



Long Service Corporation Annual Report 2015/2016



**Head Office**

Level 1, 19-21 Watt Street Gosford NSW 2250

Mail

Locked Bag 3000, Central Coast MC NSW 2252

Telephone

13 14 41

Internet Address

www.longservice.nsw.gov.au

Email

info@longservice.nsw.gov.au

Hours

8:30am to 5:00pm Monday to Friday

This annual report was produced wholly by Long Service Corporation officers.

There were no external production costs and the annual report is available in electronic format only.

This annual report can be accessed on the Long Service Corporation website.

Letter to the Minister

Parliament House
Macquarie Street
SYDNEY NSW 2000

The Hon Gladys Berejiklian MP
Minister for Industrial Relations

Dear Minister

In accordance with the *Annual Reports (Statutory Bodies) Act 1984*, I submit for your information and presentation to Parliament, the Annual Report for the Long Service Corporation for the financial year ended 30 June 2016.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rob', with a stylized flourish extending from the end.

Rob Whitfield
Chief Executive Officer
31st October 2016

Contents

» Letter to the Minister	03
» About Us	05
» Our Stakeholders	05
» Our Functions and Services	06
» Corporate Plan 2015/2016	07
» Chief Executive Officer's Report	08
» Principal Officers	09
» Organisational Structure	10
» Director's Report	11
» Building and Construction Industry Committee	12
» Contract Cleaning Industry Committee	14
» Good Governance	16
» Insurance	16
» Audit and Risk Management	16
» Report from the Audit and Risk Committee	17
» Internal Audit and Risk Management Attestation Statement	19
» Digital Information Security Policy (DISP) Compliance Attestation for the 2015/2016 Financial Year	20
» Financial Performance Summary	21
» Financial Statements	24
» Long Service Corporation	25
» Long Service Corporation Investment Fund	63
» Appendices	88

About Us

Established in 1982 to administer the *Building and Construction Industry Long Service Payments Act 1986* the Corporation provides a portable long service payments scheme to building and construction workers in NSW.

With the introduction of the *Long Service Corporation Act 2010* and the *Contract Cleaning Industry (Portable Long Service Scheme Leave) Act 2010*, the Corporation's name changed from the Building and Construction Industry Long Service Payments Corporation to the Long Service Corporation.

As at 30 June 2016 the Long Service Corporation provides portable long service schemes to approximately 332,615 active workers and 29,943 active employers in the building and construction industry and 59,426 active workers and 777 active employers in the contract cleaning industries.

OUR STAKEHOLDERS

The Long Service Corporation has a diverse range of stakeholders in the building and construction industry and the contract cleaning industry. The Corporation engages with the New South Wales community, government, employers, workers and third parties. The Corporation monitors its engagement through a stakeholder engagement model program, customer satisfaction surveys and feedback.

Stakeholders	Key Issues
NSW Community (Levy payers and general community)	<ul style="list-style-type: none">➤ Levy Payers: Levy payment of 0.35% on all building and construction work \$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)	<ul style="list-style-type: none">➤ Workers: membership, recording service, claiming entitlements; other scheme related information and advice➤ Self employed workers: registration, recording service, claiming entitlements, information and advice➤ Trade Unions: worker advocacy, scheme coverage, scheme entitlements and Industry Committee membership.
Employers (Employers, employer groups/industry associations)	<ul style="list-style-type: none">➤ Employers: Responsibilities under the Acts; registration, lodging worker service, returns, claiming entitlements, compliance, levy payment plans/queries➤ Employer Groups: Employer advocacy, scheme coverage, scheme entitlements and Industry Committee membership.
Third Parties (Private Certifiers, Suppliers, Interstate schemes, Tax Agents)	<ul style="list-style-type: none">➤ 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 Councils, Government agencies)	<ul style="list-style-type: none">➤ Local Government Councils: Levy collection agent, scheme information for the building and construction scheme➤ Government Agencies contracting work in both industries: Responsibilities under the Acts.

Our Functions and Services

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 SERVICES

The Services provided by the Corporation include:

- Helpline operating from 8:30am – 5:00pm Monday to Friday;
- Interpreter services offering support to our many workers and employers from non-English speaking backgrounds;
- Face to face customer service from our office located at Gosford;
- Field advisory services – inspectors are available to do site and office visits to employers to explain long service obligations, benefits and coverage queries;
- Presentations at industry events including trade evenings or association meetings;
- Advisory service to other industry stakeholders such as accountancy firms;
- Provision of an electronic return for councils.

OUR VALUES

Our staff work within a framework of clear values:

- Be professional
- Show respect
- Earn trust
- Be honest
- Be fair

OUR VISION

To increase involvement and retention of workers in participating NSW industries by providing portable Long Service entitlements.

OUR MISSION

Leverage technology to deliver **user-friendly** and **effective** portable long service schemes.

‘User Friendly’ is defined in relation to LSC customers and the nature of the service being one touch and self service (online) thus improving the customer experience.

‘Effective’ is defined in relation to services being fit for purpose, of high quality (right first time) and time efficient.

Corporate Plan 2015/2016



Chief Executive Officer's Report

I was delighted to complete my first full year in the role of Chief Executive Officer (CEO) of Long Service Corporation (LSC). I am pleased to report that the Corporation has made a number of significant improvements across key areas of its business over the past year.

People engagement was a key focus during the year with a number of workshops and training events conducted including an all team Positive Organisation seminar in May 2016. Revitalising the LSC culture and driving engagement is integral to Treasury Goal One – being sought after for the quality of our people and our advice.

The Long Service Corporation continues to benefit from the establishment of its own Investment Fund within TCorp, now valued at just under \$1.1 billion. The Corporation recorded a surplus of \$48.2 million for the financial year and continues to strengthen its financial position with equity now at \$241.6 million.

The LSC Investment Fund return of 2.7 per cent or \$28.8 million was slightly below benchmark of three per cent. Levy revenue increased by 14.6 per cent to \$165.6 million, and was offset by an increase in total expenses of 11.5 per cent to \$147.8 million.

Improvements to the LSC website and the use of social media and other electronic communication methods have resulted in better engagement with our customers. This has led to service improvements such as a significant decrease in missing service requests from workers, improved employer compliance rates and more accurate registration information. User surveys of the new worker portal launched in September 2015 show a 58 percent customer satisfaction rate with how easy the portal is to use. We will continue to work on improving customer experience with our services.

I would like to thank members of both the Building and Construction and Contract Cleaning Industry Committees for their contribution to the Corporation's business. I would also thank the LSC team for their continued commitment and drive to provide excellent service to our customers and stakeholders.

We are excited to announce the appointment of Kathy Skuta as the new Director of LSC from 1 August 2016. Kathy is a respected leader and strategist working most recently within Treasury's Commercial Group. Kathy brings a strong commitment to improving customer service and working collaboratively with our stakeholders. Under Kathy's direction I'm confident LSC will deliver great outcomes for our customers.

Rob Whitfield



Chief Executive Officer

Principal Officers (at 30 June 2016)

Rob Whitfield

BCom, Grad Dip Banking, Grad Dip Fin
Secretary
NSW Treasury
Chief Executive Officer
Long Service Corporation

Vicki Telfer

BSc, DipEd, MPA, MALP, MAICD
Executive Director
NSW Industrial Relations

Scott Warr¹

BA, MGMT
Director

Sam Soialo²

BIT, C Mgr, MBA
Deputy Director

Eric Hartge

McomPA, FIPA
Financial Controller

Paul Stalling

Dip Financial Markets, Dip Project Management
Manager Strategy, Policy and Planning

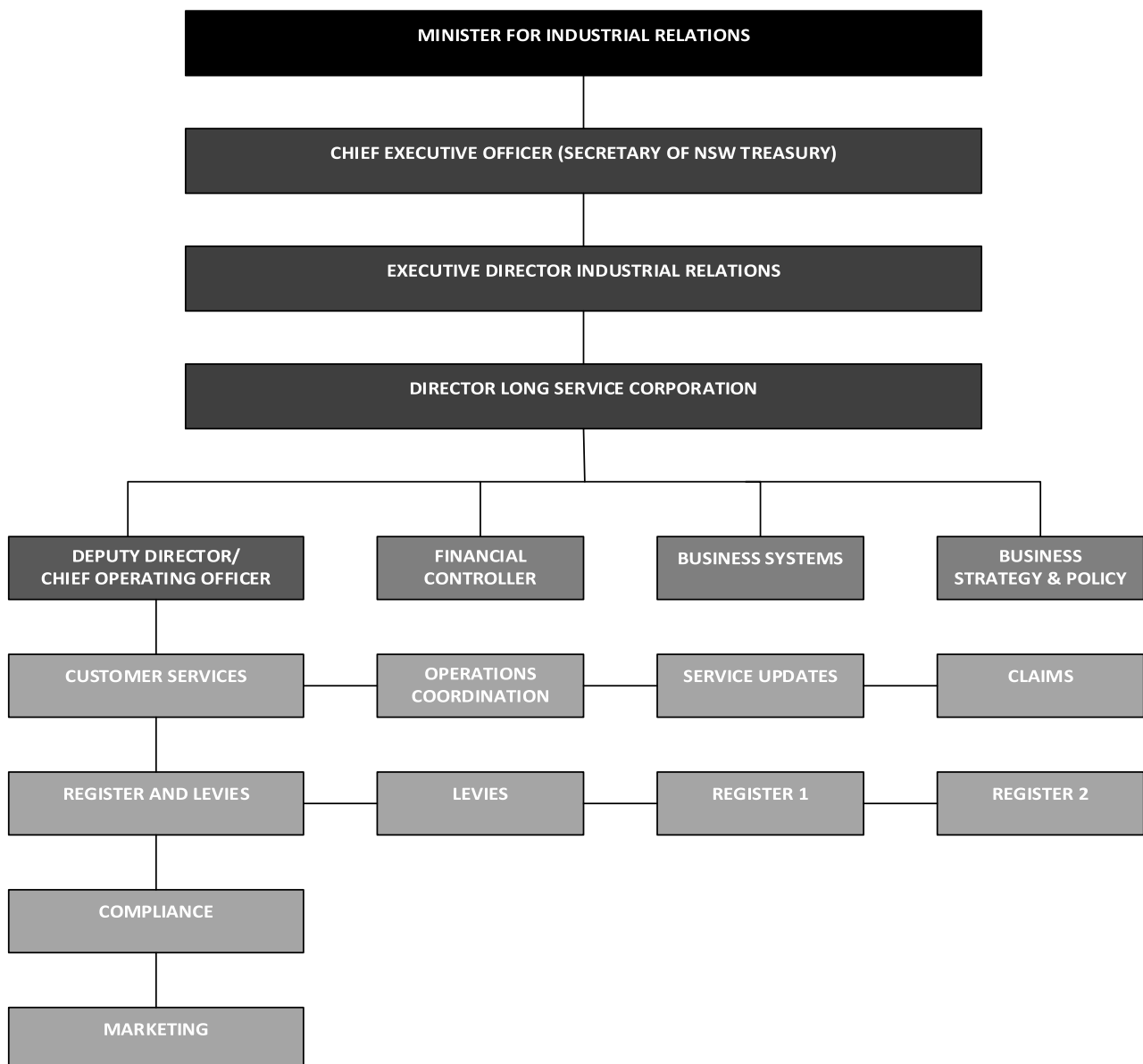
Monica Hu

HDipSA, MBA, MIS, MACS (Snr) CP
Business Systems Manager

¹ Position amended to Senior Executive Band 1 from 1 August 2016 under Government Sector Employment Act 2013.
Scott Warr vacated position on 29 July 2016. Position filled by new incumbent Kathy Skuta BCommerce (Hons), MA Economics from 1 August 2016.

² Position deleted 15 July 2016

Organisational Structure



Director's Report

In the 2015/2016 financial year, under the stewardship of Scott Warr our former Director, the Corporation continued to administer both the *Building and Construction Industry Long Service Payments Act 1986* and the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* to an excellent standard. Whilst meeting its statutory obligations, the Corporation focused on consolidating the improvement in its financial position.

The Building and Construction Industry (BCI) scheme alone saw claim payments totalling \$73 million made to 11,179 workers or their representatives and \$156 million in levies being collected. The Contract Cleaning Industry (CCI) scheme had \$10 million in levy collected this year and 253 claim payments valued at \$341,000. Staff responded to approximately 113,000 enquiries.

Highlights

An increase in levy revenue is a result of continued growth in the building and construction industry of which \$6.7 million is attributable to the Corporation's compliance activities.

Progress has been made in relation to transitioning activities from paper to online. The collection of email addresses was a crucial component of this as a driver to this reform. Since the last financial year, we have increased the number of member email addresses by 151 per cent and now have nearly 90,000 email addresses on the database.

The Corporation's New Integrated Leave System (NILS) and Government Data Centre (GovDC) information technology projects commenced in earnest. Requests for tender were released for;

- Stage One of NILS - the replacement of the Corporation's finance system with Microsoft Dynamics AX7
- The NSW GovDC project to move the Corporation's IT infrastructure and systems out from the Department of Finance, Services and Innovation data centre into a purpose-built centralised NSW Government data centre.

Once contracts are signed, work will commence for both projects in the coming year.

I would like to thank Scott Warr for his considerable contribution to the achievements of the Corporation. The new financial year brings with it many challenges and opportunities for the Corporation to build on the good work and excellent achievements of 2015/2016. I look forward to working in collaboration with our industry and other business partners to deliver improved services to workers and employers.



Kathy Skuta
Director



The Building and Construction Industry Long Service Payments Committee

(Referred to as Industry Committee)

The Industry Committee is constituted under the *Building and Construction Industry Long Service Payments Act 1986*. It is an advisory and appellate body, consisting of ten part-time members appointed by the Minister and chaired by the Chief Executive Officer. The Industry 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 Industry Committee decides appeals lodged against Corporation decisions to:

- Reject an application for registration in the scheme made on behalf of or by workers
- Cancel registrations of workers in the scheme
- Refuse service credits to registered workers

The Industry Committee also decides appeals lodged by levy payers in respect of:

- An assessment made of the amount of a long service levy due in respect of the erection 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 Committee also acts as 'Customer Council' in relation to customer service standards and helps ensure the quality and effectiveness of services meet customers' needs.

This year the Industry Committee met on three occasions.

During the year the Committee continued to provide support and advice to the Corporation regarding issues such as:

- Clarification of key definitions for Scheme coverage
- The eligibility of Supervisors in the Scheme
- Scheme coverage of workers involved in the manufacture of aluminium windows
- Potential future legislative changes
- The Corporation's investment strategy.

Appeals

Sections 49-54 of the Act empower the Industry Committee to determine appeals lodged by workers, employers and levy payers in respect of certain Corporation 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 in the 2015/2016 financial year however one appeal held over from the 2014/2015 financial year was determined. No appeals were lodged by employers.

The Committee heard and gave consideration to 289 appeals lodged by workers, including a number of appeals held over from the previous financial year.

BCI INDUSTRY COMMITTEE

CHAIRPERSON

Vicki Telfer

BSc, DipEd, MPA, MALP, MAICD

Executive Director NSW Industrial Relations
(NSWIR)

Meeting attendance: 3 out of 3

MEMBERS NOMINATED BY THE UNIONS NSW

Keryn McWhinney

Dip Ind Law

Senior Industrial Officer/Coordinator
Manager, Wage Claims Industrial Department
Construction Forestry Mining Energy Union
(CFMEU),
(Construction & General Division) NSW Branch

Meeting attendance: 3 out of 3

Paul Farrow

Aircraft Maintenance Engineer
National Organiser,
Australian Workers Union NSW

Meeting attendance: 3 out of 3

Robyn Fortescue

BA

Assistant State Secretary
Australian Manufacturing Workers Union
(AMWU)

Meeting attendance: 3 out of 3

MEMBERS DIRECTLY APPOINTED BY THE MINISTER

David Bare

**BE (Mat.) Business Management Certificate
(General Management)**

Executive Director,
NSW – Housing Industry Australia (HIA)

Meeting attendance: 3 out of 3

Melissa Adler

BCom, LLB

Executive Director Workplace Relations
Housing Industry Association (HIA)

Meeting attendance: 2 out of 3

MEMBERS DIRECTLY APPOINTED BY THE MINISTER (CONT)

David Castledine

B. Eng, LL,B, GAICD

CEO

Civil Contractors Federation (CCF) NSW

Meeting attendance: 1 out of 3

Therese Lauriola

Dip Project Management

Chief Executive Officer

Master Painters Association (MPA)

Meeting attendance: 1 out of 3

MEMBERS NOMINATED JOINTLY BY THE MASTER BUILDERS ASSOCIATION (MBA) OF NSW AND THE AUSTRALIAN FEDERATION OF EMPLOYERS AND INDUSTRIES (AFEI)

Brian Seidler

B.BUILD

Executive Director,

Master Builders Association of NSW (MBA)

Meeting attendance: 3 out of 3

Paula Thomson

B Law/Business

Senior Workplace Relations Consultant,
Australian Federation of Employers and
Industries (AFEI)
Associate Solicitor AFEI Legal

Meeting attendance: 3 out of 3

Beverly Glover

Dip Management

Secretary Industrial Relations Department
Master Builders Association of NSW (MBA NSW)

Meeting attendance: 3 out of 3

The Contract Cleaning Industry Long Service Leave Committee

(Referred to as Industry Committee)

The Industry 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 Chief Executive Officer. The Industry Committee is constituted under Section 9 of the Act and is empowered to determine appeals under S77-84 of the Act.

The Industry Committee decides appeals lodged by workers against Corporation decisions to:

- Reject an application for registration in the scheme made on behalf of or by workers
- Cancel registrations of workers in the scheme
- Apply a limitation to the minimum and maximum rates of pay used to claim

The Industry Committee also decides appeals lodged by employers against Corporation 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
- Refuse to grant an extension of time to pay a levy
- Refuse to waive or reduce interest on unpaid levies
- Make an assessment on an unpaid levy.

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

This year the Industry Committee met on two occasions.

During the year the Committee continued to provide support and advice to the Corporation regarding issues such as:

- Increasing the capacity for availability of information to workers and employers of non English speaking backgrounds
- Conducting benchmarking of like schemes at the five year fund establishment mark to compare both employer and worker statistics
- Workers reaching the four year gap period
- Developing and supporting the Cleaning Accountability Framework certification process. This Framework establishes good standards within the industry
- Ensuring the process for payment of worker claims is viable and compliant
- Legislative review.

Appeals

Sections 77-84 of the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* empowers the Contract Cleaning Industry Long Service Leave Committee to determine appeals lodged by workers and employers in respect of certain Corporation decisions. Appeals are considered and determined on the basis of documented evidence submitted by the parties involved.

There were no appeals lodged this financial year.

CCI INDUSTRY COMMITTEE

CHAIRPERSON

Vicki Telfer
BSc, DipEd, MPA, MALP, MAICD

Executive Director NSW Industrial Relations
(NSWIR)

Meeting attendance: 2 out of 2

MEMBERS NOMINATED BY THE UNIONS NSW

Emma Maiden
BA Economics, Dip Law

Assistant Secretary Unions NSW

Meeting attendance: 2 out of 2

Georgia Potter-Butler
LLB/BA Barrister and Solicitor NZ

Industrial Officer, Unions NSW

Meeting attendance: 2 out of 2

MEMBERS NOMINATED BY UNITED VOICE

Mark Boyd

Secretary,
Unions NSW

Meeting attendance: 2 out of 2

Mel Gatfield
BA Industrial Relations/Political Science

Branch Secretary

Meeting attendance: 1 out of 2

MEMBERS NOMINATED BY THE BUILDING SERVICE CONTRACTORS ASSOCIATION OF AUSTRALIA (BSCAA)

Ravindra Naidoo
BA (Hons) Economics, CPA

Financial Controller Quad Services,

Meeting attendance: 2 out of 2

Barbara Connolly
BA

Executive Director BSCAA, NSW Division
National Officer BSCAA Ltd

Meeting attendance: 2 out of 2

MEMBERS NOMINATED BY THE AUSTRALIAN CLEANING CONTRACTORS' ALLIANCE (ACCA)

John Laws
Cert IV Assessment, Cert IV Finance
Broking, Cert Personnel Administration

Executive Director ACCA,
Registered Contract Cleaning Manager

Meeting attendance: 1 out of 2

Natalie Stephens

General Manager Procure Property Services
Pty Ltd,
Vice President ACCA

Meeting attendance: 1 out of 2

Good Governance

INSURANCE

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

To minimise the likelihood and impact of workplace injury, the Corporation's workers compensation risks are actively managed with pre-emptive workplace inspections, early intervention and a Work Health & Safety Committee. The Treasury Managed Fund Premium Incentive Scheme encourages effective risk management. Agencies that manage risk will receive lower premiums, while those with poor risk management are penalised.

AUDIT AND RISK MANAGEMENT

Audit and Risk Committee (ARC)

The Corporation has its own independent Audit and Risk Committee comprising of a Chair and two Members. The Committee met regularly to monitor identified risks and oversee audits and reviews of the activities of the Corporation.

For further detail please refer to the Report from the Audit and Risk Committee on page 17.

Business Continuity Management and Planning (BCM and BCP)

During the course of the year, the Corporation updated its BCP plan to be included as part of Treasury's new BCP framework, which will improve its readiness in the event of a disruptive incident. In May 2016, the Corporation's BCP was assessed against the International Organisation for Standardisation ISO22301:2012 – Business Continuity Management by an external business continuity expert to identify any gaps. The Corporation's business continuity management system as part of the overarching Treasury's BCM system received no low scores.

Compliance, Risk, Assurance Management System

In April 2016, Treasury implemented the PROTECHT ERM compliance, risk, assurance management software system (CRAMS). The system integrates Treasury's and the Corporation's compliance, risk and assurance frameworks and automates the reporting and approval processes. CRAMS will also provide a standardised mechanism for analysing and reporting risks across the Corporation. The new system includes an automated internal audit issue tracker; gifts and benefits register and private/conflict of interest's disclosures register - replacing the current manually compiled systems. It also has capacity to distribute, compile and report on the Corporation's new compliance framework's obligations' attestation process.

Risk Assessment

Risk workshops were conducted with the management team to identify and assess the Corporation's strategic and operational risks and controls. In addition, risk workshops have been conducted as part of the NILS and Gov DC information technology projects' governance arrangements.

Report from the Audit & Risk Committee

Dear Secretary

In compliance with TPP 15-03, the Audit and Risk Committee of the NSW Long Service Corporation (LSC) aims to:

- assess risks arising from the operations of LSC and the adequacy of measures in place to control those risks
- liaise with external audit
- assure the integrity of LSC's external financial reporting and internal management reporting
- oversee the internal audit function, risk management, corporate governance, and other internal assurance processes that operate within LSC.

LSC's Audit & Risk Committee, which first met in September 2013, continued its operations without any personnel change throughout 2015-16. It reports to the Chief Executive Officer of LSC, which position is held by the Secretary, Treasury.

Committee Membership

The Committee is constituted in compliance with NSW policy TPP 15-03.

Current membership:

- Victor Lewis (independent Chair from July 2013)
- Felicity Barr (independent member from July 2013. Term extended in February 2015 to 31 July 2019)
- Neal O'Callaghan (independent member from July 2013)

Committee Meetings

The Committee met on six occasions during 2015-16. Member attendance was excellent, with all members attending all meetings. During the course of the year the Committee monitored matters including:

- The ongoing process of implementing of the New Integrated Leave System (NILS)
- LSC's movement away from its shared service provider (Safety & Return to Work Services) which included moving payroll in-house and the ongoing process of data migration to the Government Data Centre
- Development of the LSC Corporate Plan for 2015-2018
- LSC's financial statements for 2014-15 and its early close statements for 2015-16
- Issues and risks arising in the development of the 2014-15 financial statements
- Data security and data cleansing issues preparatory to the Corporation's move to a new information and knowledge management system (NILS) in 2016-17
- Reviews and recommendations concerning LSC investment strategy, the rate of the Long Service Levy and the viability of the Fund.

Internal Audit Program

The Committee oversees audits and reviews of the activities of the Long Service Corporation, as scheduled in the annual internal audit plan. The areas to be audited are determined based on exposure to potential strategic or operating risks.

The following reports on internal audits and reviews were reviewed by the Committee and commended to the Secretary in 2015-16:

- Fraud Risk and Corruption Control Review
- LSC IT Security Phase 2 Penetration Test Report
- Follow-up Audit on Agreed Recommendations from Previous Internal Audits
- Review of the LSC Payroll
- Review of transitional projects, including data transition from WorkCover to GovDC, LSC move to Treasury HR and Lidcombe office move to Parramatta.

The following audits were completed and awaiting management for responses as at 30 June 2016:

- BCI and CCI claims process review.

At each meeting the Committee monitors the appropriateness and timeliness of management responses to completed internal audits and reviews, and to Audit Office management letters.

Progress in Addressing the Recommendations Made in Internal Audit Reports and in External Audit's Management Letters

Progress against these recommendations is examined at every meeting, and audited at the end of the financial year. The Committee may seek interim updates on any risk or identified gap of special concern.

As at 30 June 2016, there were 51 Internal Audit recommendations still waiting to be finalised. 3 of these have a High risk rating, 5 have a Significant rating and the rest are rated Moderate or Low or are not rated.

From the AO 2014-15 Management Letter, 5 recommendations were still open at 30 June 2016. All of these were rated Moderate, Low or not rated. There is a further AO recommendation in relation to an independent review of LSC's compliance with the NSW Government's disaster recovery requirements, which is not rated.

In addition to the above, there are 7 recommendations from private contractors which are rated as Moderate, Low or not rated.



Victor Lewis
Independent Chair
Long Service Corporation Audit and Risk Committee

Internal Audit and Risk Management Attestation Statement for the 2015-2016 Financial Year for Long Service Corporation (LSC)

I, Robert Whitfield 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

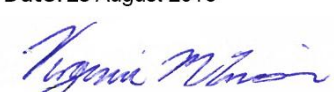
3.1	An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability 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, Victor Lewis, appointed July 2013 to 30 June 2017,
- Independent member Felicity Barr, appointed July 2013, extended in February 2015 to 31 July 2019
- Independent member Neal O'Callaghan, appointed July 2013, extended in July 2016 to 1 August, 2020


Robert Whitfield
Chief Executive Officer
Date: 23 August 2016


Virginia Tinson
Director of Risk
Telephone: 02 9228 3783


Aman Chand
Chief Audit Executive
Telephone: 02 9228 3621

DIGITAL INFORMATION SECURITY POLICY (DISP) COMPLIANCE ATTESTATION STATEMENT FOR THE 2015 - 2016 FINANCIAL YEAR

DIGITAL INFORMATION SECURITY POLICY (DISP) COMPLIANCE ATTESTATION STATEMENT FOR THE 2015 - 2016 FINANCIAL YEAR

I, Rob Whitfield, am of the opinion that the Long Service Corporation had an Information Security Management System (ISMS) in place during the 2015-2016 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

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.

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 deficient password controls on one of the organisation's web applications, identified by an independent assessment. Actions to strengthen password controls have subsequently been completed.



Rob Whitfield
Chief Executive Officer
Long Service Corporation

FINANCIAL PERFORMANCE SUMMARY

REVENUE AND EXPENSES

During the financial year, revenue from all sources amounted to \$196.0 million, whilst expenditure amounted to \$147.8 million. This resulted in a net result of \$48.2 million.

The actual net result was greater than budget by \$26.8 million, primarily due to the following:

	\$'000
• Decreased return on TCorp Hour-Glass investment facilities, including LSCIFT	(40,356)
• Increased collection of levies from both Schemes	54,020
• Decreased Finance Cost due to changes in discount rate	-
• Decreased Finance Cost due to unwinding of discount rate	1,056
• Decreased Long Service expense	17,276
• Increased Personnel services expenses	(4,511)
• Increase in Consulting and Contractor expenses	(677)
• Increased other expenses	(48)
	<u>26,760</u>

BUDGET FORECAST AND RESULT

Expenses excluding losses

	Actual 2015/2016 \$'000	Budget 2015/2016 \$'000	Budget 2016/2017 \$'000
Operating expenses			
Personnel services	11,992	7,481	7,606
Other operating expenses	74,869	91,827	105,551
Depreciation and amortisation	152	165	175
Finance costs	60,781	61,837	60,137
TOTAL EXPENSES EXCLUDING LOSSES	147,794	161,310	173,469

Revenue

Investment revenue	30,231	71,055	71,176
Retained taxes, fees and fines	165,630	111,610	133,518
Other revenue	140	92	102
Total Revenue	196,001	182,757	204,796

NET RESULT

48,207	21,447	31,327
---------------	---------------	---------------

FINANCIAL TRENDS

	Actual 2011/2012 \$'000	Actual 2012/2013 \$'000	Actual 2013/2014 \$'000	Actual 2014/2015 \$'000	Actual 2015/2016 \$'000
Expenses excluding losses					
Operating expenses					
Personnel services	12,448	3,370	6,779	7,514	11,992
Other operating expenses	82,362	126,646	66,623	68,151	74,869
Depreciation and amortisation	641	226	224	233	152
Finance costs	61,211	(31,952)	53,416	56,684	60,781
TOTAL EXPENSES EXCLUDING LOSSES	156,662	98,290	127,042	132,582	147,794
Revenue					
Investment revenue	(2,989)	121,652	97,659	94,436	30,231
Retained taxes, fees and fines	80,193	110,883	121,374	144,498	165,630
Other revenue	2	18	87	112	140
Total Revenue	77,206	232,553	219,120	239,046	196,001
Gain/(loss) on disposal	4	-	-	15	-
NET RESULT (DEFICIT)SURPLUS	(79,452)	134,263	92,078	106,479	48,207

FINANCIAL POSITION

The principal assets continue to be investments of \$1137.7 million in TCorp Long Term Growth Facility and the principal liabilities are the estimates for the Provision for Scheme Liabilities of \$927.1 million as assessed by actuarial consultants. Equity improved significantly by \$48.2 million from an accumulated funds of \$193.4 million at 30 June 2015 to accumulated funds of \$241.6 million as at 30 June 2016. 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 NSW Treasury Corporation (TCorp) utilising external managers under contract to TCorp.

The following table shows the movement in funds within these facilities and indicates the rate of return compared with the benchmark return.

FUND CATEGORIES	BALANCE ON HAND AS AT		INVESTMENT PERFORMANCE		BENCH MARK
	30 JUNE 2015 \$'000	30 JUNE 2016 \$'000	INCOME \$'000	RETURN %	RETURN %
Long term growth	999,078	1,137,719	28,778	2.70%	3.00%
Cash	462	-	3	0.00%	0.00%
TOTAL	999,540	1,137,719	28,781		

FINANCIAL PERFORMANCE SUMMARY

ACCOUNTS PAYABLE PERFORMANCE

		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
Aged analysis at end of each quarter						
All suppliers						
	Sep-15	578,269	-	-	-	-
	Dec-15	651,866	-	-	-	-
	Mar-16	364,709	-	-	-	-
	Jun-16	852,143	-	-	-	-
Small business suppliers						
	Sep-15	23,313	-	-	-	-
	Dec-15	16,788	-	-	-	-
	Mar-16	20,303	-	-	-	-
	Jun-16	27,256	-	-	-	-

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-15	Dec-15	Mar-16	Jun-16	
All suppliers					
Number of accounts due for payment	195	197	208	281	
Number of accounts paid on time	195	197	208	281	
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%	
Dollar amount of accounts due for payment	578,269	651,866	364,709	852,143	
Dollar amount of accounts paid on time	578,269	651,866	364,709	852,143	
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	42	35	28	34	
Number of accounts paid on time	42	35	28	34	
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%	
Dollar amount of accounts due for payment	23,313	16,788	20,303	27,256	
Dollar amount of accounts paid on time (based on \$)	23,313	16,788	20,303	27,256	
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	

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.

Long Service Corporation

Financial Statements

» Statement by Chief Executive Officer	25
» Independent Auditor's report	26
» Statement of comprehensive income	28
» Statement of financial position	29
» Statement of changes in equity	30
» Statement of cash flows	31
» Notes to the financial statements	32
» Controlled Entity Financial Statements - LSCIFT	63

LONG SERVICE CORPORATION

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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 2016.

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.



Robert Whitfield
Chief Executive Officer, Long Service Corporation

Dated 16 September 2016 at Sydney



INDEPENDENT AUDITOR'S REPORT

Long Service Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Long Service Corporation (the Corporation) which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and 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 Corporation as at 30 June 2016, 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 those standards are further 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 auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

The Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer is responsible for preparing financial statements that give a true and fair view 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 of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer must assess the Corporation's ability to continue as a going concern unless the Corporation will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility 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 further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. 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.



A Oyetunji
Director, Financial Audit Services

28 September 2016
SYDNEY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

LONG SERVICE CORPORATION

Statement of comprehensive income for the year ended 30 JUNE 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
Expenses excluding losses				
Operating expenses				
Personnel services	2(a)	11,992	7,481	7,514
Other operating expenses	2(b)	74,869	91,827	68,151
Depreciation and amortisation	2(c)	152	165	233
Finance costs	2(d)	60,781	61,837	56,684
TOTAL EXPENSES EXCLUDING LOSSES		147,794	161,310	132,582
Revenue				
Investment revenue	3(a)	30,231	71,055	94,436
Retained taxes, fees and fines	3(b)	165,630	111,610	144,498
Other revenue	3(c)	140	92	112
Total Revenue		196,001	182,757	239,046
Gain/(loss) on disposal	4	-	-	15
NET RESULT		48,207	21,447	106,479
Other comprehensive income		-	-	-
Total other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		48,207	21,447	106,479

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

LONG SERVICE CORPORATION

Statement of financial position as at 30 JUNE 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	5	36,805	45,743	65,714
Receivables	6	9,731	8,853	7,989
Total Current Assets		46,536	54,596	73,703
Non-Current Assets				
Financial assets at fair value	7	1,137,719	1,113,723	999,078
Property, plant and equipment				
- Plant and equipment	8	63	404	164
Intangible assets	9	156	3,525	141
Total Non-Current Assets		1,137,938	1,117,652	999,383
Total Assets		1,184,474	1,172,248	1,073,086
LIABILITIES				
Current Liabilities				
Payables	11	1,914	5,505	1,705
Provisions	12	802,984	528,304	573,786
Total Current Liabilities		804,898	533,809	575,491
Non-Current Liabilities				
Provisions	12	137,928	436,696	304,154
Total Non-Current Liabilities		137,928	436,696	304,154
Total Liabilities		942,826	970,505	879,645
Net Assets		241,648	201,743	193,441
EQUITY				
Accumulated Funds		241,648	201,743	193,441
Total Equity		241,648	201,743	193,441

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

LONG SERVICE CORPORATION

Statement of changes in equity for the year ended 30 JUNE 2016

	Accumulated Funds \$'000
Balance at 1 July 2015	193,441
Net result for the year	<u>48,207</u>
Other comprehensive income:	
Total other comprehensive income for the year	<u>-</u>
Total comprehensive income for the year	<u>48,207</u>
Balance at 30 June 2016	<u>241,648</u>
Balance at 1 July 2014	86,962
Net result for the year	<u>106,479</u>
Other comprehensive income:	-
Total other comprehensive income for the year	<u>-</u>
Total comprehensive income for the year	<u>106,479</u>
Balance at 30 June 2015	<u>193,441</u>

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

LONG SERVICE CORPORATION

Statement of cash flows for the year ended 30 JUNE 2016

		Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
	Notes			
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Personnel services		(7,707)	(7,481)	(6,990)
Other		(77,673)	(79,075)	(72,451)
Total Payments		(85,380)	(86,556)	(79,441)
Receipts				
Interest received		708	2,043	1,921
Retained taxes, fees and fines		164,256	111,916	144,828
Other		1,436	1,236	1,026
Total Receipts		166,400	115,195	147,775
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	81,020	28,639	68,334
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		-	7	18
Purchases of plant and equipment		(3)	(290)	(56)
Purchases of investments		(109,863)	(31,226)	(76,800)
Other		(63)	(2,989)	(74)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(109,929)	(34,498)	(76,912)
NET INCREASE/(DECREASE) IN CASH		(28,909)	(5,859)	(8,578)
Opening cash and cash equivalents		65,714	51,602	74,292
CLOSING CASH AND CASH EQUIVALENTS	5	36,805	45,743	65,714

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

LONG SERVICE CORPORATION

Notes to the financial statements

1. Summary of Significant Accounting Policies

(a) Reporting entity

The Long Service Corporation (Corporation) is a NSW government entity. The Corporation is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The Corporation is consolidated as part of the NSW Total State Sector Accounts.

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 Facility Trust (LSCIFT), an Hour-Glass investment facility managed by the New South Wales Treasury Corporation (TCorp) at its principal office at Level 22, Governor Phillip Tower, 1 Farrer Place, Sydney. The Corporation controls the LSCIFT, making the Corporation a parent entity for reporting purposes.

These financial statements for the year ended 30 June 2016 have been authorised for issue by the Chief Executive Officer on 16 September 2016.

(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 (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 published in the Financial Reporting Code for NSW General Government Sector Entities or issued 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.

(c) Statement of compliance

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

(d) Insurance

The entity'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.

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

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the entity as a purchaser that is not recoverable from the Australian Taxation Office 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 Australian Taxation Office are classified as operating cash flows.

(f) Income Recognition

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.

(i) Investment Revenue

New South Wales Treasury Corporation (TCorp) administers the Corporation's investment funds through its Hour-Glass Investment Facilities. Investment income comprises interest and changes in the unit value of the Corporation's investments in TCorp Hour-Glass investment facilities, including the LSCIFT.

Interest income is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

(ii) 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 cost 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.

(iii) Other Revenue

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

(g) Assets

(i) Acquisitions of assets

Assets acquired 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 entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the 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.

(v) 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.

(vi) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(vii) Leased assets

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.

(viii) Intangible assets

The entity 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.

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 entity's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

The entity'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.

(ix) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any 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.

(x) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss - The entity subsequently measures investments classified as 'held for trading' or designated upon initial recognition 'at fair value through profit or loss' at fair value. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Gains or losses on these assets are recognised in the net result for the year.

With the exception of the LSCIFT, Hour-Glass Investment Facilities are designated at fair value through profit or loss as these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the entity's key management personnel.

The risk management strategy of the Corporation has been developed consistent with the investment powers granted under the provision of the *Public Authorities (Financial Arrangements) Act 1987 No 33*.

The accounting treatment applied to the LSCIFT Hour-Glass investment facility described in Note 1(b) is effectively the same as that applied to other Hour-Glass investment facilities, that is, carried at fair value with movements in fair value recognised in profit or loss.

Hour-Glass cash facilities are distinct from Hour-Glass investment facilities.

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

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the entity commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the statement of financial position date.

(xi) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, 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 effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

(xii) 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 entity transfers the financial asset:

- 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, the asset is recognised to the extent of the entity's continuing involvement in the asset.

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

(xiii) Other Assets

Other assets are recognised on a historic cost basis.

(h) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to the entity and other amounts. Payables are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) 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(b).

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.

(iii) Provision for Levy Refund

The liability is determined from assumptions based on past experience of the Corporation's levy refunds resulting from requests for determination of the leviable costs.

(iv) Personnel Services

The Corporation's staff and human resource administration were provided by NSW Treasury. Payroll processing is performed by the Corporation.

The NSW Treasury 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 NSW Treasury 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 Corporations 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.

(i) Fair value hierarchy

A number of the Corporation's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. 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 *Fair Value Measurement*, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted 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 fair value hierarchy at the end of the reporting period during which the change occurred.

Refer Note 10 and Note 19(e) for further disclosures regarding fair value measurements of financial and non-financial assets.

(j) Equity

Accumulated Funds

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

(k) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustments for transfers of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budget amounts and the actual amounts disclosed on the primary financial statements are explained in Note 15.

(l) Comparative information

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

(m) 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.

An actuarial review was conducted by Professional Financial Solutions in June 2016. The review estimates that the Corporation will remain in surplus in the forward years.

(n) Changes in accounting policies, including new and revised Australian Accounting Standards

(i) Effective for the first time in 2015-16

The Corporation has adopted all new, revised or amended Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting year.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the Corporation.

Any impacts on the accounting policies of the Corporation from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

- AASB 2015-3 regarding materiality

(ii) Issued but not yet effective

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, AASB 2014-7 regarding financial instruments.
- AASB 1057 and AASB 2015-9 Application of Australian Accounting Standards
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 regarding amendments to AASB 101 (disclosure initiative)
- AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosure to Not-for-Profit Public Sector Entities

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

LONG SERVICE CORPORATION

Notes to the financial statements

2. Expenses Excluding Losses

(a) Personnel services expenses

The Corporation received personnel services from NSW Treasury to resource the Corporation. The Corporation recognises the relevant employee related expenses associated with this arrangement as follows:

	2016	2015
	\$'000	\$'000
Salaries and wages (including annual leave)	5,968	5,868
Salaries - voluntary redundancy	242	3
Superannuation – defined benefit plans *	4,457	474
Superannuation – defined contribution plans	494	468
Long service leave	421	325
Payroll tax and fringe benefits tax	394	363
Workers' compensation insurance	16	13
Total Personnel services expense	11,992	7,514

The amount of Personnel services expense that has been capitalised, and therefore excluded from the above is \$24,486 (2015 \$34,045)

* Superannuation – defined benefit plans

Defined benefit plans – contributions	244	243
Defined benefit plans – liability adjustments	4,213	231
Total Superannuation – defined benefit plans	4,457	474

Superannuation net actuarial loss of \$4.3 million (2015: \$1.4 m loss) in respect of personnel who are members of defined benefit superannuation plans, are recognised directly in the Net Result. The actuarial loss was impacted by a decrease 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 decreased from 3.01% at 30 June 2015 to 1.99% at 30 June 2016.

(b) Other operating expenses including the following:

	2016	2015
Notes	\$'000	\$'000
Auditors remuneration - audit of financial statements	87	77
Long service expense		
Claims paid	73,013	69,419
Liability expense	(2,026)	(4,428)
12 (b)	70,987	64,991
Operating lease rental expense		
- minimum lease payment	368	353
Insurance	11	10
Consultants	679	167
Contractors	231	103
Computing	743	730
Marketing	82	89
Travel	27	33
Occupancy - outgoings, electricity, cleaning and maintenance	152	155
Long service levy commissions	512	497
Service agreements	119	169
Other administrative expenses	871	777
Total other operating expenses	74,869	68,151

(c) Depreciation and amortisation expense

Depreciation		
- Plant and equipment	6	7
- Computer equipment	49	64
- Motor vehicles	15	18
- Leasehold improvements	34	138
	104	227
Amortisation		
- Computer software	48	6
	48	6
Total depreciation and amortisation expense	152	233

(d) Finance costs

		2016	2015
	Notes	\$'000	\$'000
Unwinding of discount rate	12 (b)	60,781	56,684
		60,781	56,684

Refer Note 12(b)(i) for detail on changes to the discount rate used for the 2016 and 2015 years.

3. Revenue

(a) Investment revenue

Interest revenue from financial assets not at fair value through profit or loss - Bank interest	1,450	2,235
Interest revenue from financial assets not at fair value through profit or loss - TCorp cash facility	3	12
Fair value movements from financial assets at fair value - TCorp Hour-Glass investment facilities, including LSCIFT	28,778	92,189
	30,231	94,436

(b) Retained taxes, fees and fines

Long service levy income	167,292	146,784
Long service levy refunds	(1,662)	(2,286)
	165,630	144,498

(c) Other revenue

Miscellaneous income	140	112
	140	112

4. Gain / (Loss) on disposal

Gain / (Loss) on disposal of plant and equipment	-	15
	-	15

5. Current Assets - Cash and Cash Equivalents

Cash at bank and on hand	36,805	65,252
Short Term Deposit		
TCorp Hour-Glass cash facility	-	462
	36,805	65,714

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and TCorp Hour-Glass cash facility.

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:

	2016	2015
	\$'000	\$'000
Cash and cash equivalents (per statement of financial position)	36,805	65,714
Closing Cash and cash equivalents (per statement of cash flows)	36,805	65,714

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

6. *Current Assets - Receivables*

Current

Retained taxes, fees and fines	8,754	7,471
Other	911	439
Less: Allowance for impairment	(53)	(33)
Prepayments	119	112
	9,731	7,989

Movement in the allowance for impairment

Balance at 1 July	(33)	(10)
Amounts written off	25	1
(Increase) / decrease in allowance recognised in profit and loss	(45)	(24)
Balance at 30 June	(53)	(33)

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

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

Non-Current

TCorp - Hour-Glass investment facility trust - LSCIFT	1,137,719	999,078
	1,137,719	999,078

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

8. Non-Current Assets - Plant and Equipment

	Plant and Equipment	Leasehold Improvements	Computer Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2015 - fair value					
Gross carrying amount	336	1,122	210	99	1,767
Accumulated depreciation and impairment	(324)	(1,088)	(138)	(53)	(1,603)
Net carrying amount	12	34	72	46	164
At 30 June 2016 - fair value					
Gross carrying amount	282	961	205	99	1,547
Accumulated depreciation and impairment	(274)	(961)	(181)	(68)	(1,484)
Net carrying amount	8	-	24	31	63

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 2016					
Net carrying amount at start of year	12	34	72	46	164
Additions	2		1		3
Disposals					-
Adjustments for disposals					-
Depreciation expense	(6)	(34)	(49)	(15)	(104)
Net carrying amount at end of year	8	-	24	31	63

	Plant and Equipment	Leasehold Improvements	Computer Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2014 - fair value					
Gross carrying amount	337	1,122	191	110	1,760
Accumulated depreciation and impairment	(318)	(950)	(75)	(79)	(1,422)
Net carrying amount	19	172	116	31	338
At 30 June 2015 - fair value					
Gross carrying amount	336	1,122	210	99	1,767
Accumulated depreciation and impairment	(324)	(1,088)	(138)	(53)	(1,603)
Net carrying amount	12	34	72	46	164

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 Improvements	Computer Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2015					
Net carrying amount at start of year	19	172	116	31	338
Additions		-	20	36	56
Disposals	-	-	-	(48)	(48)
Adjustments for disposals	-	-	-	45	45
Depreciation expense	(7)	(138)	(64)	(18)	(227)
Net carrying amount at end of year	12	34	72	46	164

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

9. Intangible Assets

Software

	\$'000
At 1 July 2015	
Cost (gross carrying amount)	2,423
Accumulated amortisation and impairment	(2,282)
Net carrying amount	141
At 30 June 2016	
Cost (gross carrying amount)	2,485
Accumulated amortisation and impairment	(2,329)
Net carrying amount	156
Year ended 30 June 2016	
Net carrying amount at start of year	141
Additions - externally acquired	39
- internally developed	24
Disposals	-
Adjustments for disposals	-
Amortisation	(48)
Net carrying amount at end of year	156

	\$'000
At 1 July 2014	
Cost (gross carrying amount)	2,349
Accumulated amortisation and impairment	<u>(2,276)</u>
Net carrying amount	<u>73</u>
At 30 June 2015	
Cost (gross carrying amount)	2,423
Accumulated amortisation and impairment	<u>(2,282)</u>
Net carrying amount	<u>141</u>
Year ended 30 June 2015	
Net carrying amount at start of year	73
Additions - externally acquired	40
- internally developed	34
Disposals	-
Adjustments for disposals	-
Amortisation	<u>(6)</u>
Net carrying amount at end of year	<u>141</u>

10. Fair value measurement of Non-Financial Assets

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*

	2016	2015
	\$'000	\$'000
Current		
Personnel Services		
- Accrued salaries, wages and on costs	242	265
	242	265
Creditors and other accruals	603	407
Long Service Payments	1,011	982
Long Service Levy commissions	58	51
	1,914	1,705

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

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

Current	Note		
Other Provisions			
Personnel services			
- Annual leave *		617	630
- Long service leave **		2,492	2,421
	12(a)(i)	3,109	3,051
Scheme liability ***	12(b)(i)	799,761	570,530
Provision for levy refund	12(c)(i)	114	205
		799,875	570,735
		802,984	573,786

* The current Other Provisions Personnel services included \$62,443 (2015: \$87,153) of annual leave entitlements accrued but not expected to be taken within 12 months

** The current Other Provisions Personnel services included \$1.5 million (2015: \$1.3 million) of long service leave entitlements accrued but not expected to be taken within 12 months

*** The current Other Provisions includes \$799.7 million (2015: \$570.0 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 \$77.1 million over the next twelve months.

Non-current	Note	2016	2015
		\$'000	\$'000
Other Provisions			
Personnel Services			
- Long service leave		53	16
- Unfunded superannuation liability		10,579	6,366
	12(a)(ii)	10,632	6,382
Scheme liability	12(b)(ii)	127,296	297,772
		127,296	297,772
		137,928	304,154

Aggregate Personnel services and related on costs

Payables - current	242	265
Provisions - current	3,109	3,051
Provisions - non-current	10,632	6,382
	13,983	9,698

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

(a) Provision for Personnel services

	2016	2015
	\$'000	\$'000
(i) Current	3,109	3,051
(ii) Non-Current	10,632	6,382
	13,741	9,433

Movement in Provision

Carrying amount at beginning of year	9,433	8,986
Additional provisions recognised	5,166	1305
Amounts paid	(858)	(858)
Carrying amount at end of year	13,741	9,433

(b) Provision for Scheme liability

(i) Current	799,761	570,530
(ii) Non-current	127,296	297,772
	927,057	868,302

Movement in Provision

30 June 2016

	Notes	Building and Construction Industry \$'000	Contract Cleaning Industry \$'000	Total \$'000
Carrying amount at beginning of year		846,109	22,193	868,302
Additional provisions recognised	2 (b)	32,529	5,277	37,806
Claims paid	2 (b)	(72,672)	(341)	(73,013)
Increase in provision due to change in discount rate	2 (d)	32,307	874	33,181
Unwinding of discount rate	2 (d)	59,227	1,554	60,781
Carrying amount at end of year		897,500	29,557	927,057

30 June 2015

Carrying amount at beginning of year		801,393	14,653	816,046
Additional provisions recognised	2 (b)	57,618	7,373	64,991
Claims paid	2 (b)	(69,000)	(419)	(69,419)
Reduction in provision due to change in discount rate	2 (d)	-	-	-
Unwinding of discount rate	2 (d)	56,098	586	56,684
Carrying amount at end of year		846,109	22,193	868,302

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*

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 2016 and estimated the scheme liabilities to be as follows:

	Note	2016 \$'000	2015 \$'000
AASB Valuation	(i)	897,500	846,109
Accrued Benefit Reserve	(ii)	897,500	846,109
Vested Benefits	(iii)	864,866	794,036

- (i) The AASB Valuation is the expected benefit payments from the Scheme 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 2016, the following key assumptions were made:
- * Future wage increase 3.0% (2015: 3.5%)
 - * Rate of future accrual of service (only used to determine if workers qualify for benefit): 195 days per year (2015: 190 days per year)
 - * Exits due to withdrawal, retirement, death and disability: based on historical evidence (2015: based on historical evidence)
 - * In service claims: based on historical evidence (2015: based on historical evidence)
 - * Incurred But Not Recorded Service (IBNR): 6% for active workers only (2015: 5%)
 - * Inforce Inactive Worker: their vested benefits
 - * Out of force and In Force Inactive Workers: 80% of their vested benefit (2015: 100%)
 - * Discount Rate 6% (2015: 7.0%). The scheme liability has been discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the liability. The discount rate is considered to be the long term rate of return on the Scheme assets properly invested to fund the growth in the Schemes liabilities.
- (ii) The Accrued Benefit Reserve is the calculation of scheme liabilities, taking into consideration an allowance for unreported service of active workers, and discounted by the projected rate of return on the Scheme assets as determined by the actuary. The actuary uses the Accrued Benefit Reserve to assess the Corporation's funding position and for purposes of setting the recommended rate of levy payable to the Fund.
- The financial assumptions used to calculate the Accrued Benefit Reserve were:
- *rate of increase in wages 3.0% per annum (2015: 3.5%)
 - *rate of return on assets 6.% (2015: 7.0%)
- (iii) The Vested Benefit is the amount of benefits payable if service ceased on the valuation date. Workers qualify for a vested 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:

	2016	2015
Active within last two years	223,562	214,000
Inactive for last two years but active within two prior years	53,351	54,163
Inactive for four or more years	14,770	13,760
Total number of workers valued	291,683	281,923

Expected timing of settlement:

Not later than one year	72,718	70,048
Later than one year and not later than five years	273,413	261,259
Later than five years	551,369	514,802
Total	897,500	846,109

Sensitivity analysis for valuation

The liability represents the best estimate by the actuary of the present value of benefits accrued by service to date, using appropriate actuarial techniques and financial and demographic assumptions. The table below illustrates the uncertainty associated with this liability, by providing the change which would arise from using a range of more and less optimistic assumptions.

Assumptions	Impact on Net Result		
	Carrying amount \$'000	+10% \$'000	-10% \$'000
Wages	897,500	(89,700)	89,700
IBNR	897,500	(4,400)	4,400
Demographic assumption	897,500	(6,400)	7,400
Discount Rate	897,500	19,800	(20,800)
		(80,700)	80,700

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

A full actuarial investigation was undertaken by Professional Financial Solutions as at 30 June 2014. They have further updated this to the 30 June 2016 and estimated the scheme liabilities to be as follows:

	Note	2016 \$'000	2015 \$'000
AASB Valuation	(i)	29,557	22,193
Accrued Benefit Reserve	(ii)	29,557	22,193
Vested Benefits	(iii)	26,597	16,003

- (i) The AASB Valuation is the expected benefit payments from the Scheme 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 2016, the following key assumptions were made:

- * Future wage increase: 2.5% pa plus 1% for each increasing year of age up to 40 (2015: 3.0% 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 (2015: 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 (2015: Nil)
- * In Force Inactive Workers: their vested benefit (2015: Nil)
- * Discount Rate 6% (2015: 7.0%). The scheme liability has been discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the liability. The discount rate is considered to be the long term rate of return on the Scheme assets properly invested to fund the growth in the Schemes liabilities.

- (ii) The Accrued Benefit 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 Benefit Reserve to assess the Corporation's funding position and for purposes of setting the recommended rate of levy payable to the Fund.

The financial assumptions used to calculate the Accrued Benefit Reserve were:

- * rate of increase in wages 2.5% pa plus 1% for each increasing year of age up to 40
(2015: 3.0% plus 1% for each increasing year of age up to 40)
- * rate of return on assets 6.0% (2015: 7.0%).

- (iii) The Vested Benefit is the amount of benefits 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:

	2016	2015
Active	26,511	26,723
Inactive	36,626	28,468
Total number of workers valued	63,137	55,191

Expected timing of settlement:

Not later than one year	4,369	4,706
Later than one year and not later than five years	18,390	15,676
Later than five years	6,798	1,811
Total	29,557	22,193

Sensitivity analysis for valuation

The liability represents the best estimate by the actuary of the present value of benefits accrued by service to date, using appropriate actuarial techniques and financial and demographic assumptions. The table below illustrates the uncertainty associated with this liability, by providing the change which would arise from using a range of more and less optimistic assumptions.

Assumptions	Impact on Net Result		
	Carrying amount	+10%	-10%
	\$'000	\$'000	\$'000
Wages	29,557	(2,955)	2,956
Demographic assumption	29,557	232	(260)
Discount Rate	29,557	530	(548)
		(2,193)	2,148

(c) Provision for Levy Refund

		2016	2015
		\$'000	\$'000
(i)	Current	114	205
		114	205
Movement in Provision			
Carrying amount at beginning of year		205	138
Additional provisions recognised		1,662	2,286
Claims paid		(1,753)	(2,219)
Carrying amount at end of year		114	205

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.

13. Commitments for expenditure

(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

Total (including GST)

2016	2015
\$'000	\$'000
-	6
-	6

The total capital commitments above include input tax credits of \$Nil (2015: \$605) that are expected to be recoverable from the ATO.

(b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year

Later than one year and not later than five years

Later than five years

Total (including GST)

441	432
416	896
-	-
857	1,328

The total operating lease commitments above include input tax credits of \$78,000 (2015: \$121,000) that are expected to be recoverable from the ATO.

14. Contingent Liabilities and Contingent Assets

There were no known contingent assets as at reporting date (2015: Nil).

Contingent liabilities as at reporting date (2015: Nil):

15. Budget Review

Net result

The actual net result was greater than budget by \$26.8 million, primarily due to the following:

- Decreased return on TCorp Hour-Glass investment facilities, including LSCIFT
- Increased collection of levies from both Schemes
- Decreased Finance cost due to unwinding of discount rate
- Decreased Long service expense
- Increased Personnel services expense *
- Increase in Consulting and Contractor expenses
- Increased other expenses

2016
\$'000
(40,356)
54,020
1,056
17,276
(4,511)
(677)
(48)
26,760

* Refer to note 2 (a) Superannuation – defined benefit plans

Assets and liabilities

Total assets were greater than budget by \$12.2 million and total liabilities were less than budget by \$27.7 million. This resulted in an increase in the Corporation's equity of \$39.9 million over budget. This was primarily due to the following:

	2016 \$'000
• Increase in fair value of TCorp Hour-Glass investment facilities, including LSCIFT	23,996
• Decrease in cash, receivable, plant and equipment	(11,770)
• Decrease in Scheme liability and personnel services	27,679
	<u>39,905</u>

Cash flows

Net Increase in cash flows from operating activities due to:

• Decrease in scheme payments and operating expenses	1,176
• Better than expected levy receipts due to increased compliance and increased activity in the building and construction industry	52,340
• Lower than expected Capital Expenditure	3,206

Net decrease in cash flows from investing activities due to:

• Better than expected returns from bank interest and miscellaneous items	(1,135)
• Purchase of TCorp Hour-Glass investment facilities, including LSCIFT	(78,637)

Changes in opening cash position	14,112
	<u>(8,938)</u>

16. Comparison with published budget information

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

(i) Total Expenses including Losses

	2016 Items \$'000	Budget Items \$'000
Employee Related	-	28
Other operating expenses	91,827	11,017
Subsidies and grants	-	88,263
Personnel services	7,481	-
	<u>99,308</u>	<u>99,308</u>
Depreciation and amortisation	165	165
Finance Costs	61,837	61,837
Total Expenses including Losses	<u>161,310</u>	<u>161,310</u>

17. Reconciliation of Cash Flows from Operating Activities to Net Result

	2016	2015
	\$'000	\$'000
Net cash flows from operating activities	81,020	68,334
Plus/(minus) non-cash items:		
Depreciation and amortisation	(152)	(233)
Investment (gains) / losses	29,523	92,515
Long service payments liability expense	1,997	3,628
Provision for Levy refund	1,662	2,286
Finance costs	(60,781)	(56,684)
Net (profit) on disposal of plant and equipment	-	15
Change in asset and liabilities:		
Increase/(decrease) in receivables	7	8
(Increase)/decrease in payables	(761)	(2,943)
(Increase)/decrease in provisions	(4,308)	(447)
Net result	48,207	106,479

18. Fund information

Fund	Building & Construction Industry		Contract Cleaning Industry		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses						
Operating expenses						
Personnel services expenses	11,300	6,828	692	686	11,992	7,514
Other operating expenses	68,027	60,311	6,842	7,840	74,869	68,151
Depreciation and amortisation	137	211	15	22	152	233
Finance costs	59,227	56,098	1,554	586	60,781	56,684
Total expenses excluding losses	138,691	123,448	9,103	9,134	147,794	132,582
Revenue						
Investment revenue	29,283	94,324	948	112	30,231	94,436
Retained taxes, fees and fines	155,994	135,162	9,636	9,336	165,630	144,498
Other revenue	140	112	-	-	140	112
Total Revenue	185,417	229,598	10,584	9,448	196,001	239,046
Gain/(loss) on disposal	-	15	-	-	-	15
Total comprehensive income	46,726	106,165	1,481	314	48,207	106,479

Fund		Building & Construction Industry		Contract Cleaning Industry		Total	
	Notes	2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Current Assets							
Cash and cash equivalents	5	35,317	64,241	1,488	1,473	36,805	65,714
Receivables	6	7,192	5,688	2,539	2,301	9,731	7,989
Total Current Assets		42,509	69,929	4,027	3,774	46,536	73,703
Non-Current Assets							
Financial assets at fair value	7	1,102,509	972,743	35,210	26,335	1,137,719	999,078
Plant and equipment	8	63	164	-	-	63	164
Intangible assets	9	156	141	-	-	156	141
Total Non-Current Assets		1,102,728	973,048	35,210	26,335	1,137,938	999,383
Total Assets		1,145,237	1,042,977	39,237	30,109	1,184,474	1,073,086

Fund		Building & Construction Industry		Contract Cleaning Industry		Total	
	Notes	2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
LIABILITIES							
Current Liabilities							
Payables	11	1,451	1,520	463	185	1,914	1,705
Provisions	12	779,912	563,659	23,072	10,127	802,984	573,786
Total Current Liabilities		781,363	565,179	23,535	10,312	804,898	575,491
Non-Current Liabilities							
Provisions	12	131,127	291,777	6,801	12,377	137,928	304,154
Total Non-Current Liabilities		131,127	291,777	6,801	12,377	137,928	304,154
Total Liabilities		912,490	856,956	30,336	22,689	942,826	879,645
Net Assets		232,747	186,021	8,901	7,420	241,648	193,441
EQUITY							
Accumulated Funds (Losses)		232,747	186,021	8,901	7,420	241,648	193,441
Total Equity		232,747	186,021	8,901	7,420	241,648	193,441

19. 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	Note	Category	Carrying Amount 2016 \$'000	Carrying Amount 2015 \$'000
Class:				
Cash and cash equivalents	5	N/A	36,805	65,714
Receivables *	6	Receivables (at amortised cost)	745	326
Financial Assets at fair value	7	At fair value through profit or loss	1,137,719	999,078

* Excludes statutory receivables and prepayments (not within scope of AASB 7)

Financial Liabilities	Note	Category	Carrying Amount 2016 \$'000	Carrying Amount 2015 \$'000
Class:				
Payables *	11	Financial liabilities measured at amortised cost.	861	517

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

(b) 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

Cash comprises cash on hand, balances within the NSW Treasury Banking System and deposits in the NSW Treasury Corporation (TCorp) Hour-Glass cash facility. 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. The TCorp Hour-Glass cash facility is further discussed in paragraph (d) below.

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 (2016: \$Nil; 2015: Nil) and less than three months past due (2016: \$Nil; 2015: Nil) 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.

	Total \$'000	Past Due but not impaired \$'000			Considered impaired \$'000
		<3 months overdue	3-6 month overdue	>6 months overdue	
Receivables					
2016	745	745	-	-	0
2015	326	326	-	-	0

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

(c) 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 summaries the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

	Nominal Amount	Interest Rate Exposure	Maturity Dates		
			<1 yr.	1-5 yrs.	>5 yrs.
2016	\$'000		\$'000	\$'000	\$'000
Payables	861	Non Interest Bearing	861	-	-
2015					
Payables	317	Non Interest Bearing	317	-	-

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

(d) 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 Hour-Glass Investment facilities.

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 date. The analysis is performed on the same basis as for 2015. 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.

\$'000					
		-1%		1%	
	Carrying Amount	Net Result	Equity	Net Result	Equity
2016					
Cash and cash equivalents	36,805	(368)	-	368	-
2015					
Cash and cash equivalents	65,714	(657)	-	657	-

Currency risk

The Corporation has some foreign currency risk exposure from its investments in the TCorp Hour-Glass Investment facilities, including the LSCIFT. The Hour-Glass 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 Hour-Glass facilities

Exposure to 'other price risk' primarily arises through investment in the TCorp Hour-Glass investment facilities, including the LSCIFT, 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 Hour-Glass cash and investment facility trusts:

Facility	Investment Sectors	Investment Horizon	2016 \$'000	2015 \$'000
Cash Facility	Cash and money market instruments	Up to 1.5 years	-	462
Long Service Corporation Investment Facility Trust	Cash, money market instruments, Australian bonds, listed property, Australian and international shares	7 years and over	1,137,719	999,078

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 Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities 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 Hour-Glass investment facilities 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 (balance from Hour-Glass statement).

	Impact on Profit/Loss		
	Change in Unit price	2016 \$'000	2015 \$'000
Hour Glass Investment – Cash facility	+/-1%	-	5
Long Service Corporation Investment Facility Trust (LSCIFT)	+/-16%	182,035	-
Long Service Corporation Investment Facility Trust (LSCIFT)	+/-15%	-	149,862

(e) Fair Value measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass investment facilities, 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).

	2016			2015
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	\$'000
Financial assets at fair value				
TCorp Hour Glass investment facility - LSCIFT	-	1,137,719	-	999,078
Total	-	1,137,719	-	999,078

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 2016.

The value of the Hour-Glass investment facility is based on the market value of the underlying assets of the facility.

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

Long Service Corporation Investment Fund

Financial report for the year ended 30 June 2016

» Statement of comprehensive income	64
» Balance sheet	65
» Statement of changes in equity	66
» Statement of cash flows	67
» Notes to financial statements	68
» Statement by the Trustee	85
» Independent audit report of Long Service Corporation Investment Fund	86

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 the New South Wales Treasury Corporation (ABN 99 095 235 825).

Long Service Corporation Investment Fund
Statement of comprehensive income
For the year ended 30 June 2016

	Notes	Year ended	
		30 June	30 June
		2016	2015
		\$	\$
Investment income			
Interest income		743	41
Trust distribution income		53,138,668	74,074,886
Net foreign exchange (loss)/gain		(953)	-
Net (losses)/gains on financial instruments held at fair value through profit or loss	6	<u>(24,114,345)</u>	<u>18,630,413</u>
Total net investment income		<u>29,024,113</u>	<u>92,705,340</u>
Expenses			
Trustee fees	13	158,701	-
Expense recovery fees	13	30,882	-
Custody fees		19,468	6,979
Auditor's remuneration	5	-	8,496
Other operating expenses		<u>8,421</u>	<u>22,368</u>
Total operating expenses		<u>217,472</u>	<u>37,843</u>
Operating profit		28,806,641	92,667,497
Finance costs attributable to unitholders			
Distributions to unitholders		(53,766,188)	(80,986,313)
Decrease/(increase) in net assets attributable to unitholders	7	<u>24,959,547</u>	<u>(11,681,184)</u>
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>

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

Long Service Corporation Investment Fund
Balance sheet
As at 30 June 2016

		As at	
	Notes	30 June 2016 \$	30 June 2015 \$
Assets			
Cash and cash equivalents	8	1,412,064	48,133
Receivables	9	3,969	1,359
Financial assets designated at fair value through profit or loss	10	1,132,615,005	998,936,572
Financial assets held for trading	12	834,316	-
Margin accounts		<u>3,056,196</u>	<u>-</u>
Total assets		1,137,921,550	998,986,064
Liabilities			
Payables	11	33,247	16,291
Financial liabilities held for trading	12	<u>249,681</u>	<u>-</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>282,928</u>	<u>16,291</u>
Net assets attributable to unitholders - liability	7	<u>1,137,638,622</u>	<u>998,969,773</u>

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

Long Service Corporation Investment Fund
Statement of changes in equity
For the year ended 30 June 2016

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
Total equity at the beginning of the financial year		
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

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 accompanying notes.

Long Service Corporation Investment Fund
Statement of cash flows
For the year ended 30 June 2016

		Year ended	
	Notes	30 June 2016 \$	30 June 2015 \$
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		126,605,561	200,333,873
Purchase of financial instruments held at fair value through profit or loss		(237,186,597)	(277,055,880)
Amount (paid to)/received from brokers		(3,056,196)	-
Trust distributions received		5,342,291	-
Interest received		380	28
GST received/(paid)		(2,247)	1,231
Trustee fees paid		(127,699)	-
Expense recovery fees paid		(30,882)	-
Auditor's remuneration paid		(8,899)	(7,737)
Custody fees paid		(19,468)	(6,979)
Payment of other operating expenses		(13,568)	(14,976)
Net cash outflow from operating activities	14(a)	<u>(108,497,324)</u>	<u>(76,750,440)</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		<u>109,862,208</u>	<u>76,800,001</u>
Net cash inflow from financing activities		<u>109,862,208</u>	<u>76,800,001</u>
Net increase in cash and cash equivalents		1,364,884	49,561
Cash and cash equivalents at the beginning of the year		48,133	(1,428)
Effect of foreign currency exchange rate changes on cash and cash equivalents		(953)	-
Cash and cash equivalents at the end of the year	8	<u>1,412,064</u>	<u>48,133</u>
Non-cash financing and operating activities	14(b)		

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

Contents of the notes to the Financial Statements

1	» General Information	69
2	» Summary of significant accounting policies	69
3	» Financial risk management	72
4	» Offsetting financial assets and financial liabilities	78
5	» Auditor's remuneration	78
6	» Net (losses)/gains on financial instruments held at fair value through profit or loss	79
7	» Net assets attributable to unitholders	79
8	» Cash and cash equivalents	79
9	» Receivables	80
10	» Financial assets designated at fair value through profit or loss	80
11	» Payables	80
12	» Financial instruments held for trading	81
13	» Related party transactions	82
14	» Reconciliation of profit/(loss) to net cash outflow from operating activities	84
15	» Events occurring after the reporting period	84
16	» Contingent assets and liabilities and commitments	84

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 22, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000.

The Fund aims to achieve a maximum total return by investing in unlisted unit trusts as per the objectives stated in the Hour-Glass Brochure and in accordance with the provisions of the Fund Constitution.

The financial statements were authorised for issue by the Trustee on 30 September 2016. 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 have been prepared on an accrual 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 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 Balance sheet 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.

The Fund holds units in other unlisted managed investment funds (refer to Note 13). The Trustee has determined that the Fund does not control these entities as the Fund does not have power over their relevant activities.

(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.

- 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.

2 Summary of significant accounting policies (continued)

(ii) Recognition/derecognition

The Fund 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 financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cashflows from the investments have 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 period 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).

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance sheet 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.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore 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 Balance sheet date if unitholders exercised their right to put the units back to the Fund. Changes in the value of this financial liability are recognised in the Statement of comprehensive income as they arise.

(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.

(e) Investment income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

Trust distributions are recognised on an entitlements basis.

(f) Expenses

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

2 Summary of significant accounting policies (continued)

(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 income adjusted for amounts determined by the Trustee to unitholders by cash or reinvestment. The distributions are recognised in the Statement of comprehensive income as finance costs attributable to unitholders.

(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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

The Fund 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.

(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 recorded at the prevailing unit price of the Fund in accordance with the provisions of the Fund Constitution.

2 Summary of significant accounting policies (continued)

(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 has 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 Balance sheet. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(p) Use of estimates

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.

(q) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 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:

AASB 9 Financial Instruments (and applicable amendments) (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 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 all held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

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's 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 price risk. This arises from investments held by the Fund for which prices in the future are uncertain. These investments are classified on the Balance sheet 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 Fund is also exposed to foreign exchange risk through foreign currency assets and liabilities held by its underlying managed investment funds (Hour-Glass Indexed International Share (Unhedged) Fund, Hour-Glass International Share (Unhedged) Fund, Hour-Glass Listed Property Fund and Hour-Glass Emerging Market Share Fund) to the extent such exposures remain unhedged. The foreign exchange risk relating to non-monetary assets and liabilities is a component of equity 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 2016	30 June 2015
	AUD equivalent in exposure by currency \$	AUD equivalent in exposure by currency \$
Assets		
Euro	20,214	-
British Pounds	110,283	-
Japanese Yen	32,295	-
US Dollars	206,084	-
Other Currencies	17,554	-
	<u>386,430</u>	<u>-</u>
	30 June 2016	30 June 2015
	AUD equivalent in exposure by currency \$	AUD equivalent in exposure by currency \$
Liabilities		
Euro	(1,164)	-
Japanese Yen	(21,992)	-
US Dollars	(41,125)	-
Other Currencies	(174)	-
	<u>(64,455)</u>	<u>-</u>

(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.

3 Financial risk management (continued)

(a) Market risk (continued)

(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, including historical levels of changes in the correlation of the Fund's investments with the relevant benchmark and market volatility. 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	
	-16%	+16%	-12%	+12%
	\$	\$	\$	\$
30 June 2016	(181,309,419)	181,309,419	(6,091)	6,091
	-15%	+15%	-%	+%
	\$	\$	\$	\$
30 June 2015	(149,840,486)	149,840,486	-	-

The foreign exchange risk sensitivity analysis above is calculated solely on monetary assets and liabilities. The foreign exchange risk relating to non-monetary assets and liabilities (financial assets and financial liabilities at fair value through profit or loss) is a component of equity price risk and is therefore included in the price risk sensitivity analysis above.

(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 Balance sheet. 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.

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

The table below details the Fund's non-derivative 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.

	Less than 1 month	1-6 months	6-12 months	Over 12 months
	\$	\$	\$	\$
At 30 June 2016				
Payables	33,247	-	-	-
Net assets attributable to unitholders	<u>1,137,638,622</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,137,671,869</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Less than 1 month	1-6 months	6-12 months	Over 12 months
	\$	\$	\$	\$
At 30 June 2015				
Payables	16,291	-	-	-
Net assets attributable to unitholders	<u>969,720,722</u>	<u>-</u>	<u>-</u>	<u>29,249,051</u>
	<u>969,737,013</u>	<u>-</u>	<u>-</u>	<u>29,249,051</u>

The table below analyses the Fund's derivative financial instruments into relevant maturity groupings based on the remaining period to the contractual maturity date at the year end date. The amounts disclosed in the table are the estimated undiscounted cash flows.

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
	\$	\$	\$	\$	\$
At 30 June 2016					
Forward foreign exchange contracts					
Inflows	34,631,455	-	-	-	34,631,455
(Outflows)	(34,592,694)	-	-	-	(34,592,694)
Equity Futures					
Inflows	1,300	554,426	-	-	555,726
(Outflows)	-	(35,284)	-	-	(35,284)
Interest rate futures					
Inflows	-	13,136	-	-	13,136
	<u>40,061</u>	<u>532,278</u>	<u>-</u>	<u>-</u>	<u>572,339</u>

3 Financial risk management (continued)

(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 active markets is based on their quoted market prices at the Balance sheet 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; 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 Balance sheet date taking into account current market conditions (volatility and appropriate yield curves) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

(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.

3 Financial risk management (continued)

(f) Fair value measurement (continued)

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy:

30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets held for trading:				
Derivatives	568,862	265,454	-	834,316
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment funds	-	1,132,615,005	-	1,132,615,005
Total	<u>568,862</u>	<u>1,132,880,459</u>	<u>-</u>	<u>1,133,449,321</u>
Financial liabilities				
Financial liabilities held for trading:				
Derivatives	(35,284)	(214,397)	-	(249,681)
Total	<u>(35,284)</u>	<u>(214,397)</u>	<u>-</u>	<u>(249,681)</u>

30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment funds	-	998,936,572	-	998,936,572
Total	<u>-</u>	<u>998,936,572</u>	<u>-</u>	<u>998,936,572</u>

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. There were no transfers between levels of the fair value hierarchy during the year ended 30 June 2016.

Valuation techniques

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

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are permitted to be offset and the net amount reported in the Balance sheet 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 Balance Sheet. 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 Balance sheet, but have been presented separately in the following table. The table also presents the gross amounts of financial assets and financial liabilities that are offset in the Balance sheet. The column "Net amount" shows the impact on the Fund's Balance sheet if all set-off rights were exercised.

30 June 2016	Effects of offsetting on the Balance sheet			Related amounts not offset		
	Gross amounts	Gross amounts set off in the Balance sheet	Net amounts presented in the Balance sheet	Amounts subject to master netting arrangements	Financial instrument collateral/ margins	Net amount
	\$	\$	\$	\$	\$	\$
Financial assets						
Financial assets held for trading						
Equity futures	555,726	-	555,726	-	-	555,726
Interest rate futures	13,136	-	13,136	-	-	13,136
Foreign exchange contracts	265,454	-	265,454	(214,397)	-	51,057
Margin account	3,056,196	-	3,056,196	-	(23,157)	3,033,039
Total	3,890,512	-	3,890,512	(214,397)	(23,157)	3,652,958
Financial liabilities						
Financial liabilities held for trading						
Equity futures	(35,284)	-	(35,284)	-	23,157	(12,127)
Foreign exchange contracts	(214,397)	-	(214,397)	214,397	-	-
Total	(249,681)	-	(249,681)	214,397	23,157	(12,127)

There were no derivative financial instruments held as at 30 June 2015.

5 Auditor's remuneration

The following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
Audit services		
Audit services		
Audit of the Financial Statements of the Fund	10,264	8,496
Total remuneration for audit services	10,264	8,496

Auditor's remuneration disclosed is inclusive of GST.

From 1 July 2015, 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 13.

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

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

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
Financial instruments		
Net gain/(loss) on financial instruments held for trading	906,378	-
Net (loss)/gain on financial instruments designated as at fair value through (profit)/loss	<u>(25,020,723)</u>	<u>18,630,413</u>
Total net (losses)/gains on financial instruments held at fair value through (profit)/loss	<u>(24,114,345)</u>	<u>18,630,413</u>

7 Net assets attributable to unitholders

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

	Year ended			
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	Units	Units	\$	\$
Opening balance	1,057,058,024	896,298,673	998,969,773	829,502,275
Applications	113,580,470	75,184,515	109,862,208	76,800,001
Units issued upon reinvestment of distributions	57,986,442	85,574,836	53,766,188	80,986,313
(Decrease)/increase in net assets attributable to unitholders	-	-	<u>(24,959,547)</u>	<u>11,681,184</u>
Closing balance	<u>1,228,624,936</u>	<u>1,057,058,024</u>	<u>1,137,638,622</u>	<u>998,969,773</u>

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' is classified as a financial 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.

8 Cash and cash equivalents

	As at	
	30 June 2016	30 June 2015
	\$	\$
Cash at bank	<u>1,412,064</u>	<u>48,133</u>
	<u>1,412,064</u>	<u>48,133</u>

9 Receivables

	As at	
	30 June 2016	30 June 2015
	\$	\$
Interest receivable	376	13
GST receivable	<u>3,593</u>	<u>1,346</u>
	<u>3,969</u>	<u>1,359</u>

10 Financial assets designated at fair value through profit or loss

	As at	
	30 June 2016	30 June 2015
	Fair value	Fair value
	\$	\$
Designated at fair value through profit or loss		
Unlisted managed investment funds	<u>1,132,615,005</u>	<u>998,936,572</u>
Total designated at fair value through profit or loss	<u>1,132,615,005</u>	<u>998,936,572</u>

11 Payables

	As at	
	30 June 2016	30 June 2015
	\$	\$
Trustee fees payable	31,002	-
Expense recovery fees payable	2,245	-
Audit fees payable	-	8,899
Other expenses payable	<u>-</u>	<u>7,392</u>
	<u>33,247</u>	<u>16,291</u>

12 Financial instruments held for trading

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 whose value changes in response to a 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:

- hedging 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) the Fund. 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 instruments:

(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. 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. 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.

(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 foreign exchange contracts are valued at the prevailing bid price at the reporting date. The Fund recognises a gain or loss equal to the change in fair value at the reporting date.

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

30 June 2016

	Contract/notional	Fair Value	
	\$	Assets	Liabilities
		\$	\$
Equity futures	42,654,183	555,726	(35,284)
Interest rate futures	3,512,493	13,136	-
Forward foreign exchange contracts	34,631,455	265,454	(214,397)
		<u>834,316</u>	<u>(249,681)</u>

There were no derivative financial instruments held as at 30 June 2015.

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

13 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.

Key management personnel

Directors

Key management personnel includes persons who were directors of the Trustee at any time during the financial year or since the end of the year end and up to the date of this report:

P W Chronican BCom(Hons), MBA(Dist)	Chairperson and Non-executive Director (Appointed Chairperson from 16 June 2016)
R Whitfield BCom, Grad Dip Fin, AMP (Harvard)	Deputy Chairperson and Representative of NSW Treasury (Appointed 13 July 2015, Chairperson from 13 July 2015 to 15 June 2016, Appointed Deputy Chairperson from 16 June 2016)
P Gaetjens BA(Hons) Grad Dip Prof Acc	Chairperson and Representative of NSW Treasury (Resigned 3 July 2015)
T Spencer BEc(Hons)	Representative of NSW Treasury (Chairperson from 4 to 12 July 2015, Deputy Chairperson from 13 July 2015 to 15 June 2016, Resigned 5 August 2016)
S B Constant BEc, Blaw(Hons)	Representative of NSW Treasury (Appointed 22 August 2016)
I Atlas B Juris(Hons), LLB(Hons), LLM	Non-executive Director
Hon A R Stockdale AO, BA, LLB	Non-executive Director
P H Warne BA, FAICD	Non-executive Director
K Schott AO, BA(Hons), MA, DPhil	Non-executive Director
S Doyle BA	Non-executive Director (Appointed 28 April 2016)
S W Knight BA, FAICD	Chief Executive (Resigned 31 October 2015)
P A Smith CA, FFin, BCom	Acting Chief Executive (Appointed 1 November 2015 to 4 February 2016)
D M Deverall BE(Hons), MBA	Chief Executive (Appointed 5 February 2016)

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 period.

Other transactions

During their period of appointment as directors of the Trustee, R Whitfield and P Gaetjens also held the position of Chief Executive Officer of Long Service Corporation. Long Service Corporation holds 100% of the units in the Fund and is the controlling entity.

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.

13 Related party transactions (continued)

Trustee fees and other transactions

Under the terms of the Fund Constitution for the Fund, the Trustee is entitled to receive trustee fees monthly. In prior years, these fees were solely being paid from the Fund's underlying investments. From 1 July 2015, a portion of these fees is now being paid directly from the Fund.

From 1 July 2015, 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 2016	30 June 2015
	\$	\$
Expense recovery fees for the year	30,882	-
Trustee fees for the year	158,701	-
Aggregate amounts payable to the Trustee at the reporting date	33,247	-

Investments

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

	Fair value of investment \$		Interest held %		Distributions received or receivable during year \$	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Hour-Glass Indexed International Share (Unhedged) Fund	66,177,492	66,134,254	13.81	13.72	1,827,631	1,347,240
Hour-Glass International Share (Unhedged) Fund	187,028,594	172,740,978	5.66	5.59	20,349,482	26,289,400
Hour-Glass Listed Property Fund	62,219,879	46,706,766	22.36	18.73	60,160	80,003
Hour-Glass Australian Share Fund	258,502,716	245,948,434	8.05	7.81	12,694,398	24,410,701
Hour-Glass Indexed Australian Share Fund	33,399,825	33,221,244	10.94	10.85	1,515,214	4,012,098
Hour-Glass Australian Bond Fund	112,487,327	106,326,422	25.42	25.65	6,300,164	6,469,963
Hour-Glass Liquidity Cash Fund	182,281,252	123,431,584	13.25	6.65	2,999,734	3,376,417
Hour-Glass Strategic Cash Fund	128,320,823	125,103,416	10.22	10.61	3,401,039	3,350,359
Hour-Glass Emerging Market Share Fund	53,941,693	50,074,423	6.57	5.55	1,638,720	3,436,165
Hour-Glass Unlisted Property Fund	48,255,404	29,249,051	3.66	2.62	2,352,127	1,302,540

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

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
(a) Reconciliation of profit/(loss) to net cash outflow from operating activities		
Profit/(loss) for the year	-	-
(Decrease)/increase in net assets attributable to unitholders	(24,959,547)	11,681,184
Distributions to unitholders	53,766,188	80,986,313
Proceeds from sale of financial instruments held at fair value through profit or loss	126,605,561	200,333,873
Purchase of financial instruments held at fair value through profit or loss	(237,186,597)	(277,055,880)
Net losses/(gains) on financial instruments held at fair value through profit or loss	24,114,345	(18,630,413)
Investment income reinvested	(47,796,377)	(74,074,886)
Net foreign exchange loss/(gain)	953	-
Net change in deposits held with brokers	(3,056,196)	-
Net change in receivables	(2,610)	1,218
Net change in payables	16,956	8,151
Net cash outflow from operating activities	(108,497,324)	(76,750,440)
(b) Non-cash financing and operating activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	53,766,188	80,986,313
During the year, the following acquisitions were satisfied by participation in dividend and distribution reinvestment plans	47,796,377	74,074,886
	101,562,565	155,061,199

15 Events occurring after the reporting period

No significant events have occurred since the reporting period which would impact on the financial position of the Fund disclosed in the Balance sheet as at 30 June 2016 or on the results and cash flows of the Fund for the year ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

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, and the requirements of the Public Finance and Audit Act 1983 and 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 2016 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.

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



Director
Sydney
30 September 2016



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 balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and 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 2016, 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 those standards are further 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 auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of 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 Responsibility for the Financial Statements

The Directors of the Fund's Trustee, New South Wales Treasury Corporation are responsible for preparing financial statements that give a true and fair view 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 of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors must assess the Fund's ability to continue as a going concern unless the Fund will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility 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.

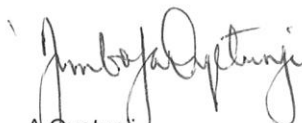
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate,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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>.

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.



A Oyetunji
Director, Financial Audit Services

30 September 2016

SYDNEY

Appendices

» Appendix 1. Consumer Response	89
» Appendix 2. Legislative Change	89
» Appendix 3. Government Information (Public Access) Act 2009	90
» Appendix 4. Privacy and Personal Information Protection Act 1998	96
» Appendix 5. Women's Action Plan	96
» Appendix 6. Human Resources	97
» Appendix 7. Expenditure on Consultants	99
» Appendix 8. Other Disclosures	100
» Appendix 9. Credit Card Certification	101
» Appendix 10. Statutory Reporting Compliance	102

Appendix 1

CONSUMER RESPONSE

CUSTOMER COMPLAINTS

There were no complaints received relating to staff performance. One complaint was received on the content of a reminder letter issued to an employer, one complaint received on the worker registration process and one complaint received on the requirement to pay a building and construction levy. There were four complaints on the unavailability of the Corporation's Helpline during several periods of the year and one complaint on the availability of the website. One customer offered a suggestion to improve the tax agent portal.

CUSTOMER COMPLIMENTS

In the same period 16 compliments were received on the helpfulness and professionalism of Corporation staff.

Appendix 2

LEGISLATIVE CHANGE

There were no changes during the year to the *Long Service Corporation Act 2010*, the *Building and Construction Industry Long Service Payments Act 1986* or the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* or to the regulations.

Appendix 3

OBLIGATIONS UNDER THE GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009

Government Information (Public Access) Act – Annual Report for Agency Long Service Corporation

Clause 7A: Details of the review carried out by the agency under section 7 (3) of the Act during the reporting year and the details of any information made publicly available by the agency as a result of the review

Reviews carried out by the agency	Information made publicly available by the agency
No	No

Clause 7B: The total number of access applications received by the agency during the reporting year (including withdrawn applications but not including invalid applications)

Total number of applications received
1

Clause 7C: The total number of access applications received by the agency during the reporting year that the agency refused either wholly or partly, because the application was for the disclosure of information referred to in Schedule 1 to the Act (information for which there is conclusive presumption of overriding public interest against disclosure)

Number of Applications Refused	Wholly	Partly	Total
	0	0	0
% of Total	0%	0%	

STATISTICAL INFORMATION ABOUT ACCESS APPLICATIONS - CLAUSE 7(D) AND SCHEDULE 2

Government Information (Public Access) Act – Annual Report for Agency Long Service Corporation

Schedule 2 Statistical information about access applications to be included in annual report

Table A: Number of applications by type of applicant and outcome*

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/Deny whether information is held	Application Withdrawn	Total	% of Total
Media	0	0	0	0	0	0	0	0	0	0%
Members of Parliament	0	0	0	0	0	0	0	0	0	0%
Private sector business	0	0	0	0	0	0	0	0	0	0%
Not for profit organisations or community groups	0	0	0	0	0	0	0	0	0	0%
Members of the public (by legal representative)	0	0	0	1	0	0	0	0	1	100%
Members of the public (other)	0	0	0	0	0	0	0	0	0	0%
Total	0	0	0	1	0	0	0	0	1	
% of Total	0%	0%	0%	100%	0%	0%	0%	0%		

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome*

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/Deny whether information is held	Application Withdrawn	Total	% of Total
Personal information applications*	0	0	0	1	0	0	0	0	1	100%
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0	0	0%
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0	0%
Total	0	0	0	1	0	0	0	0	1	
% of Total	0%	0%	0%	100%	0%	0%	0%	0%		

* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	No of applications	% of Total
Application does not comply with formal requirements (section 41 of the Act)	0	0%
Application is for excluded information of the agency (section 43 of the Act)	0	0%
Application contravenes restraint order (section 110 of the Act)	0	0%
Total number of invalid applications received	0	0%
Invalid applications that subsequently became valid applications	0	0%

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of Act

	Number of times consideration used*	% of Total
Overriding secrecy laws	0	0%
Cabinet information	0	0%
Executive Council information	0	0%
Contempt	0	0%
Legal professional privilege	0	0%
Excluded information	0	0%
Documents affecting law enforcement and public safety	0	0%
Transport safety	0	0%
Adoption	0	0%
Care and protection of children	0	0%
Ministerial code of conduct	0	0%
Aboriginal and environmental heritage	0	0%
Total	0	

*More than one public interest consideration may apply in relation to a particular access application and if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of times consideration used*	% of Total
Responsible and effective government	0	0%
Law enforcement and security	0	0%
Individual rights, judicial processes and natural justice	0	0%
Business interests of agencies and other persons	0	0%
Environment, culture, economy and general matters	0	0%
Secrecy provisions	0	0%
Exempt documents under interstate Freedom of Information legislation	0	0%
Total	0	

Table F: Timeliness

	Number of applications*	% of Total
Decided within the statutory timeframe (20 days plus any extensions)	1	100%
Decided after 35 days (by agreement with applicant)	0	0%
Not decided within time (deemed refusal)	0	0%
Total	1	

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total	% of Total
Internal review	0	0	0	0%
Review by Information Commissioner*	0	0	0	0%
Internal review following recommendation under section 93 of Act	0	0	0	0%
Review by NCAT	0	0	0	0%
Total	0	0	0	
% of Total	0%	0%		

*The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review	% of Total
Applications by access applicants	0	0%
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0	0%
Total	0	

Table I: Applications transferred to other agencies.

	Number of applications transferred	% of Total
Agency-Initiated Transfers	0	0%
Applicant - Initiated Transfers	0	0%
Total	0	

Appendix 4

PRIVACY AND PERSONAL INFORMATION PROTECTION ACT

In accordance with section 33 of the *Privacy and Personal Information Protection Act 1998*, a Privacy Management Plan is in place and a copy provided to the Privacy Commissioner. No applications have been received for internal review of conduct under Part 5 of the *Privacy and Personal Information Protection 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 has included training on policies and guidelines for protecting personal information and privacy, particularly on the Helpline.

The Corporation's formal complaint mechanism encompasses situations where customers have grievances in respect of requirements of the *Privacy and Personal Information Protection Act*. Customers in this position may lodge formal grievances and these are then addressed in accordance with the legislative requirements.

Appendix 5

WOMEN'S ACTION PLAN

The Corporation's legislation requires delivery of long service benefits to the building and construction and contract cleaning industries in NSW. Benefits are equally available to male and female workers. There are provisions to help preserve a woman's registration when pregnant.

The Corporation has continued its flexible work time agreement which offers a wide bandwidth, no core time and provides for up to three flexi-days in a six week period to assist staff in meeting their work and family commitments. Nine female officers worked in part-time leave without pay arrangements to assist in returning to work after maternity leave or to assist with parental responsibilities.

The Corporation has two female staff that form part of the Senior Management Team.

Appendix 6

HUMAN RESOURCES

Staff are employees of NSW Treasury. The Corporation is transitioning away from support services provided by Safety, Return to Work and Support to NSW Treasury. This year saw the Corporation fully implement its in house Payroll system and transition its HR services including recruitment, employee relations, training and development and all policy matters to NSW Treasury. The Corporation continued its work towards transitioning all IT infrastructures aligning it with GovDC.

TRAINING AND DEVELOPMENT

Staff are employees of NSW Treasury. During the 2015-16 reporting period the Human Capital Management System for online staff performance review was implemented. The Performance and Development Planning (PDP) process provides staff with the tools to manage their performance and their career. It also provides teams, groups and our wider organisation with a consistent approach so that everyone within LSC and Treasury knows what is expected and enables them to work collaboratively to achieve outstanding results.

Staff had access to a variety of online training offered by NSW Treasury as well as external training. Study leave is also available for appropriate courses.

Staff training courses undertaken throughout the year include Leading with Emotional Intelligence, Interpersonal Communication Skills, Writing Complex Documents, Produce Spreadsheets and Conduct Outbound Customer Contact

STAFFING STATISTICS

COMPARISON OF STAFF LEVELS CHIEF AND SENIOR EXECUTIVE OFFICERS				
	2016		2015	
BAND	FEMALE	MALE	FEMALE	MALE
Band 4 (Secretary)	0	0	0	0
Band 3 (Deputy Secretary)	0	0	0	0
Band 2 (Executive Director)	0	0	0	0
Band 1/Senior Officer (Director)	0	2	0	2
	0	2	0	2
TOTALS	2		2	

STAFFING STATISTICS

COMPARISON OF STAFF LEVELS			
		Average Remuneration	
BAND	RANGE \$	2016 \$	2015 \$
Band 4 (Secretary)	441,201 to 509,750	n/a	n/a
Band 3 (Deputy Secretary)	313,051 to 441,200	n/a	n/a
Band 2 (Executive Director)	248,851 to 313,050	n/a	n/a
Band 1/Senior Officer (Director)	174,500 to 248,850	195,874	186,469

6.32% of the Corporation's employee related expenditure in 2016 was related to senior executives and senior officers, compared with 5.2% in 2015.

CHIEF AND SENIOR EXECUTIVE OFFICERS				
	2016	2015	2014	2013
SES Officers/Senior Officers	2	2	2	2
Number of Female SES officer	-	-	-	-
Number of SES officers at Level 5 and above	-	-	-	-

COMPARISON OF STAFF LEVELS				
	FTE 2016	FTE 2015	FTE 2014	FTE 2013
Temporary Contracting Staff	5	1	1	6.4
Employees covered by the Crown Employees Award	64.62	66	65.57	60.7
Total	69.62	67	66.57	67.1

Staff are employees of NSW Treasury.

Appendix 7

EXPENDITURE ON CONSULTANTS 1 JULY 2015 - 30 JUNE 2016

Consultants Costing \$50,000 or more	Project	Amount (Excl gst) \$
Finance and Accounting/Tax		
PricewaterhouseCoopers Securities Ltd	Quarterly Investment Report for both Schemes @ 4 QTRS + Strategy Review and Advice	80,580
Professional Financial Solutions Pty Ltd	Actuarial valuation of BCI as at 30/6/15, Provide accounting disclosure figures based on yr15, Presentation for yr15 figure, Stochastic Model yr 15	53,410
Deloitte Access Economics	Impact of changes to long service leave	79,639
Heather Miles Consulting	Improving staff engagement/culture	175,072
Riteway Solutions Group Pty Ltd	GovDC	229,397
Subtotal		618,098

Consultants Costing less than \$50,000	Project	Amount (Excl gst) \$
Finance and Accounting/Tax		
Procure Group Pty Ltd	Provision of Probity Advisory service for GOVDC	1,175
Frontier Software Pty Ltd	Chris payroll End of FY	1,149
Dialog Information Technology	Feasibility of Microsoft Dynamics AX for Long Service Corporation	10,540
Professional Financial Solution	Actuarial reports on BCI and CCI scheme, Actuarial update for CCI Scheme as at 30 June 2016, Actuarial valuation of long service leave liabilities for LSC employees, Actuarial update for BCI Scheme as at 30 June 2016 and actuarial review of PFS's triennial valuation report on BCI & CCI schemes	35,012
KPMG	Accounting advice and disclosure assistance	27,665
Subtotal		75,541
Total		693,639

Appendix 8

OTHER DISCLOSURES

The Corporation has no subsidiaries and has not entered into joint ventures or partnerships with other organisations. The Corporation does not own real estate property nor was any real estate property disposed of during the year.

Officers made no overseas visits during the year.

No research or development programs were undertaken.

There were no grants made to non government community organisations.

Statistical Information on Public Interest Disclosures	
	July 2015 –June 2016
Number of public officials who made PIDs	0
Number of PIDs received	0
Of PIDs received, number primarily about:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of PIDs finalised	0

Between July 2015 and June 2016 there were no public interest disclosures made by Long Service Corporation staff.

As a member of the NSW Treasury cluster the Corporation adopted Treasury's "Public Interest Disclosures Internal Reporting Policy".

EXEMPTIONS FROM THE REPORT PROVISION

As a small statutory body the Corporation need only report on a triennial basis in relation to:

- Workforce Diversity
- Multicultural Policies and Services Program
- Occupational Health and Safety
- Waste

These areas were reported in 2014/2015.

Appendix 9

CREDIT CARD CERTIFICATION

In accordance with Treasury's Direction 205.01-205.08, the Long Service Corporation certifies that corporate credit cards used by officers on behalf of the Long Service Corporation have been in accordance with the established government requirements, Premier's Memorandum and Treasurer's Directions.

The Long Service Corporation has three credit cards issued with a total limit of \$40,000.

Appendix 10

STATUTORY REPORTING COMPLIANCE

Requirement	Reference
Aboriginal and Torres Strait Islanders	Not Applicable – Exemptions pg 100
Access Details	02
Agreements with the Community Relations Commission	Not Applicable – Other disclosures pg 100
Aims and Objectives	5 - 7
Annual Report production costs and details	02
Budgets	28
Charter	05
Consultants	99
Consumer Response	89
Credit Card Certification	101
Digital Information Security Policy Compliance Attestation Statement	20
Disability Inclusion Action Plan	Not Applicable – Exemptions pg 100
Disclosure of Controlled Entities	Not Applicable
Economic and other factors affecting achievement of operational objectives	8, 11
Financial Statements	24
Funds granted to non-government community organisations	Not Applicable – Other disclosures pg 100
Government Information (Public Access) Act 2009	90 - 95
Human Resources	97
Identification of audited financial statements	26 - 87
Implementation of price determination	Not Applicable – Other disclosures pg 100
Internal Audit and Risk Management Policy Attestation	19
Investment performance	22
Land disposal	Not Applicable – Other disclosures pg 100
Legal Change	89
Letter of Submission to the Minister for Industrial Relations	03
Liability management performance	46
Management and Activities	5 - 15
Management and Structure	9 - 10
Multicultural Policies and Services Program	Not Applicable – Exemptions pg 100
Occupational Health and Safety	Not Applicable – Exemptions pg 100
Payment of accounts	23
Performance and numbers of senior executives	97
Privacy and Personal Information	96
Promotion	Not Applicable – Other disclosures pg 100
Public Interest Disclosures	Not Applicable – Other disclosures pg 100
Requirements arising from employment arrangements	Refer to Notes to the Financial Statements1(i) (iv)
Research and development	Not Applicable – Other disclosures pg 100
Risk management and insurance activities	16
Summary Review of Operations	5 - 11
Time for Payment of Accounts	Page 23
Workforce Diversity	Not Applicable – Exemptions pg 100



Long Service
CORPORATION