measured at fair value. Gains or losses on these assets are recognised in the net result for the year. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments under AASB 139.

The movement in the fair value of the LSCIFT, incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

8. ***Non-Current Assets - Plant and Equipment***

	Plant and Equipment	Leasehold Improve-ments	Computer Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2017 - fair value					
Gross carrying amount	282	968	368	99	**1,717**
Accumulated depreciation and impairment	(281)	(962)	(203)	(82)	**(1,527)**
Net carrying amount	**2**	**6**	**165**	**17**	**189**
At 30 June 2018 - fair value					
Gross carrying amount	282	968	290	99	**1,638**
Accumulated depreciation and impairment	(281)	(968)	(115)	(89)	**(1,452)**
Net carrying amount	**1**	**0**	**175**	**10**	**186**

Reconciliation

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting period is set out below:

Year ended 30 June 2018					
Net carrying amount at beginning of year	2	6	165	17	**189**
Additions	-	-	69	-	**69**
Disposals	-	-	-	-	**-**
Adjustments for disposals	-	-	-	-	**-**
Depreciation expense	(0)	(5)	(59)	(7)	**(72)**
Net carrying amount at end of year	**1**	**0**	**175**	**10**	**186**

	Plant and Equipment	Leasehold Improve-ments	Computer Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2016 - fair value					
Gross carrying amount	282	961	205	99	1,546
Accumulated depreciation and impairment	(274)	(961)	(180)	(68)	(1,483)
Net carrying amount	8	-	24	31	63
At 30 June 2017 - fair value					
Gross carrying amount	282	968	368	99	1,716
Accumulated depreciation and impairment	(281)	(962)	(203)	(82)	(1,528)
Net carrying amount	1	6	165	17	189

Reconciliation

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the previous reporting period is set out below:

	Plant and Equipment	Leasehold Improve-ments	Computer Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2017					
Net carrying amount at beginning of year	8	-	24	31	63
Additions	-	7	163	-	170
Disposals	-	-	-	-	-
Adjustments for disposals	-	-	-	-	-
Depreciation expense	(6)	(1)	(23)	(14)	(44)
Net carrying amount at end of year	2	6	165	17	189

Details regarding the fair value measurement of plant and equipment are disclosed in Note 10.

Recognition and Measurement

(i) ***Acquisitions of plant and equipment***

Plant and equipment are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted over the period of credit.

(ii) ***Capitalisation thresholds***

Plant, equipment and intangible assets costing $5,000 and above individually (or forming part of a network costing more than $5,000) are capitalised.

(iii) ***Revaluation of plant and equipment***

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment.

All of the Corporation’s assets are non-specialised assets with short useful lives and are measured at depreciated historical cost, as an approximation of fair value. The Corporation has assessed that any difference between fair value and depreciated historical cost is unlikely to be material. Also refer Note 10 for further information regarding fair value.

(iv) ***Impairment of plant and equipment***

As a not-for-profit Corporation with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. Since plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets for not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

9. *Intangible Assets*

Software

	$'000
At 1 July 2017	
Cost (gross carrying amount)	**2,835**
Accumulated amortisation and impairment	**(2,377)**
Net carrying amount	**458**
At 30 June 2018	
Cost (gross carrying amount)	**2,932**
Accumulated amortisation and impairment	**(2,521)**
Net carrying amount	**411**
Year ended 30 June 2018	
Net carrying amount at beginning of year	**458**
Additions - externally acquired	**96**
- internally developed	**-**
Disposals	**-**
Adjustments for disposals	**-**
Amortisation	**(143)**
Net carrying amount at end of year	**411**

	$'000
At 1 July 2016	
Cost (gross carrying amount)	2,485
Accumulated amortisation and impairment	(2,329)
Net carrying amount	156
At 30 June 2017	
Cost (gross carrying amount)	2,835
Accumulated amortisation and impairment	(2,377)
Net carrying amount	458
Year ended 30 June 2017	
Net carrying amount at beginning of year	156
Additions - externally acquired	408
- internally developed	-
Disposals	-
Adjustments for disposals	(29)
Amortisation	(77)
Net carrying amount at end of year	458

Recognition and Measurement
Intangible assets

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

The Corporation's intangible assets which comprise computer software are amortised using the straight line method over a period of three or five years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

10. ***Fair value measurement of Non-Financial Assets***
Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:
Level 1 - quoted (unadjusted) prices in active markets for identical assets / liabilities that the Corporation can access at the measurement date.
Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
Level 3 – inputs that are not based on observable market data (unobservable inputs).

The Corporation recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

All of the Corporation's Plant and Equipment assets are measured at historical cost less accumulated depreciation as a surrogate for fair value because the assets are non-specialised assets and any difference between fair value and depreciated historical cost is unlikely to be material. The fair value measurement base for these assets do not require fair value hierarchy disclosure.

11. *Current Liabilities - Payables*

	2018 $'000	2017 $'000
Current		
Personnel Services		
- Accrued salaries, wages and on costs	**26**	673
	26	**673**
Creditors and other accruals	**1,518**	974
Long Service Payments	**990**	973
Long Service Levy commissions	**49**	44
	2,583	**2,664**

Refer Note 19 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Recognition and measurement
Payables represent liabilities for goods and services provided to the Corporation and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

12. *Current / Non-Current Liabilities - Provisions*

Provision for Scheme Liabilities

The liability is determined by annual actuarial valuation. The assumptions used in arriving at that valuation are set out in note 12(e).

Finance costs
Scheme liabilities are valued using AASB 137 Provisions, Contingent Liabilities and Contingent Assets, which provides that the increase in a provision resulting from the unwinding of the discount rate is to be recognised as a borrowing cost.

Current	**Note**	2018 $'000	2017 $'000
Personnel services			
- Annual leave *		**543**	686
- Long service leave **		**2,456**	2,562
	12(a)(i)	**2,999**	**3,248**
Scheme liability *** (Restated)	12(b)(i)	**1,043,000**	978,440
Provision for levy refund	12(g)(i)	**156**	79
		1,043,156	**978,519**
		1,046,155	**981,767**

* The current Other Provisions Personnel services included $143,567 (2017: $142,342) of annual leave entitlements accrued but not expected to be taken within 12 months

** The current Other Provisions Personnel services included $2.1 million (2017: $1.3 million) of long service leave entitlements accrued but not expected to be taken within 12 months

*** The current Other Provisions includes $1043.0 million (2017: $978.4 million) for scheme liability and although this amount represents the value for which the Corporation does not have an unconditional right to defer settlement for at least twelve months, the Corporation only expects to pay claims of $80.4 million over the next twelve months. (2017: $78.8 million)

Non-current	**Note**	**2018**	**2017**
		$'000	**$'000**
Personnel Services			
- Long service leave		**48**	39
- Unfunded superannuation liability		**5,338**	6,969
	12(a)(ii)	**5,386**	**7,008**
Scheme liability (Restated)	12(b)(ii)	**183,203**	167,909
		183,203	**167,909**
		188,589	**174,917**

	2018	2017
Aggregate Personnel services and related on costs		
Payables - current	**26**	673
Provisions - current	**2,999**	3,248
Provisions - non-current	**5,386**	7,008
	8,411	**10,929**

Refer Note 19 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

(a) Provision for Personnel services

		2018	**2017**
		$'000	**$'000**
(i)	**Current**	**2,999**	3,248
(ii)	**Non-Current**	**5,386**	7,008
		8,385	10,256
Movement in Provision			
Carrying amount at 1 July 2017		**10,256**	13,741
Net actuarial changes to defined benefit plan		**(1,630)**	**(3,610)**
Additional provisions recognised		**863**	1,156
Amounts paid		**(1,103)**	(1,031)
Carrying amount at 30 June 2018		**8,385**	10,256

(b) Provision for Scheme liability

		2018	2017
(i)	Current	**1,043,000**	978,440
(ii)	Non-current	**183,203**	167,909
		1,226,203	1,146,349

(c) Movement in Provision

30 June 2018	Notes	Building and Construction Industry $'000	Contract Cleaning Industry $'000	Total $'000
Carrying amount at 1 July 2017 (Restated)		1,105,348	41,001	**1,146,349**
Additional provisions recognised		120,842	8,010	**128,851**
Increase in provision due to change in discount rate		-	-	**-**
	2 (b)	120,842	8,010	**128,851**
Unwinding of discount rate	2 (d)	28,739	1,066	**29,805**
Claims paid		(77,550)	(1,253)	**(78,802)**
Carrying amount at 30 June 2018		1,177,379	48,824	**1,226,203**
30 June 2017				
Carrying amount at 1 July 2016 (Restated)		1,061,879	33,596	1,095,475
Additional provisions recognised		127,629	8,218	135,847
Increase in provision due to change in discount rate		(32,890)	(708)	(33,598)
	2 (b)	94,739	7,510	102,249
Unwinding of discount rate	2 (d)	21,238	672	21,910
Claims paid		(72,508)	(777)	(73,285)
Carrying amount at 30 June 2017 (Restated)		1,105,348	41,001	1,146,349

The *Long Service Corporation Act 2010* , under section 16, requires that actuarial investigations be undertaken to determine the sufficiency of the Funds and the adequacy of the long service levy rates at intervals not exceeding:

- 3 years for the *Building and Construction Industry Long Service Payments Act, 1986*
- 2 years for the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*

(d) Prior Period Correction to the valuation of scheme liabilities

Accounting standards require the Corporation to measure its scheme liabilities at the best estimate of the expenditure required to settle the obligations, and that future estimated expenditures be discounted to their present value to reflect the time value of money.

In previous years the Corporation discounted its forecast expenditures based on their expected return on investments. This rate was 6% in 2016 and 2017.

This year, the measurement requirements in the accounting framework has been considered, and advice received determined the market yield on Commonwealth Bonds best meet the requirements of the Accounting Standards. Consistent with this, the Corporation applied a discount rate of 2.6% at 30 June 2018, 2.6% at 30 June 2017 and 2.0% at 1 July 2016 to measure its scheme liabilities. Applying these rates resulted in corrections to previously reported financial statement line items, as follows:

Statement of comprehensive income	**2017 (restated) $'000**	**Adjust-ment $'000**	**2017 (previously stated) $'000**
Operating Expenses	107,108	12,776	94,332
Finance Costs	21,910	(33,713)	55,623
Total scheme expenses (restated)	129,018	(20,937)	149,955
Total comprehensive income (restated)	145,625	20,937	124,688

Statement of financial position	**2017 (restated) $'000**	**Adjust-ment $'000**	**2017 (previously stated) $'000**	**2016 (restated) $'000**	**Adjust-ment $'000**	**2016 (previously stated) $'000**
Scheme liabilities						
Current	978,440	121,505	856,935	763,463	(36,298)	799,761
Non Current	167,909	25,976	141,933	332,012	204,716	127,296
Total scheme liabilities (restated)	1,146,349	147,481	998,868	1,095,475	168,418	927,057
Statement of changes in Equity						
Accumulated Funds	218,855	(147,481)	366,336	73,230	(168,418)	241,648

If the Corporation's scheme liabilities were valued using a discount rate of 6% at 30 June 2018, then total liabilities would be $158.5 million less and accumulated funds $158.5 million more than what is reported on the Statement of Financial Position.

Statement of financial position	**2018 Risk Free rate method (2.6%) $'000**	**2018 Asset Earning method (6%) $'000**	**Impact on basis of valuation $'000**
ASSETS			
Current Assets	281,244	281,244	-
Non-Current Assets	1,328,090	1,328,090	-
Total Assets	**1,609,333**	**1,609,333**	**-**
LIABILITIES			
Scheme Current Liabilities	1,043,000	918,642	124,358
Other Current Liabilities	5,738	5,738	0
Total Current Liabilities	**1,048,738**	**924,380**	**124,358**
Scheme Non-Current Liabilities	183,203	149,111	34,092
Other Non-Current Liabilities	5,386	5,386	-
Total Non-Current Liabilities	**188,589**	**154,497**	**34,092**
Total Liabilities	**1,237,327**	**1,078,877**	**158,450**
NET ASSETS	**372,006**	**530,456**	**(158,450)**
Statement of changes in Equity			
Accumulated Funds	**372,006**	**530,456**	**(158,450)**

(e) ***Building and Construction Industry Long Service Payments Act, 1986***

A full actuarial investigation was undertaken by Professional Financial Solutions as at 30 June 2015. They have further updated this to 30 June 2018 and estimated the scheme liabilities to be as follows:

	Note	2018	2017 Restated
		$'000	$'000
AASB Valuation	(i)	**1,177,379**	1,105,348
Accrued Scheme Reserve	(ii)	**1,022,668**	961,473
Scheme Liability	(iii)	**971,903**	916,107

(i) The AASB Valuation is the expected scheme payments from the Corporation arising from service up to the valuation date and payable over the future working lifetime of the current workers, which are then discounted to the date of the valuation. In determining these payments as at 30 June 2018, the following key assumptions were made:
* Future wage increase 3.0% (2017: 3.0%)
* Rate of future accrual of service (only used to determine if workers qualify for benefit): 195 days per year (2017: 195 days per year)
* Exits due to withdrawal, retirement, death and disability: based on historical evidence (2017: same decrements)
* In service claims: based on historical evidence (2017: based on historical evidence)
* Incurred But Not Recorded Service (IBNR): 7% for active workers only (2017: 7%)
* Inforce Inactive Worker: their vested benefits
* Out of force Workers: 80% of their vested benefit (2017: 80%)
* Discount Rate 2.6% (2017: 2.6% restated). The scheme liability has been discounted at the 10 year Government bond rate. The prior year including opening balance was also restated using the changed methodology.

(ii) The Accrued Scheme Reserve is the calculation of scheme liabilities, taking into consideration the items mentioned in (i) above and discounted by the projected rate of return on the Scheme assets as determined by the actuary. The actuary uses the Accrued Scheme Reserve to assess the Corporation's funding position and for purposes of setting the recommended rate of levy payable to the Corporation.

The financial assumptions used to calculate the Accrued Scheme Reserve were:
*rate of increase in wages 3.0% per annum (2017: 3.0%)
*rate of return on assets 6.0% (2017: 6.0%)

(iii) The Scheme Liability is the amount of benefits payable if service ceased on the valuation date. Workers qualify for a leave benefit if they have attained age 55 and have at least 55 days of accumulated service credits or if they are under 55 and have at least 1,100 days of accumulated service credits.

For the purpose of the above valuations the following:

Numbers of workers were valued:

	2018	2017
Active within last two years	**243,534**	236,640
Inactive for last two years but active within two prior years	**54,193**	53,233
Inactive for four or more years	**16,679**	15,731
Total number of workers valued	**314,406**	**305,604**

Expected timing of settlement:

	2018	2017
	$'000	$'000
Not later than one year	**82,365**	74,854
Later than one year and not later than five years	**329,520**	286,775
Later than five years	**610,783**	599,844
Total	**1,022,668**	**961,473**

(f) ***Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010***

A full actuarial investigation was undertaken by Professional Financial Solutions as at 30 June 2016. They have further updated this to the 30 June 2018 and estimated the scheme liabilities to be as follows:

	Note	2018 $'000	2017 Restated $'000
AASB Valuation	(i)	**48,824**	41,001
Accrued Scheme Reserve	(ii)	**45,085**	37,395
Scheme Liability	(iii)	**40,908**	33,312

(i) The AASB Valuation is the expected scheme payments from the Corporation arising from service up to the valuation date and payable over the future working lifetime of the current workers, which are then discounted to the date of the valuation. In determining these payments as at 30 June 2018, the following key assumptions were made:
* Future wage increase: 2.5% pa plus 1% for each increasing year of age up to 40 (2017: 2.5% plus 1% for each increasing year of age up to 40)
* Rate of future accrual of service (only used to determine if a worker qualifies for a benefit): 365 days per year (2017: 365 days per year)
* Exits due to withdrawal, retirement, death and disability: based on historical evidence
* In service claims: based on historical evidence
* Incurred But Not Recorded Service (IBNR): Nil (2017:Nil)
* In Force Inactive Workers: their vested benefit (2017: Nil)
* Discount Rate 2.6% (2017: 2.6% restated). The scheme liability has been discounted at the 10 year Government bond rate. The prior year including opening balance was also restated using the changed methodology.

(ii) The Accrued Scheme Reserve is the calculation of scheme liabilities, taking into consideration the items mentioned in (i) above and discounted by the projected rate of return on the Scheme assets as determined by the actuary. The actuary uses the Accrued Scheme Reserve to assess the Corporation's funding position and for purposes of setting the recommended rate of levy payable to the Corporation.

The financial assumptions used to calculate the Accrued Scheme Reserve were:
* rate of increase in wages 2.5% pa plus 1% for each increasing year of age up to 40 (2017: 2.5% plus 1% for each increasing year of age up to 40)
* rate of return on assets 6.0% (2017: 6.0%).

(iii) The Scheme Liability is the amount of liability payable if service ceased on the valuation date and the worker has more than five years eligible service (including service prior to the commencement date).

For the purpose of the above valuations the following:

Numbers of workers were valued:

	2018	2017
Active	**28,398**	25,657
Inactive	**43,124**	40,757
Total number of workers valued	**71,522**	66,414

Expected timing of settlement:

Not later than one year	**1,612**	1,456
Later than one year and not later than five years	**9,531**	9,433
Later than five years	**33,942**	26,506
Total	**45,085**	37,395

(g) Provision for Levy Refund

		2018	2017
		$'000	**$'000**
(i)	**Current**	**156**	79
(ii)	**Non-Current**	**-**	-
		156	79

	2018	2017
Movement in Provision		
Carrying amount at 1 July 2017	**79**	114
Additional provisions recognised	**2,021**	1,725
Unused amount reversed	**-**	
Claims paid	**(1,944)**	(1,760)
Carrying amount at 30 June 2018	**156**	79

The Corporation has an obligation under section 42 of the *Building and Construction Industry Long Service Payments Act 1986* to refund monies where, upon application in the approved form, it considers the cost of erection of the building is less than previously determined.

The liability is determined from assumptions based on past experience of the Corporation's calculation of levy refunds resulting from requests for determination of the leviable costs. The provision is based on an analysis of levies paid where the value of works were significant and no determination or refund requests had been received to date.
There is a degree of uncertainty surrounding the timing of refund requests. However based on past experience of the Corporation and discussions with major levy payers there is a high likelihood that there will be an economic outflow of funds from the Corporation within the next twelve months.

De-recognition of financial assets and financial liabilities
A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or
• where substantially all the risks and rewards have been transferred or
• where the entity has not transferred substantially all the risks and rewards, if the entity has not retained control.
Where the entity has neither transferred nor retained substantially all the risks and rewards or transferred control,
A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

13. *Commitments*

	2018	2017
	$'000	**$'000**
(a) Capital Commitments		
Aggregate capital expenditure for the acquisition of software contracted for at balance date and not provided for:		
Not later than one year	**-**	262
Total (including GST)	**-**	262

The total capital commitments above include input tax credits of $0 (2017: $23,801) that are expected to be recoverable from the ATO.

	2018	2017
(b) Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	**61**	370
Later than one year and not later than five years	**-**	61
Later than five years	**-**	-
Total (including GST)	**61**	**431**

The total operating lease commitments above include input tax credits of $5,589 (2017: $39,213) that are expected to be recoverable from the ATO.

(c) Other Expenditure Commitments

Not later than one year	**1,393**	1,674
Later than one year and not later than five years	**1,467**	2,985
Total (including GST)	**2,861**	4,659

The Corporation has entered into a number of service agreements to enable it to manage IT infrustructure. The total commitments above include input tax credits of $260,047 (2017: $423,545) that are expected to be recoverable from the ATO.

14. *Contingent Liabilities and Contingent Assets*

There were no known contingent liabilities or assets as at reporting date (2017: Nil).

15. *Budget Review*

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. The Budget statement of cash flows was not reported to parliament in 2017-18 Budget Paper No.3 and instead published online at www.budget.nsw.gov.au. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

(a) Net result

The actual net result was greater than budget by $121.1 million, primarily due to the following:

	2018 $'000
• Increased return on LSCIFT investment facilities	**53,253**
• Increased collection of levies from both Schemes	**45,516**
• Decreased Personnel services expense	**2,126**
• Increased Long service expense	**(8,010)**
• Increase in Consulting and Contractor expenses	**(1,241)**
• Decreased Finance cost due to unwinding of discount rate	**31,362**
• Increased Other Expenses	**(1,941)**
	121,066

(b) Assets and liabilities

Total assets were greater than budget by $104.1 million and total liabilities were less than budget by $-105 million. This resulted in an increase in the Corporation's equity of $-1 million over budget. This was primarily due to the following:

	2018 $'000
• Increase in fair value of Tcorp IM Long Term Growth Fund	**106,078**
• Decrease in cash, receivable, plant and equipment	**(2,023)**
• Increased Scheme liability and personnel services	**(105,015)**
	(960)

(c) Cash flows

Cash availability decreased by $0.3 million against budget, this was primarily due to the following:

Net Increase in Cash Flows from operating activities due to:	
• Decrease in scheme payments and operating expenses	**3,013**
• Better than expected levy receipts due to increased compliance and increased activity in the building and construction industry	**44,576**
• Higher than expected Capital Expenditure	**2,024**
Net Decrease in Cash Flows from investing activities due to:	
• Lower than expected returns from bank interest and miscellaneous items	**(2,322)**
• Purchase of TCorp LSCIFT investment facilities	**(61,509)**
Changes in opening cash position	**13,882**
	(336)

(d) *Comparison with published budget information*

The following budget items are aggregated differently in the Statement of Comprehensive Income:

(i) Total Expenses including Losses	2018 Items $'000	Budget Items $'000
Employee Related	-	120
Other operating expenses	124,225	15,125
Subsidies and grants	-	116,839
Personnel services	7,860	-
	132,085	132,084
Depreciation and amortisation	225	225
Finance Costs	61,167	61,167
Total Expenses including Losses	193,477	193,476

16. *Reconciliation of Cash Flows from Operating Activities to Net Result*

	2018 $'000	2017 $'000
Net cash flows from operating activities	**108,392**	79,003
Plus/(minus) non-cash items:		
Depreciation and amortisation expense	**(215)**	(122)
Investment (gains) / losses	**123,987**	116,648
Long service payments liability expense	**(47,548)**	(16,150)
Provision for Levy refund	**2,021**	1,725
Finance costs	**(29,805)**	(21,910)
Net (profit) on disposal of plant and equipment	**-**	(29)
Change in asset and liabilities:		
Increase/(decrease) in receivables	**137**	57
(Increase)/decrease in payables	**(5,689)**	(4,306)
(Increase)/decrease in provisions	**1,871**	(9,291)
Net result	**153,151**	145,625

17. *Fund information*

Fund	Building & Construction Industry		Contract Cleaning Industry		Total	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
	$'000	$'000	$'000	$'000	$'000	$'000
Expenses excluding losses						
Operating expenses						
Personnel services expenses	**5,152**	3,565	**582**	661	**5,734**	4,226
Other operating expenses	**156,984**	98,861	**(21,497)**	8,247	**135,487**	107,108
Depreciation and amortisation	**195**	111	**20**	11	**215**	122
Finance costs	**(1,557)**	21,238	**31,362**	672	**29,805**	21,910
Total expenses excluding losses	**160,774**	**123,775**	**10,467**	**9,591**	**171,241**	**133,366**
Revenue						
Investment revenue	**124,856**	113,850	**4,481**	3,715	**129,337**	117,565
Retained taxes, fees and fines	**183,291**	151,451	**11,571**	9,831	**194,862**	161,282
Other revenue	**192**	173	**-**	-	**192**	173
Total Revenue	**308,340**	**265,474**	**16,052**	**13,546**	**324,392**	**279,020**
Gain/(loss) on disposal	**-**	(29)	**-**	-	**-**	(29)
Total comprehensive income	**147,566**	**141,670**	**5,585**	**3,955**	**153,151**	**145,625**

Fund	Notes	Building & Construction Industry		Contract Cleaning Industry		Total	
		2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
		$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Current Assets							
Cash and cash equivalents	**5**	**48,731**	59,254	**1,724**	4,975	**50,455**	64,229
Receivables	**6**	**6,698**	7,339	**3,090**	2,708	**9,788**	10,047
Financial assets at fair value	**7**	**211,993**	211,993	**9,007**	9,007	**221,000**	221,000
Total Current Assets		**267,422**	**278,586**	**13,821**	**16,690**	**281,243**	**295,276**
Non-Current Assets							
Financial assets at fair value	**7**	**1,277,523**	1,048,516	**49,970**	33,764	**1,327,493**	1,082,280
Plant and equipment	**8**	**186**	189	**-**	-	**186**	189
Intangible assets	**9**	**411**	458	**-**	-	**411**	458
Total Non-Current Assets		**1,278,120**	**1,049,163**	**49,970**	**33,764**	**1,328,090**	**1,082,927**
Total Assets		**1,545,542**	**1,327,749**	**63,791**	**50,454**	**1,609,333**	**1,378,203**

Fund		Building & Construction Industry		Contract Cleaning Industry		Total	
	Notes	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
		$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES							
Current Liabilities							
Payables	**11**	**2,258**	2,355	**325**	309	**2,582**	2,664
Provisions	**12**	**1,005,163**	880,161	**40,992**	25,891	**1,046,155**	906,052
Total Current Liabilities		**1,007,421**	**882,516**	**41,317**	**26,200**	**1,048,737**	**908,716**
Non-Current Liabilities							
Provisions	**12**	**180,517**	235,195	**8,072**	15,437	**188,589**	250,632
Total Non-Current Liabilities		**180,517**	**235,195**	**8,072**	**15,437**	**188,589**	**250,632**
Total Liabilities		**1,187,938**	**1,117,711**	**49,389**	**41,637**	**1,237,326**	**1,159,348**
Net Assets		**357,604**	**210,038**	**14,402**	**8,817**	**372,007**	**218,855**
EQUITY							
Accumulated Funds (Losses)		**357,604**	210,038	**14,402**	8,817	**372,006**	218,855
Total Equity		**357,604**	**210,038**	**14,402**	**8,817**	**372,006**	**218,855**

Equity

Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds and losses.

18. *Financial instruments*

The Corporation’s principal financial instruments are outlined below. These financial instruments arise directly from the Corporation’s operations or are required to finance the Corporation’s operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation’s main risks arising from financial instruments are outlined below, together with the Corporation’s objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Corporation's management, Audit and Risk Committee and external asset consultants on a continual basis.

(a) Financial instrument categories

Financial Assets Class:	Note	Category	Carrying Amount 2018 $'000	Carrying Amount 2017 $'000
Cash and cash equivalents	5	N/A	**50,455**	64,229
Financial Assets at fair value	7	Bank term deposits	**221,000**	**221,000**
	7	Financial assets at fair value through profit or loss	**1,327,493**	1,082,280

Financial Liabilities Class:	Note	Category	Carrying Amount 2018 $'000	Carrying Amount 2017 $'000
Payables *	11	Financial liabilities measured at amortised cost.	**1,593**	**1,691**

* Excludes statutory payables (not within scope of AASB 7)

The Corporation determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropraite, re-evaluates this at each financial year end.

(i) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Corporation transfers the financial asset:

* where substantially all the risks and rewards have been transferred or
* where the Corporation has not transferred substantially all the risks and rewards, if the Corporation has not retained control.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Corporations continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or canceled or expires.

(b) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(c) Credit risk

Credit risk arises when there is a possibility that the counterparties will default on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash, receivables and deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash and cash equivalents

Cash comprises cash on hand, balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorp 11 am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables

All debtors are recognised as amounts receivable at balance date. Collectability of debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Corporation will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions. No interest is earned on debtors.

The Corporation is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. Based on past experience, debtors that are not past due (2018: $Nil; 2017: Nil) and less than three months past due (2018: $550,000; 2017: $2,087,000) are not considered impaired.

The only financial assets that are past due or impaired are 'retained taxes fees and fines', and 'other' in the 'receivable' category of the statement of financial position.

Receivables	Total $'000	Past Due but not impaired $'000			Considered impaired $'000
		<3 months overdue	3-6 month overdue	>6 months overdue	
2018	775	775	-	-	0
2017	2,087	2,087	-	-	0

*The aging analysis excludes statutory receivables. (not within scope of AASB 7)

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The Corporation does not have any credit standby arrangements. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, if trade terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers the NSW TC 11/12 allows the Minister to award interest for late payment.

The table below summarises the maturity profile of the Corporation's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

	Nominal Amount	Interest Rate Exposure	Maturity Dates		
			<1 yr.	1-5 yrs.	>5 yrs.
2018	**$'000**		**$'000**	**$'000**	**$'000**
Payables	**1,593**	Non Interest Bearing	**1,593**	**-**	**-**
2017					
Payables	1,691	Non Interest Bearing	1,691	-	-

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through price risks associated with the movement in the unit price of the TCorp IM Long Term Growth Fund.
The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

The Corporation's exposure to interest rate risk arises primarily through interest bearing assets. A reasonable possible change of +/- 1% has been used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Corporation's exposure to interest rate risk is set out below.

There is no interest rate risk on term deposits as interest rates are fixed over the term of the deposit.

		$'000			
		-1%		1%	
	Carrying Amount	Net Result	Equity	Net Result	Equity
2018					
Cash and cash equivalents	50,455	(505)	-	505	-
Bank term deposits	221,000	(2,210)	-	2,210	-
2017					
Cash and cash equivalents	64,229	(642)	-	642	-
Bank term deposits	221,000	(2,210)	-	2,210	-

Currency risk

The Corporation has some foreign currency risk exposure from its investments in the TCorp IM Long Term Growth Fund. The Long Term Growth Fund investments in emerging markets, indexed and actively managed international share sector are denominated in currencies other than Australian Dollars. The agreement between the Corporation and TCorp requires the manager to effectively review the currency exposure when it arises.

Other price risk – TCorp IM Long Term Growth Fund

Exposure to 'other price risk' primarily arises through investment in the TCorp IM Long Term Growth Fund, which are held for strategic rather than trading purposes. The Corporation's only direct equity investment is in the LSCIFT. The Corporation holds units in the following cash and investment facility trusts:

Facility	Investment Sectors	Investment Horizon	2018 $'000	2017 $'000
Long Service Corporation Investment Facility Trust	Cash, money market instruments, Australian bonds, listed property, Australian and international shares	7 years and over	**1,327,493**	**1,082,280**

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp as trustee and manager for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorp IM Long Term Growth Fund limits the Corporation's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95% probability). Any change in unit price for the TCorp IM Long Term Growth Fund impacts directly on Net Result (rather than equity). A reasonably possible change is based on the percentage change in the unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility.

	Impact on Profit/Loss		
	Change in Unit price	2018 $'000	2017 $'000
Long Service Corporation Investment Facility Trust (LSCIFT)	+/-15%	**199,124**	**173,165**

(f) Fair Value measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp IM Long Term Growth Fund, which are measured at fair value. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

There are no financial instruments where the fair value differs from the carrying amount.

(ii) Fair Value recognised in the statement of financial position

The Corporation uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Derived from quoted prices in active markets for identical assets / liabilities
- Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 - Derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs).

	2018			2017
	Level 1	Level 2	Level 3	
	$'000	$'000	$'000	$'000
Financial assets at fair value				
Bank term deposits		**221,000**		**221,000**
TCorp IM Long Term Growth Fund investment facility - LSCIFT	-	**1,327,493**	-	**1,082,280**
Total	-	**1,548,493**	-	**1,303,280**

The table above only includes financial assets, as no financial liabilities were measured at fair value in the statement of financial position.

There were no transfers between level 1 and 2 during the year ended 30 June 2018.

The value of the TCorp IM Long Term Growth Fund facility is based on the market value of the underlying assets of the facility.

19. ***Related Party Disclosures***

Personnel Services

The Corporation's staff and human resource administration were provided by NSW Treasury (01/07/17 - 31/12/17) and Department of Finance, Services and Innovation (01/01/18 - Current). Payroll processing is performed by the Corporation.

The Department of Finance, Services and innovation (DFSI) is not a Special Purpose Service Entity controlled by the Corporation. In accordance with NSW Treasury Circular 15/07 "Financial Reporting and Annual Reporting Requirements Arising from Personnel Service Arrangements", a liability representing the total amount payable to DFSI is recognised in the Statement of Financial Position.

As the Corporation is not the employer, the disclosure requirements of AASB 119 Employee Benefits in respect of employee benefits do not apply. However, for clarity and transparency, the Personnel Services Provision is disaggregated in the notes to the financial statements into its major components which include Annual Leave, Long Service Leave and Unfunded Superannuation.

(a) Salaries and wages, recreation leave, sick leave and on-costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amount of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Corporation has assessed the actuarial advice based on the Corporation's circumstances and has determined that the effect of discounting is immaterial to annual leave.
Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

(b) Long service leave and superannuation

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formula specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' contributions.

(c) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

The Corporation received personnel services from both NSW Treasury and DFSI (related entities) to resource the Corporation. During the year it incurred $3.8 million from NSW Treasury, and a further $1.9 million from DFSI, and had balances owing at year end of $8.4 million.

For the Period 1 July 2017 - 31 December 2017, the Corporation incurred $109,044 in respect of the key management personnel services that were provided by the NSW Treasury.

For the Period 1 Jan 2018 - 30 June 2018, the Corporation incurred $265,084 in respect of the key management personnel services that were provided by the Department of Finance, Services and Innovation.

The Corporation's key management personnel compensation are as follows:

	2018	2017
Salaries	**136,174**	183,529
Other monetary allowances		
Non-monetary benefits		
Other long-term employee benefits	**216,620**	181,059
Post-employment benefits	**21,334**	21,652
Termination benefits		202,647
Total remuneration	**374,128**	588,887

The Corporation entered into transactions with other entities that are controlled by NSW Government. These transactions in aggregate are a significant portion of the entity's receiving of services.

- New South Wales Treasury Corporation TCorp - Long Service Corporation Investment Fund $38.3k
- Department of Finance, Services and Innovation - Provision of management services $500k, payment of rent Parramatta office $123k
- Infrastructure NSW - Payment of rent Gosford office $301k
- The Treasury - Provision of People and Culture services $114k
- NSW Self Insurance Corporation - Provision of workers compensation and general lines insurance contributions $74k

20. *Events after the reporting date*

The Corporation is not aware of any events that have occurred after balance date which are of such a significance that they need disclosure or recognition in these financial statements.

End of Audited Financial Accounts

5.8 Controlled Entity financial statements

Long Service Corporation Investment Fund
Annual Financial Report
For the year ended 30 June 2018

Contents

This financial report covers Long Service Corporation Investment Fund as an individual entity.

The Trustee of Long Service Corporation Investment Fund (ABN 73 631 375 853) is New South Wales Treasury Corporation (ABN 99 095 235 825)

	Notes	30 June 2018 $	30 June 2017 $
Investment income			
Interest income		**34,952**	53,249
Trust distribution income		**82,981,548**	68,015,867
Net gains/(losses) on financial instruments held at fair value through profit or loss	12	**42,464,269**	46,367,704
Other operating income		**-**	1,015
Total net investment income/(loss)		**125,480,769**	114,437,835
Expenses			
Interest expense		**2,925**	7,107
Trustee fees	14	**93,753**	142,789
Expense recovery fees	14	**31,084**	30,898
Custody fees		**31,660**	43,652
Transaction costs		**29,552**	51,484
Other operating expenses		**5,053**	-
Total operating expenses		**194,027**	275,930
Operating profit/(loss)		**125,286,742**	114,161,905
Finance costs attributable to unitholders			
Distributions to unitholders		**(84,919,656)**	(72,302,150)
(Increase)/decrease in net assets attributable to unitholders	5	**(40,367,086)**	(41,859,755)
Profit/(loss) for the year		**-**	-
Other comprehensive income		**-**	-
Total comprehensive income for year		**-**	-

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	30 June 2018 $	30 June 2017 $
Assets			
Cash and cash equivalents	11	**5,505,995**	1,188,186
Margin and collateral accounts		**1,234,822**	4,339,927
Receivables	9	**8,861**	4,429,503
Financial assets held at fair value through profit or loss	6	**1,322,545,885**	1,072,275,775
Total assets		**1,329,295,563**	1,082,233,391
Liabilities			
Payables	10	**59,338**	34,398
Financial liabilities held at fair value through profit or loss	7	**148,956**	398,466
Total liabilities (excluding net assets attributable to unitholders)		**208,294**	432,864
Net assets attributable to unitholders - liability	5	**1,329,087,269**	1,081,800,527

The above Statement of financial position should be read in conjunction with the accompanying notes.

Under Australian Accounting Standards, 'Net assets attributable to unitholders' is classified as a liability rather than equity. As a result, there was no equity at the start or end of the year.

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	30 June 2018 $	30 June 2017 $
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**67,013,693**	334,389,585
Purchase of financial instruments held at fair value through profit or loss		**(186,794,585)**	(166,080,909)
Trust distributions received		**2,424,085**	1,670,109
Interest received		**29,699**	52,515
Other income received		**1,318**	1,015
Interest expense paid		**(2,925)**	(7,107)
Trustee fees paid		**(84,389)**	(141,636)
Expense recovery fees paid		**(28,188)**	(30,900)
Transaction costs paid		**(29,552)**	(51,484)
Custody fees paid		**(18,980)**	(43,652)
Payment of other operating expenses		**-**	(223)
Net cash inflow/(outflow) from operating activities	15(a)	**(117,489,824)**	169,757,313
Cash flows from financing activities			
Proceeds from applications by unitholders		**122,000,000**	-
Payments for redemptions by unitholders		**-**	(170,000,000)
Net cash inflow/(outflow) from financing activities		**122,000,000**	(170,000,000)
Net increase/(decrease) in cash and cash equivalents		**4,510,176**	(242,687)
Cash and cash equivalents at the beginning of the year		**1,188,186**	1,412,064
Effects of foreign currency exchange rate changes on cash and cash equivalents		**(192,367)**	18,809
Cash and cash equivalents at the end of the year	11	**5,505,995**	1,188,186
Non-cash operating activities	15(b)	**80,557,463**	61,921,181
Non-cash financing activities	15(b)	**84,919,656**	72,302,150

The above Statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

This financial report covers Long Service Corporation Investment Fund (the "Fund") as an individual entity.

The Trustee of the Fund is New South Wales Treasury Corporation (ABN 99 095 235 825) (the "Trustee").The Trustee's registered office is Level 7, Deutsche Bank Place, 126 Phillip Street, Sydney, NSW 2000.

The Fund aims to achieve a maximum total return by investing in unlisted managed investment funds and in accordance with the provisions of the Fund Constitution.

The financial statements were authorised for issue by the directors of the Trustee on 28 September 2018. The Trustee has the power to amend and reissue the financial report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated in the following text.

(a) Basis of preparation

This financial report is a general purpose financial report which has been prepared on an accruals basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), and the requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015. The Fund is a for-profit entity for the purposes of preparing financial reports. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have determined that accounting policies adopted are appropriate to meet the needs of the unitholders.

The financial report has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Statement of financial position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date. In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. As such, the amount expected to be settled within 12 months cannot be reliably determined. All other assets and liabilities are expected to be recovered or settled within 12 months. The amounts presented in the financial statements have been rounded to the nearest dollar.

New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(b) Financial instruments

(i) Classification

The Fund's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

  These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted managed investment funds.

  Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Trustee to evaluate the information about these financial instruments on a fair value basis with other related financial information.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Classification (continued)

- Financial instruments held for trading

  These include derivative financial instruments including futures and forward foreign exchange contracts. The Fund does not designate any derivatives as hedges in a hedging relationship.

(ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value in accordance with AASB13: *Fair Value Measurement*. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting date without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in profit or loss to reflect a change in factors, including time, that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in Note 3(e) and Note 3(f).

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously (refer to Note 4 for further details).

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities. The units can be redeemed at any time for cash equal to a proportionate share of the Fund's net asset value subject to the terms of the Fund Constitution. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the Statement of financial position date if unitholders exercised their right to put the units back to the Fund.

(d) Cash and cash equivalents

For the Statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

2 Summary of significant accounting policies (continued)

(e) Investment Income

Interest income earned on cash and cash equivalents is recognised on an accrual basis.

Interest income earned on interest bearing securities is recognised using the effective interest method. This method determines the rate that discounts estimated future cash receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying value of the amount of the financial instrument.

Trust distributions are recognised on an entitlements basis.

(f) Expenses

All expenses are recognised in the Statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

The benefit of any imputation credits and foreign tax paid are passed on to unitholders as their individual circumstances allow for these to be passed on.

(h) Distributions

In accordance with the Fund Constitution, the Fund distributes its distributable income to unitholders by cash or reinvestment. The distributions are recognised in the Statement of comprehensive income as finance costs attributable to unitholders.

The distributions are determined by reference to the taxable income of the Fund. They do not include unrealised gains and losses arising from net changes in the fair value of financial assets and derivative financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible and tax free or deferred income. They also do not include realised capital losses which are retained to offset future realised capital gains.

(i) Increase/decrease in net assets attributable to unitholders

Non-distributable income is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of comprehensive income as finance costs.

(j) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for capital and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

The Trust does not isolate that portion of gains or losses on securities and derivative financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

(l) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of the last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

(m) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

(n) Applications and redemptions

Applications for and redemptions of units in the Fund are transacted at the prevailing unit price of the Fund in accordance with the provisions of the Fund Constitution.

(o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC), hence investment management fees, custodial fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(p) Use of estimates and significant judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Fund's investments are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets and derivative financial instruments is set out in Note 2(b).

The Fund holds units in other unlisted managed investment funds (refer to Note 14). The Trustee has determined that the Fund does not control these entities as the Fund does not have the power over their relevant activities.

(q) Margin and collateral accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker/counterparty and is only available to meet margin calls and mitigate the risk of financial loss from defaults.

2 Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The Trustee's assessment of the impact of these standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) *AASB 9 Financial Instruments* (and applicable amendments) (effective from 1 July 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities and the revised rules around hedge accounting and impairment. The standard is not applicable until 1 July 2018 but is available for early adoption. The Trustee does not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 also introduces a new impairment model. However, as the Fund's investments are held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 July 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends, distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have an impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

3 Financial risk management

The Fund is exposed to credit risk, liquidity risk and market risk arising from the financial instruments it holds. The Trustee is responsible for managing these risks and does so through a process of ongoing identification, measurement and monitoring.

Risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably foreseeable changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept.

This information is prepared and regularly reported to relevant parties within the Trustee.

As part of its risk management strategy, the Fund may use derivatives to manage certain risk exposures.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Trustee monitors the Fund's exposures to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

3 Financial risk management (continued)

(a) Market risk

Market risk is defined as the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Fund investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Fund buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks.

(i) Price risk

The Fund is exposed to equity securities and derivatives price risk. This arises from investments held by the Fund for which prices in the future are uncertain. These investments are classified on the Statement of financial position at fair value through profit or loss. The fair value of the investments represents the Fund's maximum price risk. The Fund mitigates price risk by diversifying exposure across a range of investment managers and markets. Benchmarks are established for each investment manager and the Trustee monitors performance and tracking errors relative to those benchmarks.

(ii) Foreign exchange risk

The Fund may hold monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in foreign exchange rates.

The table below summarises the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

	30 June 2018	30 June 2017
	AUD equivalent in exposure by currency	AUD equivalent in exposure by currency
Assets		
US Dollars	-	63,008
Euro	-	152,901
British Pounds	-	107,677
Japanese Yen	-	-
Swiss Francs	-	-
Other Currencies	-	72,598
Total assets	-	396,184

	30 June 2018	30 June 2017
	AUD equivalent in exposure by currency	AUD equivalent in exposure by currency
Liabilities		
US Dollars	**(2,299,233)**	(1,360,655)
Euro	**(243,690)**	(340,048)
British Pounds	**(34,524)**	(67,690)
Japanese Yen	**(118,036)**	(168,663)
Swiss Francs	**(146,022)**	(126,819)
Other Currencies	**(136,291)**	(185,067)
Total liabilities	**(2,977,796)**	(2,248,942)

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk is primarily measured and managed using duration.

The Fund is exposed to interest rate risk on cash and cash equivalents which is not considered material.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to market risk. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimates, having regard to a number of factors (where applicable), including historical levels of changes in interest rates and foreign exchange rates and historical movements of the Fund's investments. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Impact on operating profit/net assets attributable to unitholders			
	Price risk		**Foreign exchange risk**	
	-14%	**+14%**	**-8%**	**+8%**
	$	**$**	**$**	**$**
30 June 2018	**(185,120,894)**	**185,120,894**	**(238,926)**	**238,926**
	-16%	+16%	-9%	+9%
	$	$	$	$
30 June 2017	(171,433,824)	171,433,824	(195,098)	195,098

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Fund's maximum credit risk exposure at the end of the reporting period in relation to each class of recognised financial asset, other than equity and derivative financial instruments, is the carrying amount of those assets as indicated in the Statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

In relation to equity and derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges, or where applicable ensuring that transactions are undertaken with a large number of counterparties.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

Credit risk is not considered to be significant to the Fund except in relation to investments in debt securities.

The Fund may obtain, or provide, collateral to support amounts due under derivative transactions with certain counterparties. These arrangements are agreed between the Fund and each counterparty and take the form of annexures to the standard industry agreement governing the underlying derivative transaction.

The exposure to credit risk for cash and cash equivalents are low as all counterparties have a rating of A-1 (as determined by Standard and Poor's) or higher.

3 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow risk is the risk that future cash flows associated with financial instruments will fluctuate in amount or timing.

These risks are controlled through the Fund's investment in financial instruments which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

Financial liabilities of the Fund comprise trade and other payables, derivative financial instruments and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days of the obligation arising. Payment obligations in respect of derivative financial instruments arise and are met pursuant to their terms of issue.

Note 5 sets out how the Trustee manages net assets attributable to unitholders.

The table below details the Fund's financial liabilities into the relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows.

At 30 June 2018	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
	$	$	$	$	$
Liabilities					
Financial liabilities held for trading:					
Forward foreign exchange contracts					
Inflows	171,119	-	-	-	171,119
(Outflows)	(173,225)	-	-	-	(173,225)
Equity futures					
(Outflows)	(2,434)	(144,416)	-	-	(146,850)
Payables	(59,338)	-	-	-	(59,338)
Net assets attributable to unitholders	(1,329,087,269)	-	-	-	(1,329,087,269)
Total liabilities	(1,329,151,147)	(144,416)	-	-	(1,329,295,563)

3 Financial risk management (continued)

(d) Liquidity risk (continued)

At 30 June 2017	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
	$	$	$	$	$
Liabilities					
Financial liabilities held for trading:					
Forward foreign exchange contracts					
Inflows	54,519,172	-	-	-	54,519,172
(Outflows)	(53,841,579)	-	-	-	(53,841,579)
Equity futures					
(Outflows)	-	(67,391)	-	-	(67,391)
Interest rate futures					
(Outflows)	-	(244,287)	-	-	(244,287)
Payables	(34,398)	-	-	-	(34,398)
Net assets attributable to unitholders	(1,081,800,527)	-	-	-	(1,081,800,527)
Total liabilities	(1,081,157,332)	(311,678)	-	-	(1,081,469,010)

Units are redeemable on demand at the unitholders' option. However, the Trustee's directors do not envisage that the contractual maturity disclosed in the table is representative of the actual cash flows, as holders of these instruments typically retain them for the medium to long term.

(e) Fair value estimation

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in fair value recognised in the Statement of comprehensive income.

- Fair value in an active market

  The fair value of financial assets and liabilities traded in an active market is based on their quoted market prices at the Statement of financial position date without any deduction for estimated future selling costs. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

  The appropriate quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. A financial instrument is regarded as quoted in an investment market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Fair value in an inactive or unquoted market

  The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the Statement of financial position date taking into account current market conditions (volatility and appropriate yield curves) and the current creditworthiness of the counterparties.

3 Financial risk management (continued)

(f) Fair value measurement

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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 Trustee. The Trustee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable.

Investments in unlisted managed investment funds are recorded at the redemption value per unit as reported by the managers of such funds.

The following tables present the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2018 and 30 June 2017.

	Level 1	**Level 2**	**Level 3**	**Total**
As at 30 June 2018	**$**	**$**	**$**	**$**
Financial assets				
Financial assets held for trading:				
Forward foreign exchange contracts	-	**92,067**		**92,067**
Equity futures	**265,294**	-	-	**265,294**
Interest rate futures	**161,719**	-	-	**161,719**
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment funds	-	**1,200,584,791**	**121,442,014**	**1,322,026,805**
Total	**427,013**	**1,200,676,858**	**121,442,014**	**1,322,545,885**
Financial liabilities				
Financial liabilities held for trading:				
Forward foreign exchange contracts	-	**(2,106)**		**(2,106)**
Equity futures	**(146,850)**	-	-	**(146,850)**
Total	**(146,850)**	**(2,106)**	-	**(148,956)**

3 Financial risk management (continued)

(f) Fair value measurement (continued)

As at 30 June 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets held for trading:				
Forward foreign exchange contracts	-	746,982	-	746,982
Equity futures	526,688	-	-	526,688
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment funds	-	976,346,277	94,655,828	1,071,002,105
Total	526,688	977,093,259	94,655,828	1,072,275,775
Financial liabilities				
Financial liabilities held for trading:				
Forward foreign exchange contracts	-	(86,788)	-	(86,788)
Equity futures	(67,391)	-	-	(67,391)
Interest rate futures	(244,287)	-	-	(244,287)
Total	(311,678)	(86,788)	-	(398,466)

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

During the year ended 30 June 2018, there were nil transfers. During the year ended 30 June 2017, there were transfers of $94,655,828 from Level 2 to Level 3 of the fair value hierarchy.

Investments classified within Level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include the investments in unlisted managed investment funds that hold direct assets such as unlisted property and unlisted infrastructure, given the estimation and judgement involved in the valuation of these assets by the fund manager and their valuer.

Valuation techniques

The valuation techniques and inputs used in measuring the fair value of financial assets and liabilities are outlined in Note 2(b).

30 June 2018	**Unlisted managed investment funds** **$**
Opening balance	**94,655,828**
Purchases	**17,926,272**
Gains/(losses) recognised in the Statement of comprehensive income	**8,859,914**
Closing balance	**121,442,014**
Total unrealised gains/(losses) for the year included in the Statement of comprehensive income for financial assets held at the end of the year	**8,859,914**

3 Financial risk management (continued)

(f) Fair value measurement (continued)

30 June 2017	Unlisted managed investment funds
	$
Transfers into Level 3	94,655,828
Closing balance	94,655,828
Total unrealised gains/(losses) for the year included in the Statement of comprehensive income for financial assets and liabilities held at the end of the year	1,735,809

The following tables summarise the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

	Fair value at 30 June 2018	**Unobservable inputs**	**Reasonable possible shift +/- (absolute value)**	**Change in valuation**
	$			**$**
Unlisted managed investment funds	**121,442,014**	**Published redemption prices**	**+/-7%**	**8,500,941/ (8,500,941)**

	Fair value at 30 June 2017	Unobservable inputs	Reasonable possible shift +/- (absolute value)	Change in valuation
	$			$
Unlisted managed investment funds	94,655,828	Published redemption prices	+/-10%	9,465,583/ (9,465,583)

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are permitted to be offset and the net amount reported in the Statement of financial position where the Fund currently has a legally enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Fund enters into derivative transactions governed by master netting arrangements set out in International Swaps and Derivatives Association (ISDA) agreements between the Fund and market counterparties. In certain circumstances, such as a credit default, all outstanding transactions under the ISDA agreement are terminated, the termination value is determined and only a single net amount is payable to/receivable from a counterparty in settlement of all transactions. The Fund's ISDA agreements do not currently meet the criteria for offsetting in the Statement of financial position. This is because the Fund does not currently have a legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events. These amounts have therefore not been offset in the Statement of financial position, but have been presented separately in the following table. The column "Net amount" shows the impact on the Fund's Statement of financial position if all set off rights were exercised.

4 Offsetting financial assets and financial liabilities (continued)

30 June 2018	Gross amount of financial instruments presented in the Statement of financial position	Gross amounts not offset on the Statement of financial position: Amounts subject to master netting arrangements	Net amount excluding collateral	Cash collateral received/posted	Net amount
	$	**$**	**$**	**$**	**$**
Financial assets					
Financial assets held for trading:					
Forward foreign exchange contracts	**92,067**	**(2,106)**	**89,961**	**-**	**89,961**
Equity futures	**265,294**	**-**	**265,294**	**-**	**265,294**
Interest rate futures	**161,719**	**-**	**161,719**	**-**	**161,719**
Margin and collateral accounts	**1,234,822**	**-**	**1,234,822**	**(146,850)**	**1,087,972**
Total	**1,753,902**	**(2,106)**	**1,751,796**	**(146,850)**	**1,604,946**
Financial liabilities					
Financial liabilities held for trading:					
Forward foreign exchange contracts	**(2,106)**	**2,106**	**-**	**-**	**-**
Equity futures	**(146,850)**	**-**	**(146,850)**	**146,850**	**-**
Total	**(148,956)**	**2,106**	**(146,850)**	**146,850**	**-**

30 June 2017	Gross amount of financial instruments presented in the Statement of financial position	Gross amounts not offset on the Statement of financial position: Amounts subject to master netting arrangements	Net amount excluding collateral	Cash collateral received/posted	Net amount
	$	$	$	$	$
Financial assets					
Financial assets held for trading:					
Forward foreign exchange contracts	746,982	(86,788)	660,194	-	660,194
Equity futures	526,688	-	526,688	-	526,688
Margin and collateral accounts	4,339,927	-	4,339,927	(311,678)	4,028,249
Total	5,613,597	(86,788)	5,526,809	(311,678)	5,215,131
Financial liabilities					
Financial liabilities held for trading:					
Forward foreign exchange contracts	(86,788)	86,788	-	-	-
Equity futures	(67,391)	-	(67,391)	67,391	-
Interest rate futures	(244,287)	-	(244,287)	244,287	-
Total	(398,466)	86,788	(311,678)	(311,678)	-

5 Net assets attributable to unitholders

Movement in number of units and net assets attributable to unitholders during the year were as follows:

	Year ended			
	30 June 2018	30 June 2017	**30 June 2018**	30 June 2017
	No.	No.	**$**	$
Opening balance	**1,130,012,082**	1,228,624,936	**1,081,800,527**	1,137,638,622
Applications	**120,990,484**	-	**122,000,000**	-
Redemptions	**-**	(174,005,342)	**-**	(170,000,000)
Units issued upon reinvestment of distributions	**85,377,278**	75,392,488	**84,919,656**	72,302,150
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**40,367,086**	41,859,755
Closing balance	**1,336,379,844**	1,130,012,082	**1,329,087,269**	1,081,800,527

As stipulated in the Fund Constitution, each unit represents a right to an equal undivided interest in the Fund and does not extend to a right to the underlying assets in the Fund.

Capital Risk Management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. Net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Trustee. Under the terms of the Fund Constitution, the Trustee has the discretion to reject an application for units and may defer or adjust a redemption of units in certain circumstances.

6 Financial assets held at fair value through profit or loss

	As at	
	30 June 2018	30 June 2017
	Fair value	Fair value
	$	$
Held for trading		
Equity futures	**265,294**	526,688
Interest rate futures	**161,719**	-
Forward foreign exchange contracts	**92,067**	746,982
Total held for trading	**519,080**	1,273,670
Designated at fair value through profit or loss		
Unlisted managed investment funds	**1,322,026,805**	1,071,002,105
Total designated at fair value through profit or loss	**1,322,026,805**	1,071,002,105
Total financial assets held at fair value through profit or loss	**1,322,545,885**	1,072,275,775

7 Financial liabilities held at fair value through profit or loss

	As at	
	30 June 2018	30 June 2017
	Fair value	Fair value
	$	$
Held for trading		
Equity futures	**(146,850)**	(67,391)
Interest rate futures	**-**	(244,287)
Forward foreign exchange contracts	**(2,106)**	(86,788)
Total held for trading	**(148,956)**	(398,466)
Total financial liabilities held at fair value through profit or loss	**(148,956)**	(398,466)

8 Derivative financial instruments

In the normal course of business, the Fund may enter into transactions in various derivative financial instruments. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund's net assets attributable to unitholders.

The Fund holds the following derivative financial instruments during the year:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange.

Equity futures are contractual obligations to receive or pay a net amount based on changes in underlying securities at a future date at a specified price, established in an organised financial market.

Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Forward foreign exchange contracts

Forward foreign exchange contracts are primarily used by the Fund to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting date.

8 Derivative financial instruments (continued)

The Fund's derivative financial instruments at year end are detailed below:

30 June 2018

		Fair Value	
	Contract/notional	**Assets**	**Liabilities**
	$	**$**	**$**
Equity futures	**14,280,431**	**265,294**	**(146,850)**
Interest rate futures	**14,943,680**	**161,719**	**-**
Forward foreign exchange contracts	**4,666,608**	**92,067**	**(2,106)**
		519,080	**(148,956)**

30 June 2017

		Fair Value	
	Contract/notional	Assets	Liabilities
	$	$	$
Equity futures	(65,505,613)	526,688	(67,391)
Interest rate futures	25,125,773	-	(244,287)
Forward foreign exchange contracts	54,519,172	746,982	(86,788)
		1,273,670	(398,466)

An overview of the risk exposures relating to derivatives is included in Note 3.

9 Receivables

	As at	
	30 June 2018	30 June 2017
	$	$
Trust Distributions receivable	**-**	4,424,577
Interest receivable	**6,363**	1,110
GST receivable	**-**	3,816
Other receivables	**2,498**	-
Total	**8,861**	4,429,503

10 Payables

	As at	
	30 June 2018	30 June 2017
	$	$
Trustee fees payable	**41,519**	32,155
Expense recovery fees payable	**5,139**	2,243
Custody fees payable	**12,680**	-
Total	**59,338**	34,398

11 Cash and cash equivalents

	As at	
	30 June 2018	30 June 2017
	$	$
Cash at bank	**5,505,995**	1,188,186
Total	**5,505,995**	1,188,186

12 Net gains/(losses) on financial instruments held at fair value through profit or loss

The net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Year ended	
	30 June 2018	30 June 2017
	$	$
Financial instruments		
Net gains/(losses) on financial instruments held for trading	**891,318**	1,356,263
Net gains/(losses) on financial instruments designated at fair value through profit or loss (including foreign currency translation gains/(losses))	**41,572,951**	44,992,632
Total net gains/(losses) on financial instruments held at fair value through profit or loss (including foreign currency translation gains/(losses))	**42,464,269**	46,348,895

13 Auditor's remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2018	30 June 2017
	$	$
Audit of the financial statements	**13,266**	11,647
Total	**13,266**	11,647

Auditor's remuneration disclosed is inclusive of GST.

Audit fees are being paid for by the Trustee. To cover this and certain other expenses paid by the Trustee on behalf of the Fund, the Trustee receives expense recovery fees from the Fund as discussed in Note 14.

14 Related party transactions

Trustee

The Trustee of Long Service Corporation Investment Fund is New South Wales Treasury Corporation. Accordingly, transactions with entities related to the Trustee are disclosed below.

Ultimate parent entity

The ultimate parent entity and controlling party of the Fund is the New South Wales Government.

Key management personnel

Directors

Key management personnel includes persons who were directors of the Trustee at any time during the financial year.

Key management personnel compensation

Key management personnel compensation is paid by the Trustee. Payments made from the Fund to the Trustee do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

Other transactions

Up until his resignation on 21 July 2017, the Director of the Trustee, R Whitfield also held the position of Chief Executive Officer of Long Service Corporation. Long Service Corporation holds 100% of the units in the Fund.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

Cabinet Ministers

Cabinet Ministers of the New South Wales Government are considered to be related parties of the Fund and each State-controlled entity. There were no related party transactions with the Cabinet Ministers.

Other New South Wales Government entities

All investors of the Fund are New South Wales public sector entities. The Fund transacts with these investors in accordance with the provisions of the Fund Constitution.

Trustee fees and other transactions

Under the terms of the Fund Constitution for the Fund, the Trustee is entitled to receive trustee fees monthly.

The Trustee pays certain expenses incurred for services provided to the Fund. To cover these costs, the Trustee receives expense recovery fees from the Fund.

Transactions with related parties have taken place at arm's length and in the ordinary course of business. The transactions during the year and amounts at year end between the Fund and the Trustee were as follows:

	30 June 2018	30 June 2017
	$	$
Expense recovery fees for the year	**31,084**	30,898
Trustee fees for the year	**93,753**	142,789
Aggregate amounts payable to the Trustee at the reporting date	**46,658**	34,398

14 Related party transactions (continued)

Investments

Details of related parties investments held by the Fund, which New South Wales Treasury Corporation acts as Trustee, are set out below.

30 June 2018	**Fair value of investment**	**Interest held**	**Distributions/ interest received or receivable during the year**
	$	**%**	**$**
TCorpIM Indexed International Share (Unhedged) Fund	**88,415,431**	**15.89**	**2,302,623**
TCorpIM International Share (Unhedged) Fund	**226,902,415**	**3.58**	**14,407,565**
TCorpIM Listed Property Fund	**61,808,998**	**25.22**	**2,550,053**
TCorpIM Australian Share Fund	**342,943,275**	**6.34**	**29,052,680**
TCorp Indexed Australian Share Fund	**43,107,750**	**21.08**	**2,011,847**
TCorpIM Australian Bond Fund	**154,885,459**	**28.32**	**4,719,858**
TCorpIM Liquidity Cash Fund	**134,505,487**	**3.42**	**1,607,352**
TCorpIM Strategic Cash Fund	**10,638,536**	**1.07**	**256,175**
TCorpIM Emerging Market Share Fund	**75,895,436**	**7.12**	**16,898,936**
TCorpIM Unlisted Property Fund	**56,891,158**	**3.59**	**3,036,723**
TCorpIM Unlisted Infrastructure Fund	**64,550,856**	**6.13**	**1,613,635**
TCorpIM Multi-Asset Class Fund	**60,677,376**	**9.70**	**4,447,487**
TCorpIM International Share (Hedged) Fund	**804,628**	**0.09**	**76,624**

30 June 2017	Fair value of investment	Interest held	Distributions/ interest received or receivable during the year
	$	%	$
TCorpIM Indexed International Share (Unhedged) Fund	76,167,276	15.89	7,037,251
TCorpIM International Share (Unhedged) Fund	230,402,445	4.61	16,873,810
TCorpIM Listed Property Fund	55,374,094	27.75	4,051,793
TCorpIM Australian Share Fund	298,339,762	6.84	16,910,654
TCorp Indexed Australian Share Fund	38,137,637	21.08	6,460,979
TCorpIM Australian Bond Fund	124,943,456	25.35	3,654,142
TCorpIM Liquidity Cash Fund	18,798,905	1.18	1,661,818
TCorpIM Strategic Cash Fund	10,412,754	0.62	1,666,558
TCorpIM Emerging Market Share Fund	66,695,229	5.58	3,372,726
TCorpIM Unlisted Property Fund	51,920,019	3.66	2,368,307
TCorpIM Unlisted Infrastructure Fund	42,735,809	5.31	1,436,356
TCorpIM Multi-Asset Class Fund	51,859,553	5.00	2,290,023
TCorpIM International Share (Hedged) Fund	5,215,166	0.53	231,450

15 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2018	30 June 2017
	$	$
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	**125,286,742**	114,161,905
Net (gains)/losses on financial instruments held at fair value through profit or loss (including foreign currency translation (gains)/losses)	**(42,464,269)**	(46,367,704)
Proceeds from sale of financial instruments held at fair value through profit or loss	**67,013,693**	334,389,585
Purchases of financial instruments held at fair value through profit or loss	**(186,794,585)**	(166,080,909)
Dividends/distributions reinvested	**(80,557,463)**	(61,921,181)
Net change in receivables and other assets	**(3,935)**	(4,425,534)
Net change in accounts payables and accrued liabilities	**29,993**	1,151
Net cash inflow/(outflow) from operating activities	**(117,489,824)**	169,757,313
(b) Non-cash activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**84,919,656**	72,302,150
During the year, the following acquisitions were satisfied by participation in dividend and distribution reinvestment plan	**80,557,463**	61,921,181
	165,477,119	134,223,331

16 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements. Structured entities of the Fund include investments in related party unlisted managed investment funds as disclosed in Note 14.

The Fund has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset. Income from the structured entities are in the form of distributions. Exposure to trading assets are managed in accordance with financial risk management practices as set out in Note 3.

17 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period up to the date of signing the Annual Financial Report which would impact on the financial position of the Fund disclosed in the Statement of financial position as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

18 Contingent assets, contingent liabilities and commitments

There are no outstanding contingent assets, contingent liabilities or commitments as at 30 June 2018 (30 June 2017: Nil).

Statement by the Trustee

In the opinion of the directors of the Trustee

(a) The financial statements and notes of the Fund are in accordance with the requirements of the Fund Constitution, the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2015, and:

 (i) are properly drawn up so as to present fairly the Fund's financial position as at 30 June 2018 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the year ended on that date; and

 (ii) comply with Australian Accounting Standards and other mandatory professional reporting requirements.

(b) There are reasonable grounds to believe the Fund will be able to pay its debts as and when they become due and payable.

(c) The directors are not aware of any circumstances as at the date of this statement, which would render any particulars included in the financial report misleading or inaccurate.

This declaration is made in accordance with a resolution of the directors.

P W Chronican	D M Deverall
Director	Director

Sydney

28 September 2018

INDEPENDENT AUDITOR'S REPORT

Long Service Corporation Investment Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Long Service Corporation Investment Fund (the Fund), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- are in accordance with the requirements of the Fund's constitution.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

The Trustee's Responsibilities for the Financial Statements

The Directors of the Fund's Trustee, New South Wales Treasury Corporation, are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Fund will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

D Daniels

David Daniels
Director, Financial Audit Services

28 September 2018
SYDNEY

6. Appendices

6.1 Consultants

Consultant	Product description	Amount (excl GST) $
Consultants costing $50,000 or more		
Finance/Accounting/IT		
Australian Centre for Advanced Computing and Communication (AC3)	IT infrastructure management	92,929
C & A Merry Pty Ltd	Systems change consultant	96,025
Capgemini Australia	New Integrated Leave System (NILS) consulting	409,310
Computer Systems (Australia)	Desktop as a service (DAAS)	122,923
Dialog Information Technology	Implementation of finance system	72,765
Ernst & Young	Information security assessment	172,514
PM-Partners Group	New Integrated Leave System (NILS) Project Consulting	304,658
PricewaterhouseCoopers Securities (PWC)	Quarterly Investment Report for both schemes	87,061
Professional Financial Solutions (PFS)	Actuarial reports and advice	51,625
Riteway Solutions Group	Government Data Centre (GovDC)	470,749
Subtotal		**1,880,558**
Consultants costing less than $50,000		
Deloitte Access Economics	Impact of changes to levy collection	18,507
Gary Clarke Consulting	Probity Advisor - New Integrated Leave System (NILS)	9,500
Informotion Pty Ltd	RM8 consultant	1,800
Pure Hacking Pty Ltd	Information security consulting - New Integrated Leave System (NILS)	7,500
Superior Software for Windows (SSW)	Portal development	10,186
UQ Power	Business planning consultant	7,500
Subtotal		**54,993**
Total Expenditure on Consultants		**1,935,551**

6.2 Consumer response

LSC recorded a total of 1,229 separate feedback items during the year, including 963 complaints, 209 suggestions and 57 compliments.

This represents a significant increase in feedback recorded on previous years and is due to improved training and processes for capturing customer feedback. Nine hundred and seventy-nine (79.7 per cent) of the feedback items related to the failure of a key customer-facing system, which resulted in a review, system corrections and additional payment options being provided to levy paying customers.

It is encouraging to note that 45 of the compliments (78.9 per cent) were attributed to the quality of our customer service officers and another 9 (15.7 per cent) were about our website and online portals.

In November, the Feedback Assist widget was launched on the LSC website. The feedback widget was developed by DFSI as part of initiatives stemming from Premier's Priority 12 and provides customers consistency and efficiency on complaints management across NSW Government agencies. Since its launch, 28 feedback items have been lodged via the widget for LSC.

Online survey results from the Employer Portal at 30 June 2018: 89 per cent of 11,460 respondents stated the portal met their needs extremely or very well. Worker Portal results as at 30 June 2018: 75.5 per cent of 1,364 respondents indicated the portal met their needs extremely or very well. This survey was introduced in April 2017 and provides benchmark data for future years.

6.3 Corporate credit card use

In accordance with Treasurer's Direction 205.01-205.08, LSC certifies that corporate credit cards used by officers on behalf of LSC have complied with government requirements. LSC has two credit cards issued with a total limit of $30,000.

6.4 Diversity and inclusion policies and services

Disability Inclusion Action Plan

LSC adheres to the principles of the *Disability Inclusion Act 2014* and caters to the needs of its staff who have disabilities which impact upon their work life. LSC accommodates these staff members by providing specialised equipment, work from home opportunities, reduced work hours, easy access to the workplace and access to support services within the community.

LSC also recognises its customers with disabilities by providing easy access to its premises, a website that has been developed to ensure content is available to the widest possible audience and by ensuring positive attitudes and behaviours towards people with a disability are evident in interactions. There is also provision within the legislation which enables workers who have become incapacitated and forced to leave the building and construction or contract cleaning industries to lodge claims for service.

LSC strives to maintain conformance to W3C's Web Content Accessibility Guidelines (WCAG), acknowledging the diversity of communication methods, available technologies and abilities of internet users within the community.

Multicultural Policies and Services Program

LSC is committed to the principles of multiculturalism as outlined in the *Community Relations Commission and Principles of Multiculturalism Act 2000* by:

- A telephone translation service in community languages. This is promoted to industry and workers through information materials and to callers to the Helpline experiencing language difficulties.
- Information in 14 community languages on the reverse side of registration forms.
- Promotion of the multilingual interpreter and translation services on LSC's website.

Language services, client demographics and expenditure 2017-18			
Language	**Total**	**Percentage %**	**Amount $**
Mandarin	12	22	451
Korean	6	9	186
Spanish	4	6	106
Cantonese	1	1	27
Croatian	11	21	424
Arabic	2	4	80
Serbian	12	18	371
Farsi	1	1	27
Italian	3	7	133
Vietnamese	3	7	133
Khmer	1	1	27
Macedonian	1	1	27
Somali	1	1	27
Total	**58**	**100**	**2,016**

In-house staff: One LSC staff member received the Community Language Assistance Scheme (CLAS) allowance in the 2017-18 financial year. This staff member left the organisation in January 2018.

Settlement services

LSC provides information on the schemes it administers to workers in the building and construction and contract cleaning industries, including refugees, through industry and union engagement, site visits, marketing and communications collateral and language services.

The key multicultural strategies proposed for the following year include a review of the effectiveness of the advice and services for all cultural groups, particularly in the contract cleaning industry.

Due to the nature of our work there are limited opportunities to introduce additional initiatives for settlement services.

Workforce diversity

LSC is committed to upholding the principles of cultural diversity and the equal participation of all communities in a cohesive and multicultural NSW.

The organisation provides services to a culturally diverse community and accommodates clients by offering interpreter and translation services on our website, letterheads and Helpline.

LSC's offices are designed to ensure easy access for people with a disability, have designated quiet areas for meditation or religious practices as well as a family room.

Trends in the representation of workforce diversity groups				
Workforce diversity group	**Benchmark**	**2016[1,2]**	**2017[1,2]**	**2018[1]**
Women [3]	50%	N/A	N/A	67.1%
Aboriginal and/or Torres Strait Islander people[4]	3.3%	N/A	N/A	1.5%
People whose first language spoken as a child was not English[5]	23.2%	N/A	N/A	7.8%
People with a disability[6]	5.6%	N/A	N/A	6.3%
People with a disability requiring work-related adjustment[6]	N/A	N/A	N/A	3.2%

Note 1: Statistics are based on Workforce Profile census data as at 30 June 2016, 29 June 2017 and 28 June 2018.

Note 2: Workforce diversity statistics for 2016 and 2017 reflect LSC's current composition and may vary from those reported in previous annual reports.

Note 3: The benchmark of 50 per cent for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 4: The NSW Public Sector Aboriginal Employment Strategy 2014-17 introduced an aspirational target of 1.8 per cent by 2021 for each of the sector's salary bands. If the aspirational target of 1.8 per cent is achieved in salary bands not currently at or above 1.8 per cent, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3 per cent.

Note 5: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for people whose first language spoken as a child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2 per cent is the percentage of the NSW population born in a country where English is not the predominant language.

Note 6: In December 2017, the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7 per cent to 5.6 per cent by 2027. More information can be found in: *Jobs for People with Disability: A plan for the NSW public sector*. The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.

Trends in the distribution of workforce diversity groups				
Workforce diversity group	**Benchmark[7,8]**	**2016**	**2017**	**2018**
Women	100	N/A	N/A	98
Aboriginal and/or Torres Strait Islander people	100	N/A	N/A	N/A
People whose first language spoken as a child was not English	100	N/A	N/A	N/A
People with a disability	100	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

Note 7: A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 8: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

6.5 Employment and senior executive statistics

Human Resources

In June 2018 LSC had 66.5 full-time equivalent (FTE) employees. This equates to a headcount of 70.

Senior Executive Band	2017[1,2,3]		2018[1,2,3]	
	Female	Male	Female	Male
Band 4 (Secretary)	-	-	-	-
Band 3 (Deputy Secretary)	-	-	-	-
Band 2 (Executive Director)	-	-	-	-
Band 1/Senior Officer (Director)	1	0	1	0
Total	**1**		**1**	

Note 1: Senior Executive statistics exclude casuals, contractor/agency staff, statutory appointments, staff on secondment to other agencies and staff on long term leave without pay.

Note 2: Statistics are based on Workforce Profile Census data as at 29 June 2017 and 28 June 2018.

Note 3: All employees reported in 2017 and 2018 are appointed under the *Government Sector Employment Act 2013*. Salary band based on current assignment including those on a temporary above level assignment for more than two months.

Senior Executive Band - Average Remuneration	2017[4]	2018[4]
Band 4 (Secretary)	N/A	N/A
Band 3 (Deputy Secretary)	N/A	N/A
Band 2 (Executive Director)	N/A	N/A
Band 1/Senior Officer (Director)	$209,151	$214,380

Note 4: Salary ranges effective at the Workforce Profile census dates of 29 June 2017 and July 2018.

Staff by age	2017	2018
20 - 24 years	0	0
25 - 29 years	2	3
30 - 34 years	9	7
35 - 39 years	10	11
40 - 44 years	8	12
45 - 49 years	14	15
50 - 54 years	6	6
55 - 59 years	12	11
60 + years	6	5

Non-executive staff by classification and grade		
Grade	Actual staff numbers	Full-time equivalent
Clerk Grade 1 - 2	0	0
Clerk Grade 3 - 4	16	15.2
Clerk Grade 5 - 6	25	23.3
Clerk Grade 7 - 8	13	11
Clerk Grade 9 - 10	12	12
Clerk Grade 11 - 12	3	3

Note: Data at Census 2016.

Employee related costs 2018	
Executive	$238,100
Non-Executive	$5,647,175
Total	$5,885,275
Ratio Senior Executive	4.0%

6.6 Employment relations, policies and practices

LSC staff are employees of DFSI and all human resource services and support is provided by DFSI People and Culture (P&C) with the exception of Payroll, which is managed by LSC.

6.7 Legislative changes

There were no changes to the *Long Service Corporation Act 2010*, *Building and Construction Industry Long Service Payments Act 1986* nor the *Contract Cleaning Industry (Portable Long Service Scheme) Act 2010.*

Under the staged repeal provisions of Section 10(2) of the *Subordinate Legislation Act 1989*, the existing *Building and Construction Industry Long Service Payments Regulation 2011* and *Contract Cleaning Industry (Portable Long Service Scheme) Regulation 2011* were repealed on 1 September 2017. All required actions under the *Subordinate Legislation Act 1989* were undertaken to ensure that replacement Regulations were in place on 1 September 2017.

The major changes to both Regulations were to establish procedures for the conduct of appeals made to the relevant committees. Other changes included amendments to record keeping requirements and updating position titles. The views of industry were sought on the draft Regulations and comments were received on aspects of the construction of the Regulation which did not have a bearing on the content of the draft Regulation as proposed.

Under the *Administrative Arrangements (Administrative Changes – Miscellaneous) Order 2017*, commencing on 1 January 2018, NSW Treasury staff involved in the administration of the:

- *Building and Construction Industry Long Service Payments Act 1986;*
- *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010; and*
- *Long Service Corporation Act 2010.*

were transferred from NSW Treasury to DFSI. In addition, as a result of the *Administrative Arrangements (Administrative Changes – Miscellaneous) Order 2017*, the definition of ***Secretary*** and of ***Chief Executive Officer*** in the above acts, are to be construed as a reference to the Secretary of the DFSI.

6.8 Public interest disclosures

All staff have a responsibility to report suspected wrongdoing, including corruption; maladministration; serious and substantial waste of public money; and breaches of the GIPA Act.

The *Public Interest Disclosures Act 1994* (PID Act) is aimed at encouraging and facilitating the disclosure, in the public interest, of wrongdoing in the public sector. The reporting of suspected wrongdoing is vital to the integrity of the public sector and its ability to provide the services the NSW public deserves. LSC is committed to protecting staff that make public interest disclosures.

LSC adopts DFSI's Public Interest Disclosures Internal Reporting Policy for the Management of Public Interest Disclosures, which is consistent with the NSW Ombudsman's model policy. The policy sets out the manner in which LSC meets its obligations under the PID Act and the roles and responsibilities of staff in making and receiving public interest disclosures.

DFSI has ensured that all staff are made aware of their responsibilities under the PID Act. Mandatory training is undertaken by all staff.

In accordance with Section 4 of the *Public Interest Disclosures Regulation 2011*, the following information is provided on public interest disclosures for the period 1 July 2017 to 30 June 2018:

Section 4 of the Public Interest Disclosures Regulation 2011:	
No of public officials who made public interest disclosures to LSC	0
No of public interest disclosures received by LSC	0
Of public interest disclosures received, how many were primarily about:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
No of public interest disclosures that have been finalised in this reporting period	0

6.9 Work health and safety and injury management

LSC recognises a safe and healthy workplace is essential for all employees.

LSC provides this through management and employees working together to identify and solve workplace health and safety issues.

This is achieved through:

- Work Health and Safety Representatives monitoring workplace risks, preventative safety strategies and promoting workplace safety.
- Inspections of LSC's workplaces to ensure they reflect the commitment to maintaining a working environment which is free of actual or potential risks to health and safety of staff and visitors.

Worker compensation claims	2016	2017	2018
Accepted and ongoing claims	1	1	1

Health and wellbeing

LSC provides a range of initiatives to promote positive and sustainable health and lifestyle practices for employees including:

- Free flu vaccinations.
- Employee Assistance Program (EAP) for all staff and their immediate family.
- Information to staff on the best settings for their workstation, monitors and chairs.
- Sit/stand-up desks with adjustable monitor arms.
- Fitness Passport for staff to use local gyms and swimming pools.
- Employee resilience sessions.

6.10 Other disclosures

- LSC has no subsidiaries and has not entered into joint ventures or partnerships with any other organisations.
- LSC does not own real estate property nor was any real estate property disposed of during the year.
- There were no agreements entered into, with Multicultural NSW under the *Multicultural NSW Act 2000.*
- There were no grants made to non government community organisations.
- Officers made no overseas visits during the year.
- No research or development programs were undertaken.

6.11 Statutory reporting compliance index

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NSW GOVERNMENT
Long Service Corporation