



# **ANNUAL REPORT 2019-2020**

**Long Service Corporation**

**Long Service Corporation**

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**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 on the Long Service Corporation website at [www.longservice.nsw.gov.au](http://www.longservice.nsw.gov.au).

31 October 2020



Customer  
Service

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**Office of the Secretary**

*Our reference: BN-04790-2020*

The Hon Kevin Anderson MP  
Minister for Better Regulation and Innovation  
Member for Tamworth  
By email: office@anderson.minister.nsw.gov.au

Dear Minister

**Long Service Corporation Annual Report 2019-20**

I am pleased to submit the annual report for Long Service Corporation for the year ended 30 June 2020, for presentation to Parliament.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Emma Hogan'.

Emma Hogan  
**Secretary**

Date: 27/11/20

Encl. *Long Service Corporation Annual Report 2019-20*

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# Chief Executive Officer's Report

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I am pleased to present the 2019-20 Annual Report for the Long Service Corporation (LSC). I was appointed as Secretary of the Department of Customer Service (DCS) in October 2019. I would like to acknowledge and thank former CEO Glenn King, who oversaw LSC as part of the Department during the first quarter of the year.

In keeping with the Government's Priority of putting the customer at the centre of everything we do, LSC continued to focus on delivering improved customer experience and operational efficiencies in a year that was fraught with challenges.

The 2019-20 NSW bushfire crisis had a significant impact upon LSC customers. A temporary bushfire levy exemption was implemented by the Government so that NSW citizens and businesses who lost their homes and other buildings in the bushfires could rebuild without the extra financial burden of paying the long service levy required under legislation.

The COVID-19 pandemic accentuated the importance of ensuring the needs of LSC customers were at the forefront of every LSC interaction. This emphasis was reflected in legislative amendments relating to both the building and construction industry and contract cleaning industry schemes to help reduce financial hardships to customers. Specifically, in relation to the contract cleaning industry, a special temporary provision was added which removed the legislated 20 week wait for payment of entitlements to workers upon leaving the industry. Also of benefit to workers in both the building and contract cleaning industries were changes to the *Long Service Leave Act (1955)* which created greater flexibility for employers and employees to access leave during the COVID-19 crisis.

LSC also offered generous levy payment plans to employers in the contract cleaning industry. Additionally, extra resources were dedicated to expediting claims payment to reduce claims processing time from six weeks to two weeks. Workers and employers were also provided advice on how JobKeeper payments affected the recording of service and levy payable where applicable.

LSC continued to monitor customer satisfaction through Net Promotor Score surveys which tends to reflect Helpline service NPS more than other services provided. The survey campaign completed its second full financial year, allowing us to report on the NPS trend. Financial year 2018-19's NPS trend finished the year at +32. Our customers showed strong positive NPS sentiment throughout financial year 2019-20 with the score trending upward and finishing the year at +54. The primary driver of satisfaction is the client view that LSC customer service officers genuinely wanted to help.

My thanks go to the Chair and members of the Building and Construction Industry Long Service Payments Committee, the Contract Cleaning Industry Long Service Leave Committee and the Audit and Risk Committee for their ongoing support and advice during the year.

I would also like to thank LSC Director Kathy Skuta and the staff for their dedication to the citizens of NSW during the year, especially throughout the COVID-19 pandemic. It is clear that LSC continued to provide outstanding customer service and delivered business efficiencies during unprecedented times. I look forward to working with LSC throughout 2020-21 to serve the NSW community by making them the centre of everything we do.

Emma Hogan  
Secretary, Department of Customer Service

# 1. About Long Service Corporation

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## 1.1 Who we are

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

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

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

As at 30 June 2020, LSC provides portable long service schemes to 443,543 workers and 36,363 employers in the building and construction industry and 81,706 workers and 893 employers in the contract cleaning industry.

### Our stakeholders

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

Stakeholders	Key issues
<b>NSW community</b> (Levy payers and general community)	<ul style="list-style-type: none"><li>Levy payers: Levy payment of 0.35% on all building and construction work valued at \$25,000 and above; and 1.7% of ordinary wages for the contract cleaning scheme.</li><li>General community: Information about levy rate and why we have it.</li></ul>
<b>Workers</b> (Workers, contractors, trade unions)	<ul style="list-style-type: none"><li>Workers: Registration, recording service, claiming entitlements, other scheme related information and advice.</li><li>Contractors: Registration, recording service, claiming entitlements, other scheme related information and advice.</li><li>Trade unions: Worker advocacy, scheme coverage, scheme entitlements and industry committee membership.</li></ul>
<b>Employers</b> (Employers, employer groups/industry associations)	<ul style="list-style-type: none"><li>Employers: Responsibilities under the Acts, registration, lodging worker service returns, claiming entitlements, compliance, levy contributions, payment plans and queries.</li><li>Employer groups: Employer advocacy, scheme coverage, scheme entitlements and industry committee membership.</li></ul>
<b>Third parties</b> (Private certifiers, suppliers, interstate schemes, tax agents)	<ul style="list-style-type: none"><li>Private certifiers: Regulation, policy and payment arrangements within the building and construction scheme.</li><li>Suppliers: Policy, procedures and payment arrangements.</li><li>Interstate schemes: National Reciprocal Agreement (NRA), national cooperation initiatives.</li><li>Tax agents: Submitting returns for contractors in the building and construction scheme.</li></ul>
<b>Government</b> (Local government, government agencies)	<ul style="list-style-type: none"><li>Local government: Levy collection agent, scheme information for the building and construction scheme.</li><li>Government agencies contracting work in both industries: Responsibilities under the Acts.</li></ul>

## 1.2 Legislation administered

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

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

## 1.3 What we do

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### Our functions

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

### Our structure

As part of the realignment of Better Regulation Division (BRD), LSC is now placed under the newly created Licensing and Funds stream with the Director reporting to the Executive Director of Licensing and Funds.

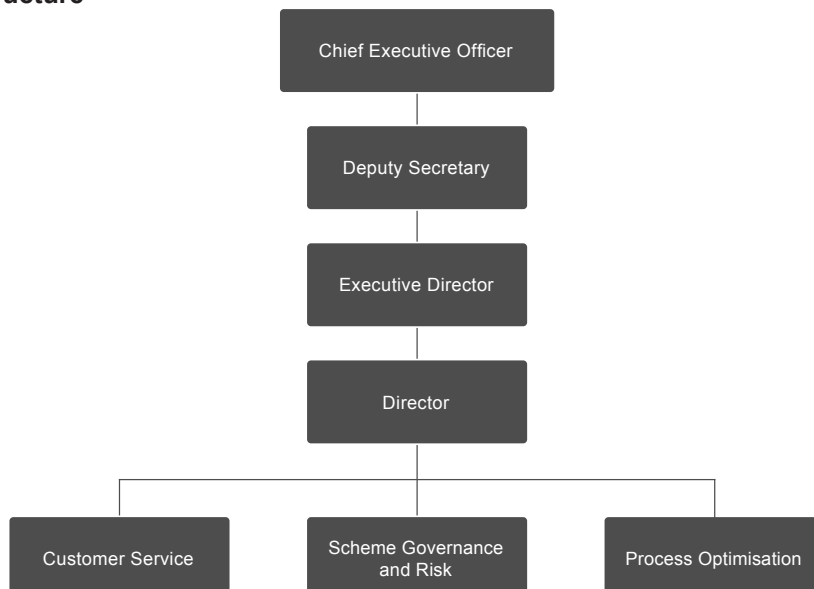
LSC has three core business areas:

**Customer Service** – delivers frontline service to customers including initiatives to improve and streamline client services.

**Scheme Governance and Risk** – undertakes levy collection and regulatory compliance functions; provides on-going support services of audit and risk management; committee secretariat; records, assets and facilities management; procurement and contract management; business planning; annual reporting; fund investment relationship management; and compliance.

**Process Optimisation** – implements new core ICT systems, including enhancement projects to deliver improvements to customer service; information security management; ICT service contract management and business as usual requirements; quality assurance and appeal investigations.

### Organisational structure



## 1.4 Principal officers

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**Emma Hogan, Secretary (Department of Customer Service)**

Post Grad, Human Resource Management

**Rose Webb, Deputy Secretary (Better Regulation Division)**

B.Ec/LLB (Hons), Economics/Law

**Suzanne Crowle, Executive Director (Licensing and Funds)**

Bachelor of Laws, Bachelor of Commerce, Marketing and Law

**Kathy Skuta, Director**

Master of Economics, Bachelor of Commerce (Hons)

**Nicole Smith, Acting Manager Customer Service**

Grad Cert Public Sector Management, Business Management

**Allison Payne, Manager Scheme Governance and Risk**

Bachelor of Business (Accounting), Grad Cert Business Administration

**Chris Merry, Manager Process Optimisation**

## 2. Highlights and achievements

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### 2.1 Director's report

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The 2019-20 financial year was a productive yet challenging time as LSC pushed forward with system and process enhancements whilst addressing the demands presented by COVID-19. To ensure the safety of LSC employees, all staff were transitioned to work remotely from home. The team were quickly and fully equipped with the technology and other resources needed to continue to provide excellent service to our customers.

Enhancements were completed to LSC's customer facing portals with all portals branded following the NSW Government brand guidelines including the familiar waratah logo. Improvements to the flow of the websites were also introduced to improve the customer experience. Building and construction workers are now able to see their entire industry work history on the worker portal. Navigation for employers in the portal has improved by auto directing them to the employer return page on login when they have outstanding returns. Tax agents can now lodge service for their clients online for all service instead of completing a manual form to lodge service older than two years. A new secure payment gateway was also introduced to the building levy portal ensuring that LSC is compliant with Payment Card Industry Data Security Standards.

A further critical enhancement that is expected to be delivered later in 2020 will provide capacity for workers to lodge simple claims on-line using the LSC worker portal. This service will make claiming easier and faster and will include a digital proof of identity check removing the need for a worker to provide a certified copy of their identification when lodging a claim.

LSC finished the year with an operational deficit of \$97.9 million (2019: Deficit \$19.7 million) and an equity balance of \$254.5 million (2019: \$352.3 million). The operating result was strongly influenced by the decline in the Commonwealth Government Bond rate, the discount rate used to calculate the present value of Scheme liabilities, resulting in a \$45.1 million additional liability provision.

LSC's Investment Fund return of 3 per cent was below the budgeted 6 per cent but outperformed industry benchmarks in the wake of COVID-19 market conditions. The fund is now valued at nearly \$1.8 billion.

Levy revenue decreased by \$25.5 million (13.5 per cent) to \$163.4 million compared to the previous financial year. Over 14,600 claims were paid to workers and employers. Total claims paid increased by 22.8 per cent to \$115.7 million with the spike attributed to a COVID-19 response. Total expenses decreased by \$36.3 million (10.5 per cent) to \$311.1 million compared to the previous year, however were unfavourable compared to budget by \$26.1 million. As noted above, \$45.1 million of the increase in expenses was attributable to the movement in the discount rate.

The dedicated team at LSC responded to nearly 155,000 enquiries, a decrease of three percent compared to the previous year. The decrease in enquiries was attributed to improvements to customer online portals on the LSC website.

There were no Public Interest Disclosures made to LSC this financial year.

I thank the LSC staff for their tremendous efforts and their ability to take on the new challenges particularly those presented in the changing COVID-19 landscape. Staff have embraced the requirement to work from home for extended periods whilst maintaining business as usual. LSC's plans for the year ahead will focus on providing new platforms to improve customer service.

The recently launched Project Phoenix involves the design and build of an integrated approach to business systems and processes. Once implemented, the new framework will digitise and streamline customer processes and deliver self-service functions such as claims management and automate many tasks introducing significant operational efficiencies. LSC is being supported by a dedicated DCS project team with experience in delivering similar projects for the cluster. I look forward to working with staff and stakeholders to continue to provide an outstanding customer experience.

Kathy Skuta  
Director

## 2.2 Review of operations

### Business Plan 2019-20

Focus	Actions	Target
<b>Our People</b>	Implement BRD realignment strategy and restructure within LSC	Staff report change management satisfaction, performance improvements implemented
	Incorporate culture attributes into all staff personal development plans	100% staff personal development plans completed. Culture attributes discussed regularly
	Review results of staff engagement survey Teamgage and adjust People Matters Employment Survey actions as appropriate	Monthly reports considered by Executive and Managers. Responsive plans prepared/implemented
	Implement staff training and communications for SAP (tool for managing people, finance, payroll, procurement, expense claim and project accounting management processes)	Staff engagement for SAP migration is high and other risks are managed
	Socialise and implement WHS plan across LSC	Improved staff knowledge of WHS plan and incident reporting
<b>Our Customers, Services and Innovation</b>	Review of business process documentation	Identify gaps in documentation
	Collate, review and implement staff suggestions for improvements	Contribute to 10% efficiency savings
	Review BCI backdating and missing service policy and processes	Customer centric policy/process. Contribute to 10% efficiency savings
	Review of CCI claims; BCI missing service and incoming correspondence processes	Identify key process improvements
	Develop CCI maturity process improvement plan	Plan completed by March 2020
	Implement revised CCI worker claim process	Contribute to 10% efficiency savings.
	Identify and implement customer service KPIs	Staff understand their KPIs
	Source and complete all rebranding to align with DCS	All collateral rebranded
	Enable BCI worker staying in the industry with no change required to worker record to claim online	Design and build new claims online process for launch in 2020
	Provide all recorded worker service on portal	10% decrease in call volume
Provide BCI workers access to the BCI portal via Service NSW authentication	Improved customer satisfaction with portal access	
<b>Our Governance, Regulation and Finance</b>	Implement revised investment strategy	Fund return volatility is reduced
	Increase budget and allocation to FTE	LEC increased without causing an increase to NCOS
	Complete mandatory training	100% staff complete mandatory training

## Organisational overview

- As part of the Government's response to the NSW bushfire recovery initiative, a regulation was made to exempt customers from paying the long service levy up to the value of \$3,500 for rebuilding or repairing buildings damaged as a direct impact of the 2019-20 bushfires. There were 69 levy exemptions issued totalling \$74,417 in savings for those affected citizens as at 30 June 2020.
- A special temporary provision was made to allow workers permanently leaving the contract cleaning industry to access their long service entitlement immediately as part of the Government's response to the COVID-19 pandemic. As at 30 June 2020, 12 workers had accessed their entitlements.
- There was a significant amount of work completed during the year resulting in digital enhancements to improve customer experience and operational efficiency, for example enabling workers to view their full service history at any time using the BCI worker portal and enhancing cyber security of customer information. LSC is also building an online claim service for workers, with the first release scheduled to go live on the BCI worker portal late 2020.
- As part of LSC's transition to the DCS, LSC's payroll and finance functions were migrated to the SAP platform. Work continues to onboard LSC to the DCS network during 2020-21.
- An ongoing Culture Amp survey in May 2020 showed that 98 per cent of staff were able to establish a good daily routine while working from home during the peak of the COVID-19 pandemic. Ninety-four per cent of staff felt productive during this time. It is very encouraging to note that staff felt they were able to accomplish their work whilst maintaining their work/life balance during these unprecedented times. Drivers of lower engagement related to vision, leadership and communication.
- To better measure the impact of our efforts to improve customer service based on customer feedback saw us increase the number of surveys issued as part of our Net Promoter Score (NPS) from approximately 1,000 surveys per month to 3,000 per month. The survey results continue to show overall improvement in customer satisfaction.
- Staff training in 2019-20 included mandatory learning modules such as Fraud and Corruption Awareness and Information Security Awareness; guidance on eligible work in the building and construction industry; detailed advice on the contract cleaning industry scheme; complaints handling policy and processes; and Mental Health First Aid training for all people leaders. A new tool was also developed to assist staff in making decisions around eligibility of work in the building and construction industry to support legislative compliance.
- LSC also supported some individual staff who undertook study including Diploma of Government, Diploma of Social Media Marketing, Diploma of Leadership Management and Diploma of Business.
- All ongoing staff completed individual Performance Development Plans.

Operations overview 2019-2020		
	Building and Construction Industry (BCI)	Contract Cleaning Industry (CCI)
New worker registrations	42,959 ↓	2,956 ↓
Workers removed from register	21,870 ↑	4,155 ↑
Total numbers of active registered workers	443,543 ↑	81,706 ↑
New employer registrations approved	3,518 ↑	52 ↓
Total number of registered employers	36,363 ↑	893 ↑
Levy payments via online portal	41,461 ↓	n/a
Levies collected value	\$150.9 million ↓	\$12.6 million ↓
Worker claims volume	12,820 ↑	342 ↑
Worker claims value	\$106.5 million ↑	\$1.2 million ↑
Employer claims volume	1,171 ↓	330 ↓
Employer claims value	\$7.2 million ↑	\$0.8 million ↓
Inbound calls to Helpline	105,149 ↑	
Customer enquiries by email	32,947 ↑	
Customer enquiries via internet	7,595 ↓	
Incoming paper correspondence*	8,829 ↓	

Note: \*Does not include return to sender

## Compliance activity

Due to the COVID-19 pandemic, compliance activities such as site inspections were paused, and resources were temporarily refocused to claims processing. However, a number of compliance activities continued uninterrupted.

Proactive investigations of new construction projects valued at over \$1 million resulted in the recovery of \$3,047,000 in unpaid BCI levies.

There were 74 inspections conducted on BCI employers and workers. The inspections identified ineligible claims, service credits and work performed. This resulted in the cancellation of 48 worker registrations and 1,039 years of service, with estimated scheme savings of \$950,000.

The 2018-19 unregistered CCI employers compliance program continued into 2019-20 and resulted in the recovery of \$180,000 in unpaid levies via payment plans.

A compliance program tied to the Government's COVID-19 response Emergency Cleaning Stimulus Scheme commenced to ensure that businesses registered in the Stimulus Scheme are registered with LSC and levies paid up to date as required. This activity will continue into the 2020-21 financial year.

## 2.3 Committees - Building and Construction Industry Long Service Payments Committee

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

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

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

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

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

- Appropriate industry and award coverage for concrete recyclers
- Advice on backdating of worker registrations
- Amendments to legislation regarding employer notification of worker commencement
- Avenues of communication with employers regarding their obligations.

### **Appeals**

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

The Committee heard and gave consideration to 113 appeals lodged by workers and one appeal lodged by a levy payer.

## BCI Industry Committee July 2019 - June 2020

BCI Industry Committee Members	Meeting attendance
<p><b>Mary Snell (BA, LLB, MBA)</b> Deputy Counsel, DCS <i>Chairperson</i></p>	1 out of 2
<p><b>Christine Gowland (BBus - Accounting)</b> Director Registry and Accreditation DCS <i>Chairperson</i></p>	2 out of 2
<p><b>Karen Kellock (Dip HR, Cert IV WHS, Cert IV TAE)</b> Apprenticeship Services Manager, MBA NSW <i>Nominated jointly by the MBA NSW and the AFEI</i></p>	2 out of 2
<p><b>Iain Jarman (Grad Dip Commerce, Grad Dip Corporate, Securities, Finance, Law, Grad Cert Public Sector Management)</b> Industrial Officer, MBA NSW <i>Nominated jointly by the MBA NSW and the AFEI</i></p>	4 out of 4
<p><b>Paula Thomson (LLB/B Business)</b> Manager Workplace Relations, AFEI Associate <i>Nominated jointly by the MBA NSW and the AFEI</i></p>	4 out of 4
<p><b>Rita Mallia (B. Economics/Law)</b> State President, Construction Forestry Mining Energy Union (CFMEU), (Construction and General Division) NSW <i>Nominated by Unions NSW</i></p>	4 out of 4
<p><b>Kate Minter (BA Social Science, Masters Science)</b> Research Officer, Unions NSW <i>Nominated by Unions NSW</i></p>	2 out of 2
<p><b>Thomas Costa</b> Assistant State Secretary, Unions NSW <i>Nominated by Unions NSW</i></p>	3 out of 4
<p><b>Brian Seidler (B. Build)</b> Executive Director, MBA NSW <i>Directly appointed by the Minister</i></p>	3 out of 4
<p><b>David Bare (BE (Mat.) Business Management Certificate (General Management))</b> Executive Director, HIA <i>Directly appointed by the Minister</i></p>	3 out of 4
<p><b>Robyn Fortescue (BA)</b> Assistant State Secretary, Australian Manufacturing Workers Union (AMWU) <i>Nominated by Unions NSW</i></p>	3 out of 4
<p><b>Guy Noble (BA Sociology; LPAB)</b> Manager Workplace Service, HIA <i>Directly appointed by the Minister</i></p>	4 out of 4
<p><b>Joanna Psaros (Master of Law and International Development, BA Law/Dip of Legal Practice)</b> Industrial Relations Officer, BA Writing and International Affairs <i>Nominated jointly by the MBA NSW and the AFEI</i></p>	2 out of 2
<p><b>Theo Samartzopoulos</b> State Secretary, Plumbing Trades Employees Union <i>Nominated by Unions NSW</i></p>	2 out of 2

## 2.3 Committees - Contract Cleaning Industry Long Service Leave Committee

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

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

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

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

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

- Review of Employer Guide
- Employer compliance strategies
- Scheme levy rate.

### **Appeals**

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

The Committee heard and gave consideration to 7 appeals lodged by workers.

## CCI Industry Committee July 2019 - June 2020

CCI Industry Committee Members	Meeting attendance
<b>Mary Snell (BA, LLB, MBA)</b> Deputy Counsel, DCS <i>Chairperson</i>	1 out of 2
<b>Christine Gowland (BBus - Accounting)</b> Director Registry and Accreditation DCS <i>Chairperson</i>	1 out of 1
<b>Georgia Potter-Butler (LLB/BA Barrister and Solicitor NZ)</b> Industrial Officer, Unions NSW <i>Nominated by Unions NSW</i>	2 out of 3
<b>Ravindra Naidoo (BA (Hons) Economics, CPA)</b> Financial Controller, Quad Services <i>Nominated by the Building Service Contractors Association of Australia (BSCAA)</i>	3 out of 3
<b>Nicholas Jenkinson (MBA Business Management, BA (Hons) Business &amp; Marketing, BTEC National Diploma)</b> State Manager, Pickwick Group <i>Nominated by the BSCAA</i>	2 out of 3
<b>Alex Morales (BA Communications)</b> Lead Organiser, United Voice <i>Nominated by United Voice</i>	3 out of 3
<b>Mel Gatfield (BA Industrial Relations)</b> Branch Secretary, United Voice <i>Nominated by United Voice</i>	2 out of 3
<b>Natasha Flores BA (Hons), LLB, MLLR, DipEd</b> Industrial Officer <i>Nominated by Unions NSW</i>	2 out of 3
<b>Jamie Halfhide Masters Business Administration, Dip Business Management</b> National Sales Manager, Guardian Property Services <i>Directly appointed by the Minister</i>	2 out of 3
<b>Charlie Vasilas</b> General Manager, Ezko Property Services (AUST) Pty Ltd <i>Directly appointed by the Minister</i>	3 out of 3

## 3. Governance

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### 3.1 Audit and risk management and insurance activities

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#### **Audit and Risk Committee**

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

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

#### **Business Continuity Management and Planning**

LSC's localised Business Continuity Management (BCM) plan and its associated supporting documentation was reviewed by the ARC in February 2020 and additionally as part of the formal Internal Audit program for FY 2019-20. The resulting Internal Audit report provided assurance on the quality of the existing plan and direction for possible improvements to be included in future updates, in particular where the LSC BCM interacts with the BRD BCM. It is intended that LSC will be included in the wider BRD review of BCM documentation scheduled during 2020-21.

#### **Compliance, Risk, Assurance Management System**

LSC's identified risks and controls are maintained in the Protecht ERM Risk, Compliance and Assurance software management system with reports made available regularly to the LSC ARC on strategic and operational risks. Risks associated with significant IT projects are managed through the DCS Project Management Office (PMO) for Executive review.

#### **Risk assessment**

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

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

A risk report is also provided regularly to the ARC on risks rated significant and above as well as new and emerging risks. Key strategic risks and emerging risks are also reported through to the cluster ARC by the BRD risk team on a quarterly basis.

#### **Insurance**

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

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

LSC's initial insurance premiums for 2019-20 totalled \$35,353 (2018-19: \$31,385). To minimise the likelihood and impact of workplace injury, LSC's workers compensation risks are actively managed with pre-emptive six monthly workplace inspections, early intervention and a local Work Health and Safety Committee. LSC is also actively participating in implementing the BRD Work Health & Safety Plan 2018-22, with the 2019-20 year focused on mental health support.

## 3.2 Internal Audit and Risk Management Attestation Statement for 2019-20

### Internal Audit and Risk Management Attestation Statement for the 2019-2020 Financial Year for Long Service Corporation

I, Emma Hogan, Chief Executive Officer, am of the opinion that the Long Service Corporation had internal audit and risk management processes in operation that were compliant with the eight (8) 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
<b>Risk Management Framework</b>		
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
<b>Internal Audit Function</b>		
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
<b>Audit and Risk Committee</b>		
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 were:

- Felicity Barr, Independent Chair, from 20 July 2017 to 20 July 2021;
- Neil O'Callaghan, Independent Member, from 31 July 2013 to 1 January 2021;
- Malcolm Freame, Independent member, from 20 July 2017 to 20 July 2021.



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Emma Hogan  
Chief Executive Officer  
Long Service Corporation

Date: 28 September 2020

Agency Contact Officer  
Anthony Lane  
A/Chief Audit & Risk Officer  
[anthony.lane@customerservice.nsw.gov.au](mailto:anthony.lane@customerservice.nsw.gov.au)

### 3.3 Cyber Security Annual Attestation Statement for 2019-20

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**Customer  
Service**

McKell Building – 2-24 Rawson Place, Sydney NSW 2000  
Tel 02 9372 8877 | TTY 1300 301 181  
ABN 81 913 830 179 | [www.customerservice.nsw.gov.au](http://www.customerservice.nsw.gov.au)

#### **Cyber security Annual Attestation Statement for the 2019-2020 Financial Year for the Department of Customer Service (Secretary – NSW Department of Customer Service)**

I, Emma Hogan, am committed to ensuring that the cyber security defences of the Department of Customer Service will continue to be strengthened.

The Department of Customer Service has completed independent audits of cyber security controls in place during the 2019-2020 financial year, and the department's maturity against the NSW Cyber Security Policy mandatory requirements. These audits have identified opportunities for improvement, which we are now focussed on addressing.

The Department of Customer Service has a cyber security response plan that has been exercised during the 2019-2020 financial year. The plan will continue to be reviewed to maintain its currency and effectiveness.

The Department of Customer Service will implement an expanded information security management system (ISMS) to ensure that cyber security risks are managed consistently and effectively across all areas of the department. Significant consolidation, standardisation and enhancement of the department's technology environment will lessen the opportunity for cyber security risks to be realised.

The Department of Customer Service will continue to harden its technology environments, strengthen its governance processes and increase awareness of cyber security and privacy risks for all staff. Through an aggressive and comprehensive cyber security resilience programme, the department will ensure that the security of citizen information and trust in the services of government are maintained to the best of its abilities against increasingly complex and prevalent threats.

Yours sincerely

A handwritten signature in black ink, appearing to read "Emma Hogan".

Emma Hogan

**Secretary, NSW Department of Customer Service**

24 September 2020

## 3.4 Accessing LSC information

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### ***Government Information (Public Access) Act 2009***

All Government Information (Public Access) (GIPA) and privacy matters relating to LSC are handled by DCS Right to Information and Privacy unit. DCS GIPA policy and reporting is conducted and reported by the department.

### ***Privacy and Personal Information Protection Act 1998***

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

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

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

## 4. Financial performance summary

### FINANCIAL PERFORMANCE SUMMARY

#### REVENUE AND EXPENSES

Financial YTD, revenue from all sources amounted to \$213.2 million, whilst expenditure amounted to \$311.1 million. This resulted in a comprehensive loss of \$97.9 million.

The actual net result was unfavourable to budget by \$143.1 million, primarily due to the following:

	\$'000
• Lower return on TCorp Hour-Glass investment facilities, including LSCIFT	(68,038)
• Lower collection of levies from both Schemes	(49,047)
• Increase in other revenue	52
• Decreased Finance cost	15,348
• Increased Long service expense	(42,887)
• Decreased Personnel services expense	285
• Decreased other expenses	1,166
	<u>(143,121)</u>

#### BUDGET FORECAST AND RESULT

##### Expenses excluding losses

##### Operating expenses

	Actual 2020 \$'000	Budget 2020 \$'000	Budget 2021 \$'000
Personnel services	7,974	8,259	9,086
Other operating expenses	282,346	239,748	266,165
Depreciation and amortisation	373	1,242	334
Finance costs	20,414	35,762	14,956
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>	<b>311,107</b>	<b>285,011</b>	<b>290,541</b>

##### Revenue

Investment revenue	49,528	117,566	94,100
Retained taxes, fees and fines	163,447	212,494	156,100
Other revenue	262	210	227
<b>Total Revenue</b>	<b>213,237</b>	<b>330,270</b>	<b>250,427</b>

Gain/(loss) on disposal	7	-	-
<b>NET RESULT</b>	<b>(97,863)</b>	<b>45,258</b>	<b>(40,114)</b>

	Actual 2016 \$'000	Actual 2017 \$'000	Actual 2018 \$'000	Actual 2019 \$'000	Actual 2020 \$'000
<b>FINANCIAL TRENDS</b>					
<b>Expenses excluding losses</b>					
Operating expenses					
Personnel services	11,992	4,226	5,734	12,140	7,974
Other operating expenses	74,869	94,332	135,487	303,284	282,346
Depreciation and amortisation	152	122	215	142	373
Finance costs	60,781	55,623	29,805	31,881	20,414
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>	<b>147,794</b>	<b>154,303</b>	<b>171,241</b>	<b>347,447</b>	<b>311,107</b>
<b>Revenue</b>					
Investment revenue	30,231	117,565	129,337	138,586	49,528
Retained taxes, fees and fines	165,630	161,282	194,862	188,981	163,447
Other revenue	140	173	192	194	262
<b>Total Revenue</b>	<b>196,001</b>	<b>279,020</b>	<b>324,391</b>	<b>327,761</b>	<b>213,237</b>
Gain/(loss) on disposal	-	(29)	-	-	7
<b>NET RESULT (DEFICIT)SURPLUS</b>	<b>48,207</b>	<b>124,688</b>	<b>153,150</b>	<b>(19,686)</b>	<b>(97,863)</b>

#### FINANCIAL POSITION

The principal assets continue to be investments of \$1,781.5 million, in TCorp "Long Term Growth" Long Service Corporation Investment Fund and the principal liabilities are the estimates for the Provision for Scheme Liabilities of \$1,638.0 million as assessed by actuarial consultants. Equity decreased by \$97.9 million with accumulated funds of \$254.4 million at 30 June 2020.

#### INVESTMENTS

The Corporation invested its funds in the "Long Term Growth" Long Service Corporation Investment Fund administered by NSW Treasury Corporation (TCorp) utilising external managers under contract to Tcorp and the Treasury Banking System.

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

FUND CATEGORIES	BALANCE ON HAND AS AT		INVESTMENT PERFORMANCE		BENCH MARK
	30 JUNE 2020	30 JUNE 2019	INCOME	RETURN	RETURN
	\$'000	\$'000	\$'000	%	%
Long term growth	1,781,539	1,512,786	47,753	3.27%	5.00%
Term Deposits	-	221,000	-	0.00%	0.00%
<b>TOTAL</b>	<b>1,781,539</b>	<b>1,733,786</b>	<b>47,753</b>		

## ACCOUNTS PAYABLE PERFORMANCE

Aged analysis at end of each quarter					
	Current (within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 61 and 90 days overdue	More than 90 days overdue
<b>All suppliers</b>					
	<b>Sep-19</b>	218	-	-	-
	<b>Dec-19</b>	228	-	-	-
	<b>Mar-20</b>	101	1	-	-
	<b>Jun-20</b>	71	23	12	6
<b>Small business suppliers</b>					
	<b>Sep-19</b>	7	-	-	-
	<b>Dec-19</b>	7	-	-	-
	<b>Mar-20</b>	4	-	-	-
	<b>Jun-20</b>	5	-	-	-

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-19	Dec-19	Mar-20	Jun-20
<b>All suppliers</b>				
Number of accounts due for payment	218	228	102	112
Number of accounts paid on time	218	228	101	71
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	99%	63%
Dollar amount of accounts due for payment	1,872,490	1,382,256	672,691	3,614,319
Dollar amount of accounts paid on time	1,872,490	1,382,256	670,321	3,221,768
Actual percentage of accounts paid on time (based on \$)	100%	100%	100%	89%
Number of payments for interest on overdue accounts	Nil	Nil	Nil	Nil
Interest paid on overdue accounts	Nil	Nil	Nil	Nil
<b>Small business suppliers</b>				
Number of accounts due for payment	7	7	4	5
Number of accounts paid on time	7	7	4	5
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment	13,770	7,405	1,129	15,995
Dollar amount of accounts paid on time	13,770	7,405	1,129	15,995
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's policy aligns with the Government directive of 30 days per NSWTC 11/12.

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

## 5. Financial statements

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### 5.1 Statement of Chief Executive Officer

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LONG SERVICE CORPORATION  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020  
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:

- a) the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Long Service Corporation as at 30 June 2020 and its financial performance for the year then ended.
- b) the accompanying financial statements and notes thereto have been prepared 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 mandated by the Treasurer.
- c) I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'Emma Hogan'.

Emma Hogan

Chief Executive Officer, Long Service Corporation

Dated 28/09/2020



### INDEPENDENT AUDITOR'S REPORT

#### Long Service Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Long Service Corporation (the Corporation), which comprises the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- gives a true and fair view of the financial position of the Corporation as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

#### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

The Corporation's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Chief Executive of the Corporation is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Chief Executive.

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

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

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

I have nothing to report in this regard.

## **The Chief Executive's Responsibilities for the Financial Statements**

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

In preparing the financial statements, the Chief Executive is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink that reads "D Daniels". The signature is written in a cursive style with a large initial "D".

David Daniels  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

12 October 2020  
SYDNEY

### 5.3 Statement of Comprehensive Income

<b>LONG SERVICE CORPORATION</b>				
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>FOR THE YEAR ENDED 30 JUNE 2020</b>				
	<b>Notes</b>	<b>Actual 2020 \$'000</b>	<b>Budget 2020 \$'000</b>	<b>Actual 2019 \$'000</b>
<b>Expenses excluding losses</b>				
Personnel services	2(a)	7,974	8,259	12,140
Operating expenses	2(b)	282,346	239,748	303,284
Depreciation and amortisation	2(c)	373	1,242	142
Finance costs	2(d)	20,414	35,762	31,881
<b>Total Expenses excluding losses</b>		<b>311,107</b>	<b>285,011</b>	<b>347,447</b>
<b>Revenue</b>				
Investment revenue	3(a)	49,528	117,566	138,586
Retained taxes, fees and fines	3(b)	163,447	212,494	188,981
Other revenue	3(c)	262	210	194
<b>Total Revenue</b>		<b>213,237</b>	<b>330,270</b>	<b>327,761</b>
Gain on disposal	4	7	-	-
		<b>7</b>	-	-
<b>NET RESULT</b>		<b>(97,863)</b>	<b>45,258</b>	<b>(19,686)</b>
Other		-	-	-
<b>Total other comprehensive income/(loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS)</b>		<b>(97,863)</b>	<b>45,258</b>	<b>(19,686)</b>

The accompanying notes form part of these financial statements.

## 5.4 Statement of Financial Position

<b>LONG SERVICE CORPORATION</b>				
<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>AS AT 30 JUNE 2020</b>				
	<b>Notes</b>	<b>Actual 2020 \$'000</b>	<b>Budget 2020 \$'000</b>	<b>Actual 2019 \$'000</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	5	108,146	116,217	82,613
Receivables	6	6,964	9,939	8,752
Financial assets at fair value	7	-	221,000	221,000
<b>Total Current Assets</b>		<b>115,110</b>	<b>347,156</b>	<b>312,365</b>
<b>Non-Current Assets</b>				
Property, plant and equipment				
Property, plant and equipment - owned	9	1	868	108
Right-of-use-asset	9	43	-	-
Total property, plant and equipment		44	868	108
Intangible assets	10	70	5,346	157
Financial assets at fair value	8	1,781,539	1,712,640	1,512,786
<b>Total Non-Current Assets</b>		<b>1,781,653</b>	<b>1,718,854</b>	<b>1,513,051</b>
<b>Total Assets</b>		<b>1,896,763</b>	<b>2,066,010</b>	<b>1,825,416</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	12	4,271	3,727	2,416
Lease liability	13	43	-	-
Provisions	14	1,348,962	1,372,763	1,210,407
<b>Total Current Liabilities</b>		<b>1,353,276</b>	<b>1,376,490</b>	<b>1,212,823</b>
<b>Non-Current Liabilities</b>				
Lease liability	13	-	-	-
Provisions	14	289,030	214,455	260,273
<b>Total Non-Current Liabilities</b>		<b>289,030</b>	<b>214,455</b>	<b>260,273</b>
<b>Total Liabilities</b>		<b>1,642,306</b>	<b>1,590,945</b>	<b>1,473,096</b>
<b>Net Assets</b>		<b>254,457</b>	<b>475,065</b>	<b>352,320</b>
<b>EQUITY</b>				
Accumulated funds		254,457	475,065	352,320
<b>Total Equity</b>		<b>254,457</b>	<b>475,065</b>	<b>352,320</b>

The accompanying notes form part of these financial statements.

5.5 Statement of Changes in Equity

<b>LONG SERVICE CORPORATION STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020</b>		
	<b>Notes</b>	<b>Accumulated Funds \$'000</b>
<b>Balance at 1 July 2019</b>		<b>352,320</b>
<b>Net Result for the year</b>		<b>(97,863)</b>
<b>Total comprehensive income for the year</b>		<b>(97,863)</b>
<b>Balance at 30 June 2020</b>		<b>254,457</b>
<b>Balance at 1 July 2018</b>		<b>372,006</b>
<b>Net Result for the year</b>		<b>(19,686)</b>
<b>Total comprehensive income for the year</b>		<b>(19,686)</b>
<b>Balance at 30 June 2019</b>		<b>352,320</b>

The accompanying notes form part of these financial statements.

## 5.6 Statement of Cash Flows

<b>LONG SERVICE CORPORATION</b>				
<b>STATEMENT OF CASH FLOWS</b>				
<b>FOR THE YEAR ENDED 30 JUNE 2020</b>				
	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Personnel Services		(20,024)	(8,259)	(12,140)
Long Service Scheme Claims paid		(115,540)	(80,773)	(94,190)
Other		(6,130)	(6,445)	(3,562)
<b>Total Payments</b>		<b>(141,694)</b>	<b>(95,477)</b>	<b>(109,892)</b>
<b>Receipts</b>				
Retained taxes, fees and fines		164,951	211,811	189,244
Interest received		1,775	6,441	6,863
Other		501	2,442	126
<b>Total Receipts</b>		<b>167,227</b>	<b>220,694</b>	<b>196,233</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	18	<b>25,533</b>	<b>125,217</b>	<b>86,341</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of investments		(221,000)	(96,530)	(53,000)
Proceeds from sale of investments		221,000	(3,436)	-
Proceeds of property, plant and equipment		7		
Purchases of property, plant and equipment		(7)	(970)	(12)
Other		-	(4,823)	(1,171)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-</b>	<b>(105,759)</b>	<b>(54,183)</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>25,533</b>	<b>19,459</b>	<b>32,158</b>
Opening cash and cash equivalents		82,613	96,759	50,455
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	5	<b>108,146</b>	<b>116,217</b>	<b>82,613</b>

The accompanying notes form part of these financial statements.

## 5.7 Notes to the financial statements

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### LONG SERVICE CORPORATION

#### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2020

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Reporting Entity

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

Administrative Arrangements (Administrative Changes—Public Service Agencies) Order 2019 commenced on 1 July 2019 and abolished the Department of Finance, Services and Innovation (DFSI) on 1 July 2019. The Order established the Department of Customer Service on 1 July 2019 and the persons employed in DFSI were transferred to DCS.

The Corporation has its principal office at 32 Mann Street, Gosford, and administers the Building and Construction Industry Long Service Payments Act 1986 and Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010. These Acts provide portable long service payments schemes to building and construction workers and contract cleaning workers in NSW.

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

The financial statements for the year ended 30 June 2020 have been authorised for issue by the Chief Executive Officer on the 28th September 2020.

##### (b) Basis of Preparation

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

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- the requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015; and
- Treasurer's Directions issued under the Act.

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 100% owned vehicle, 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.

Property, plant and equipment and certain financial assets and liabilities 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 have made are disclosed in the relevant notes to the financial statements.

Management has considered the specific requirements in AASB101 Presentation of Financial Statements to disclose significant accounting policies, and the extent of disclosures regarding estimation uncertainty as a result of COVID-19. There are no material impacts on key assumptions and estimates used.

Investment values are calculated at fair value through profit and loss, and the uncertainty of assumptions has not increased as a result of COVID-19.

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

**(c) Statement of Compliance**

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

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

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

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

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

**(e) Comparative Information**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous reporting period, 30 June 2019, for all amounts reported in the financial statements.

**(f) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards**

**(i) Effective for the first time in 2019-20**

The Corporation applied AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB1058 Income of Not-for-Profit Entities for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2019-20, but do not have an impact on the financial statements of the Corporation.

**AASB 15 Revenue from Contracts with Customers**

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the Corporation has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The Corporation has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations
- determining the transaction price
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

The adoption of AASB 15 did not have an impact on Statement of Comprehensive Income, Statement of Financial Position, Other Comprehensive Income and the Statement of Cash Flows for the financial year.

### **AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the entity.
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the Corporation has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The Corporation has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the entity to further its objectives, are not restated to their fair value.

The adoption of AASB 1058 did not have an impact on Statement of Comprehensive Income, Statement of Financial Position, Other Comprehensive Income and the Statement of Cash Flows for the financial year.

### **AASB 16 Leases**

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

#### **Lessor accounting**

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

#### **Lessee accounting**

AASB 16 requires the Corporation to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the Corporation recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Corporation has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.42%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised

in the statement of financial position as at 30 June 2019. The exception is right-of-use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance leases the Corporation recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The Corporation elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

- not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4.
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).
- excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of adoption AASB 16 as at 1 July 2019 (increase/ (decrease)) is, as follows:

	<u>\$'000</u>
<b>Assets</b>	
Property, plant and equipment	<u>215</u>
<b>Liabilities</b>	
Borrowings	<u>215</u>

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	<u>\$'000</u>
Operating lease commitments as at 30 June 2019 (GST included)	-
(Less): GST included in operating lease commitments [applicable if the entity is able to claim GST input credit]	-
Operating lease commitments as at 30 June 2019 (GST excluded) [if applicable as above]	<u>-</u>
Incremental borrowing rate as at 1 July 2019	1.42%
Discounted operating lease commitments as at 1 July 2019	-
Add: commitments relating to leases previously classified as finance leases (GST excluded) [if applicable as above]	-
(Less): commitments relating to short-term leases	-
(Less): commitments relating to leases of low-value assets	-
Add/(less): contracts re-assessed as lease contracts	215
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	<u>-</u>
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liabilities as at 1 July 2019	<u>215</u>

(ii) Issued but Not Yet Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting period.

a) Service Concession Assets: Grantors

- AASB 1059 Service Concession Assets: Grantors (“AASB 1059”) is effective from reporting periods commencing on or after 1 July 2020.
- The Corporation will adopt AASB 1059 on 1 July 2020 through application of the modified retrospective approach, where the current year is adjusted as though AASB 1059 had always applied and comparative information will also be restated.
- This standard will have a no impact on the Corporation.

## 2. EXPENSES EXCLUDING LOSSES

### (a) Personnel Services Expenses

The Corporation received the following personnel services from the Department of Customer Service.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages (including annual leave)	6,821	6,527
Superannuation - defined benefit plans	72	4,140
Superannuation - defined contribution plans	567	555
Long service leave	93	497
Workers' compensation insurance	12	14
Payroll tax and fringe benefits tax	409	407
	<b>7,974</b>	<b>12,140</b>

No employee related expenses were capitalised (2019: \$0k)

### (b) Operating Expenses

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor's remuneration		
– audit of the financial statements	93	116
Claims Paid	115,679	94,190
Scheme Liability expense	159,448	200,045
Accommodation expense	377	1,262
Insurance	16	10
Service agreements	766	1,013
Long Service levy commissions	282	353
Marketing	157	95
Consultants	59	2,514
Fee for Service – Other	414	-
Other contractors	247	598
Occupancy – outgoings, electricity, cleaning and maintenance	40	134
Travel and motor vehicle expenses	17	27
Computer expenses	3,658	1,738
Other	1,093	1,191
	<b>282,346</b>	<b>303,284</b>

## Recognition and Measurement

### Lease expense (up to 30 June 2019)

#### Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

### Lease expense (from 1 July 2019)

From 1 July 2019, the Corporation recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments not included in the measurement of the lease liability i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

#### Insurance

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

#### (c) Depreciation and Amortisation Expense

	2020	2019
	\$'000	\$'000
Depreciation		
- Motor vehicles	3	7
- Low Value Items	7	-
- Computer equipment	104	82
	<b>114</b>	<b>90</b>
Depreciation – Right of use asset		
- Plant and equipment	172	-
	<b>172</b>	<b>-</b>
Amortisation	87	52
	<b>87</b>	<b>52</b>
	<b>373</b>	<b>142</b>

Refer to Note 9 and 10 for recognition and measurement policies on depreciation and amortisation.

#### (d) Finance Costs

	2020	2019
	\$'000	\$'000
Unwinding of discount on provisions	20,414	31,881
	<b>20,414</b>	<b>31,881</b>

#### Recognition and Measurement

Refer Note 14(a)(i) and Note 14(b)(i) for detail on changes to the discount rate used for the 2020 and 2019 years.

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

### 3. REVENUE

#### Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income, apart from investment revenue, is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Commentary regarding the accounting policies for the recognition of income are discussed below.

(a) **Investment Revenue**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Net gain/(loss) from TCorp IM Funds measured at fair value through profit or loss	47,753	132,293
Interest income from financial assets at amortised cost	1,775	6,293
	<b>49,528</b>	<b>138,586</b>

**Recognition and Measurement**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (ie after deducting the loss allowance for expected credit losses).

(b) **Retained Taxes, Fees and Fines**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Long service levy income	166,087	191,311
Long service levy refunds	(2,640)	(2,330)
	<b>163,447</b>	<b>188,981</b>

**Recognition and Measurement**

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

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

(c) **Other Revenue**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Other	262	194
	<b>262</b>	<b>194</b>

**4. GAIN ON DISPOSAL**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of Motor Vehicle	7	-
	<b>7</b>	<b>-</b>

**5. CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	108,146	82,613
	<b>108,146</b>	<b>82,613</b>

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and cash on hand.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year as shown to the Statement of Cash Flows as follows:

	2020	2019
	\$'000	\$'000
Cash and cash equivalents (per Statement of Financial Position)	<b>108,146</b>	<b>82,613</b>
Closing cash and cash equivalents (per Statement of Cash Flows)	<b>108,146</b>	<b>82,613</b>

Refer to Note 20 for details regarding credit risk and market risk arising from financial instruments.

#### 6. CURRENT / NON-CURRENT ASSETS - RECEIVABLES

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Prepayments	44	206
Other	129	368
	<u>173</u>	<u>574</u>
Retained taxes, fees and fines	6,856	8,360
Less: Allowance for expected credit losses *	(65)	(182)
	<u>6,791</u>	<u>8,178</u>
<b>Total Current Receivables</b>	<b><u>6,964</u></b>	<b><u>8,752</u></b>

\* Movement in the allowance for expected credit losses

	2020	2019
	\$'000	\$'000
<u>Other – allowance for impairment</u>		
Amounts restated through opening accumulated funds		
Balance at 1 July 2019 under AASB 9	(182)	(53)
Amounts written off during the year	7	34
(Increase)/ decrease in allowance recognised in net results	110	(163)
Balance at the end of the year	<b><u>(65)</u></b>	<b><u>(182)</u></b>

Details regarding credit risk of trade receivables that are neither past due nor impaired, are disclosed in Note 20.

#### Recognition and Measurement

##### Receivables

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

##### Subsequent measurement

The Corporation holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

##### Impairment

For trade receivables, the Corporation applies a simplified approach in calculating expected credit losses (ECLs). The Corporation recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

**7. CURRENT – OTHER FINANCIAL ASSETS**

	2020	2019
	\$'000	\$'000
<b>Current Assets</b>		
TCorp Investments – Term Deposits	-	221,000
	<b>-</b>	<b>221,000</b>

**8. NON-CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE**

	2020	2019
	\$'000	\$'000
<b>Non-Current Assets</b>		
TCorp IM Funds – Long Term Growth <sup>(i)</sup>	1,781,539	1,512,786
	<b>1,781,539</b>	<b>1,512,786</b>

(i) This relates to cash, money market instruments, Australian and international bonds, listed property and Australian shares held.

Refer to Note 20 for further information regarding fair value measurement, credit risk and market risk arising from financial instruments.

**Recognition and Measurement**

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

**Classification and measurement**

The Corporation financial assets at fair value are classified, at initial recognition, and subsequently measured at either fair value through other comprehensive income or fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results. Transaction costs of financial assets carried as other comprehensive income are included as part of their fair value and amortised to net results using the effective interest method.

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9.

Financial assets are held for trading if acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss.

Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains/(losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

## 9. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

### a. Owned Assets

	Plant and Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Low Value Items \$'000	Total \$'000
<b>30 June 2020 – fair value</b>					
Gross carrying amount	22	256	75	7	360
Accumulated depreciation and impairment	(22)	(255)	(75)	(7)	(359)
<b>Net carrying amount</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>30 June 2019 – fair value</b>					
Gross carrying amount	22	262	99	-	383
Accumulated depreciation and impairment	(22)	(157)	(96)	-	(275)
<b>Net carrying amount</b>	<b>-</b>	<b>105</b>	<b>3</b>	<b>-</b>	<b>108</b>

### Reconciliation

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

	Plant and Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Leasehold Improvements \$'000	Total \$'000
<b>Year ended 30 June 2020</b>					
Net carrying amount at beginning of year	-	105	3	-	108
Additions (current year expenditure)	7	-	-	-	7
Depreciation expense	(7)	(104)	(3)	-	(114)
Disposals/ Write-offs	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>At 30 June 2018 - fair value</b>					
Gross carrying amount	282	290	99	968	1,638
Accumulated depreciation and impairment	(281)	(115)	(89)	(968)	(1,452)
<b>Net carrying amount</b>	<b>1</b>	<b>175</b>	<b>10</b>	<b>-</b>	<b>186</b>
<b>30 June 2019 – fair value</b>					
Gross carrying amount	22	262	99	-	383
Accumulated depreciation and impairment	(22)	(157)	(96)	-	(275)
<b>Net carrying amount</b>	<b>-</b>	<b>105</b>	<b>3</b>	<b>-</b>	<b>108</b>
<b>Year ended 30 June 2019</b>					
Net carrying amount at beginning of year	1	175	10	-	186
Additions (current year expenditure)	-	12	-	-	12
Depreciation expense	-	(82)	(7)	-	(90)
Disposals/ Write-offs	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>105</b>	<b>3</b>	<b>-</b>	<b>108</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 11.

**Right-of-use assets under leases**

From 1 July 2019, property, plant and equipment includes right-of-use assets under AASB 16 Leases, that is effective from that date. The following table presents right-of use assets:

	<b>Plant and Equipment \$'000</b>	<b>Total \$'000</b>
<b>Balance at 1 July 2019</b>	-	-
Recognition of right-of-use assets on initial application of AASB 16	215	215
Additions	-	-
Depreciation expense	(172)	(172)
Other movements	-	-
<b>Balance at 30 June 2020</b>	<b>43</b>	<b>43</b>

**Recognition and Measurement**

**Acquisitions of Property, Plant and Equipment**

Property, plant and equipment are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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.

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 item is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

**Capitalisation Thresholds**

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

**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.

**Depreciation of Property, 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 identifiable components of assets are depreciated separately over their useful lives. Land is not a depreciable asset.

The depreciation rates used for 2020 for each class of assets are:

Plant and Equipment	
Mainframe computers and major computer systems	33%
Computer equipment - portable	33%
Office equipment	33%
Low Value Assets	100%
Motor vehicles	20%

**Revaluation of Property, 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 116 Property, Plant and Equipment and AASB 13 Fair Value Measurement.

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 to Note 11 for further information regarding fair value.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

#### **Impairment of Property, 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 of 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.

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in the net result, a reversal of that impairment loss is also recognised in net result.

#### **Right-of-use assets under leases**

##### **Recognition and measurement (under AASB 16 from 1 July 2019)**

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

##### **i. Right-of-use assets**

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments.

Therefore, at that date plant and equipment includes amounts for right of-use assets in respect of leases previously treated as operating leases under AASB 117, as well as any arrangements that are assessed as leases under AASB 16 that were not leases under AASB 117.

Subsequent to the adoption of AASB 16, the Corporation, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date.

Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

- Plant and equipment 3 years

##### **ii. Short-term leases and leases of low-value assets**

The Corporation applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

## 10. INTANGIBLE ASSETS

	Software \$'000	Total \$'000
<b>At 1 July 2019</b>		
Cost (gross carrying amount)	2,708	2,708
Accumulated amortisation and impairment	(2,552)	(2,552)
<b>Net carrying amount</b>	<b>157</b>	<b>157</b>
<b>At 30 June 2020</b>		
Cost (gross carrying amount)	2,656	2,656
Accumulated amortisation and impairment	(2,586)	(2,586)
<b>Net carrying amount</b>	<b>70</b>	<b>70</b>

### Reconciliation

A reconciliation of the cost of each class of intangible assets at the beginning and end of the current and previous reporting period is set out below:

	Software \$'000	Total \$'000
<b>Year ended 30 June 2020</b>		
<b>Net carrying amount at beginning of year</b>	<b>157</b>	<b>157</b>
Amortisation (recognised in depreciation and amortisation)	(87)	(87)
<b>Net carrying amount at end of year</b>	<b>70</b>	<b>70</b>

	Software \$'000	Total \$'000
<b>At 1 July 2018</b>		
Cost (gross carrying amount)	2,932	2,932
Accumulated amortisation and impairment	(2,520)	(2,520)
<b>Net carrying amount</b>	<b>412</b>	<b>412</b>
<b>30 June 2019</b>		
Cost (gross carrying amount)	2,708	2,708
Accumulated amortisation and impairment	(2,552)	(2,552)
<b>Net carrying amount</b>	<b>157</b>	<b>157</b>

### Reconciliation

A reconciliation of the cost of each class of intangible assets at the beginning and end of the current and previous reporting period is set out below:

	Software \$'000	Total \$'000
<b>Year ended 30 June 2019</b>		
<b>Net carrying amount at beginning of year</b>	<b>412</b>	<b>412</b>
Additions – Externally acquired	1,171	1,171
Impairment losses	(1,374)	(1,374)
Amortisation (recognised in depreciation and amortisation)	(52)	(52)
<b>Net carrying amount at end of year</b>	<b>157</b>	<b>157</b>

### Recognition and Measurement

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the Corporation and if 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. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

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

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

The Corporation's intangible assets (computer software) are amortised using the straight-line method over a period of 4 years or less. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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.

## 11. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

### Fair Value Measurement and Hierarchy

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

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

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

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

The Corporation has received advice from NSW Treasury Corporation (TCorp), that there are no concerns with the fund, or management of the fund as a result of COVID-19.

## 12. CURRENT LIABILITIES - PAYABLES

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued salaries, wages and on-costs	530	28
Creditors and other accruals	2,963	1,729
Long service levy commissions	25	44
Long service payments	753	615
	<b>4,271</b>	<b>2,416</b>

Refer Note 20 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

### Recognition and Measurement

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

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

### 13. CURRENT / NON-CURRENT LIABILITIES

	2020	2019
	\$'000	\$'000
<b>Current Liabilities</b>		
Lease liability	43	-
<b>Non-Current Liabilities</b>		
Lease liability	-	-
<b>Total Liabilities</b>	<b>43</b>	<b>-</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 20.

The Corporation has not designated financial liabilities at fair value through profit or loss.

### Lease liabilities

The following table presents liabilities under leases.

	Lease liabilities \$'000
Balance at 1 July 2019	215
Additions	-
Interest expenses	2
Payments	(174)
<b>Balance at 30 June 2020</b>	<b>43</b>

### Recognition and Measurement

#### Lease liabilities

Finance lease liabilities are determined in accordance with AASB 117 until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease
- incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the entity; and
- payments of penalties for terminating the lease, if the lease term reflects
- the entity exercising the option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### 14. CURRENT / NON-CURRENT LIABILITIES - PROVISIONS

	2020 \$'000	2019 \$'000
<b>Current</b>		
<b>Employee benefits and related on-costs</b>		
Annual leave	-	529
Long service leave	-	2,601
	-	<b>3,130</b>
<b>Other Provisions</b>		
Scheme Liability	1,348,962	1,207,277
	<b>1,348,962</b>	<b>1,207,277</b>
<b>Total Current Provisions</b>	<b>1,348,962</b>	<b>1,210,407</b>
<b>Non-Current</b>		
<b>Employee benefits and related on-costs</b>		
Long service leave	-	69
Unfunded superannuation liability	-	9,352
	-	<b>9,421</b>
<b>Other Provisions</b>		
Scheme Liability	289,030	250,852
	<b>289,030</b>	<b>250,852</b>
<b>Total Non-Current Provisions</b>	<b>289,030</b>	<b>260,273</b>
<b>Total Provisions</b>	<b>1,637,992</b>	<b>1,470,680</b>
	2020 \$'000	2019 \$'000
<b>Aggregate personnel services and related on-costs</b>		
Payables – current	530	28
Provisions - current	-	3,130
Provisions – non-current	-	9,421
	<b>530</b>	<b>12,579</b>
<b>Employee benefits expected to be settled within 12 months from reporting date</b>		
Annual leave	-	391
Long service leave	-	380
	-	<b>771</b>
<b>Employee benefits expected to be settled in more than 12 months from reporting date</b>		
Annual leave	-	138
Long service leave	-	2,221
	-	<b>2,359</b>

The Corporation paid its leave liabilities to DCS during the financial year and therefore has extinguished personnel services and related on-cost liabilities, other than accrued year-end personnel services.

	2020 \$'000	2019 \$'000
<b>Movements in provisions (other than employee benefits)</b>		
Movements in each class of provision during the year, other than employee benefits, are set out below:		
<b>Provision for scheme liability – Building and Construction Industry</b>		
Carrying amount as at beginning of year	1,402,995	1,177,379
Additional provisions recognised	268,405	285,105
Unwinding of discount rate - Note 2(d)	19,642	30,612
Claims paid	(113,728)	(90,101)
Carrying amount at end of year	<b>1,577,314</b>	<b>1,402,995</b>
<b>Provision for scheme liability – Contract Cleaning Industry</b>		
Carrying amount as at beginning of year	55,134	48,824
Additional provisions recognised	6,723	9,130
Unwinding of discount rate - Note 2(d)	772	1,269
Claims paid	(1,951)	(4,089)
Carrying amount at end of year	<b>60,678</b>	<b>55,134</b>

### Recognition and Measurement

The Corporation receives personnel services from the Department of Customer Service, the provision included above includes amounts due to the Department for employee entitlements.

#### Personnel services and related on-costs

##### Salaries and Wages, annual Leave and sick leave

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 amounts 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 the Corporation's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the Corporation does not expect to settle the liability within 12 months, as the Corporation does not have an unconditional right to defer settlement.

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.

##### Long Service Leave and Superannuation

Long service leave is measured at present value of expected future payments to be made in respect of services provided up to the reporting date, in accordance with AASB 119 Employee Benefits. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of services (specified in NSWTC 18/13) to employees with five or more years of service, using current rates of pay. Expected future payments are discounted using Commonwealth government bond rate at the reporting date. 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 formulae 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' superannuation contributions.

The Corporation's liabilities for long service leave and defined benefit superannuation have been paid to DCS and therefore have been accounted for as having been extinguished. These liabilities will be transferred to NSW Treasury effective from 1 July 2020. The transfer is to align the treatment of the provisions across the Cluster and thereby the provision will be held by NSW Treasury.

#### 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.

#### a) Building and Construction Industry Long Service Payments Act, 1986

A full actuarial investigation of the Building and Construction Industry Long Service Payments Scheme was undertaken by Professional Financial Solutions as at 30 June 2018. They have updated this investigation to 30 June 2020 and estimated the Scheme liabilities are as follows:

	Note	2020 \$'000	2019 \$'000
AASB Valuation	(i)	1,577,314	1,402,995
Vested Benefits	(ii)	1,190,362	1,071,245

(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 2020, the following key assumptions were adopted:

- Future wage increase 3.0% (2019: 3.0%)
- Rate of future accrual of service (only used to determine if workers qualify for benefit): 195 days per year (2019: 195 days per year)
- Exits due to withdrawal, retirement, death and disability: based on historical evidence (2019: The same)
- In service claims: based on historical evidence (2019 : The same)
- Incurred But Not Recorded Service (IBNR): 7% for active workers only (2019: 7%)
- Inforce Inactive Worker liability: their vested benefits (2019: their vested benefit)
- Out of force Workers: 53% of their vested benefit (2019: 70% of their vested benefit) and
- Discount Rate 0.9% (2019: 1.4%). 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 risk-free rate of return on the Scheme assets.

(ii) 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, or if the worker is age 55 or over, and has at least 55 days service. Service includes service prior to the commencement date.

For the purpose of the above valuations, the following numbers of workers were valued:

	2020	2019
<b>Number of workers:</b>		
Active	280,515	264,120
Inforce Inactive	64,113	57,816
Net out of force	18,941	17,730
Total number of workers valued	<b>363,569</b>	<b>339,666</b>

	2020 \$'000	2019 \$'000
<b>Expected timing of settlement</b>		
Not later than one year	125,593	104,743
Later than one year and not later than five years	559,828	457,513
Later than five years	891,893	840,739
Total	<b>1,577,314</b>	<b>1,402,995</b>

Calculation of scheme liability Report as at	Actuarial Valuation BCI	
	30-Jun-20	30-Jun-19
	\$'000	\$'000
Carrying amount at beginning of year	1,402,995	1,177,379
Additional Provisions recognised	190,676	139,466
Claims Paid	(113,728)	(90,101)
Additional provision for restoring previously removed workers	-	7,913
Additional provision as a result of changes in assumptions apart from the discount rate	33,279	51,224
Change in provision as a result of change in discount rate	44,450	86,502
Unwinding of discount rate	19,642	30,612
<b>Carrying amount at end of year</b>	<b>1,577,314</b>	<b>1,402,995</b>

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

A full actuarial investigation of the Contract Cleaning Industry Long Service Payments Scheme was undertaken by Professional Financial Solutions as at 30 June 2018. They have updated this investigation to 30 June 2020 and determined the Scheme liabilities are as follows:

	Note	2020 \$'000	2019 \$'000
AASB Valuation	(i)	60,678	55,134
Vested Benefits	(ii)	52,238	46,006

(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 2020, the following key assumptions were made:

- Future wage increase: 3.5% pa up to age 40, and 2.5% p.a. for ages 40 and above (2019: the same);
- Rate of future accrual of service (only used to determine if workers qualify for benefit): 365 days per year (2019: 365 days per year)
- Exits due to withdrawal, retirement, death and disability: based on historical evidence (2019: The same)
- In service claims: based on historical evidence (2019: based on historical evidence)
- Incurred But Not Recorded Service (IBNR): Nil for active workers only (2019: Nil)
- Inforce Inactive Worker: 90% of their vested benefit (2019: 90% of vested benefit); and
- Discount Rate 0.9% (2019: 1.4%). 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.

(ii) 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. Service includes service prior to the commencement date.

For the purpose of the above valuations the following numbers of workers were valued:

	2020	2019
<b>Number of workers :</b>		
Active	24,470	34,050
Inactive	67,645	49,335
Total number of workers valued	<b>92,115</b>	<b>83,385</b>
	2020 \$'000	2019 \$'000
<b>Expected timing of settlement</b>		
Not later than one year	12,330	2,757
Later than one year and not later than five years	20,188	19,578
Later than five years	28,160	32,799
Total	<b>60,678</b>	<b>55,134</b>

Calculation of scheme liability	Actuarial Valuation CCI	
	30-Jun-20	30-Jun-19
Report as at	\$'000	\$'000
Carrying amount at beginning of year	55,134	48,824
Additional Provisions recognised	6,046	8,168
Claims Paid	(1,951)	(4,089)
Additional provision as a result of changes in assumptions apart from the discount rate	-	(548)
Change in provision as a result of change in discount rate	677	1,510
Unwinding of discount rate	772	1,269
<b>Carrying amount at end of year</b>	<b>60,678</b>	<b>55,134</b>

## 15. COMMITMENTS

There are no commitments as at 30 June 2020 (2019 \$nil)

## 16. CONTINGENT ASSETS AND LIABILITIES

There were no known contingent liabilities or assets as at reporting date (2019: Nil).

## 17. BUDGET REVIEW

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. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

### Net Result

The actual net result is a deficit of \$97.9 million (2019: \$19.7 million deficit) which was unfavourable to the budgeted net result by \$143.1 million. The major variations to budgets are:

Total Revenue was \$119.0 million unfavourable to budget, due to LSCIFT investment facilities and levy revenue. The LSCIFT earned a return of 3% for the year compared to a budgeted return of 6%.

Total Expenses were \$26.1 million unfavourable to budget, primarily due to increased Scheme costs as a result of changes in some actuarial assumptions relating to average wage rates and change in discount rate.

### Assets and liabilities

Net Assets: The actual net asset of \$254.5 million (2019: \$352.3 million net assets) was unfavourable to budget by \$220.6 million. Total investments were \$152.1m lower than budget expectations due to lower investment returns and Scheme Liabilities were \$50.8m higher than budget due to changes in actuarial assumptions including changes in discount rates.

### Cash flows

Net increase in actual cash during the year is \$25.5 million compared to a budgeted net increase in cash of \$19.5 million. The favourable result of \$6.1 million was driven by less Scheme payments made than levy receipts received during the year.

## 18. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2020	2019
	\$'000	\$'000
<b>Net cash used in operating activities</b>	25,533	86,341
Depreciation and amortisation	(373)	(142)
Net gain/(loss) on investments	47,754	132,498
Net gain/(loss) on disposal of assets	7	
Net gain/(loss) on intangibles		(1,374)
Increase/(decrease) in Long Service payments liability expense	(159,587)	(199,670)
(Increase)/decrease in contract assets	215	-
(Increase)/decrease in contract liabilities	(43)	-
(Increase)/decrease in provision for levy refund	2,640	2,330
(Increase)/decrease in Finance costs	(20,414)	(31,881)
(Increase)/decrease in receivables	(163)	(106)
(Increase)/decrease in payables	(5,983)	(3,515)
(Increase)/decrease in provisions	12,551	(4,166)
<b>Net result</b>	<b>(97,863)</b>	<b>(19,686)</b>

### Non-Cash Investing Activities

Additions to investments during the year amounted to \$110.0m were financed by distribution income received and re-invested on 30<sup>th</sup> June 2020 (2019 \$62.2m).

	2020	2019
	\$'000	\$'000
<b>Investments acquired by distribution income</b>	<b>(110,000)</b>	<b>(62,223)</b>

## 19. FUND INFORMATION

Fund	Notes	Building & Construction Industry		Contract Cleaning Industry		Total	
		2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>							
Personnel services expenses	2(a)	6,135	11,442	1,839	698	7,974	12,140
Other operating expenses	2(b)	274,177	293,012	8,169	10,272	282,346	303,284
Depreciation and amortisation	2(c)	349	129	24	13	373	142
Finance costs	2(d)	19,642	30,612	772	1,269	20,414	31,881
<b>Total expenses excluding losses</b>		<b>300,303</b>	<b>335,195</b>	<b>10,804</b>	<b>12,252</b>	<b>311,107</b>	<b>347,447</b>
<b>Revenue</b>							
Investment revenue	3(a)	47,598	133,185	1,930	5,401	49,528	138,586
Retained taxes, fees and fines	3(b)	150,866	176,165	12,581	12,816	163,447	188,981
Other revenue	3(c)	259	194	3	-	262	194
<b>Total Revenue</b>		<b>198,723</b>	<b>309,544</b>	<b>14,514</b>	<b>18,217</b>	<b>213,237</b>	<b>327,761</b>
Gain/(loss) on disposal	4	7	-	-	-	7	-
<b>Total comprehensive income</b>		<b>(101,573)</b>	<b>(25,651)</b>	<b>3,710</b>	<b>5,965</b>	<b>(97,863)</b>	<b>(19,686)</b>

Fund	Notes	Building & Construction Industry		Contract Cleaning Industry		Total	
		2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	5	95,202	77,047	12,944	5,566	108,146	82,613
Receivables	6	3,376	5,321	3,588	3,431	6,964	8,752
Other Financial Assets	7	-	211,993	-	9,007	-	221,000
<b>Total Current Assets</b>		<b>98,578</b>	<b>294,361</b>	<b>16,532</b>	<b>18,004</b>	<b>115,110</b>	<b>312,365</b>
<b>Non-Current Assets</b>							
Financial assets at fair value	8	1,712,623	1,454,706	68,916	58,080	1,781,539	1,512,786
Plant and equipment	9	35	108	9	-	44	108
Intangible assets	10	67	157	3	-	70	157
<b>Total Non-Current Assets</b>		<b>1,712,725</b>	<b>1,454,971</b>	<b>68,928</b>	<b>58,080</b>	<b>1,781,653</b>	<b>1,513,051</b>
<b>Total Assets</b>		<b>1,811,303</b>	<b>1,749,332</b>	<b>85,460</b>	<b>76,084</b>	<b>1,896,763</b>	<b>1,825,416</b>

Fund	Notes	Building & Construction Industry		Contract Cleaning Industry		Total	
		2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Payables	12	3,576	2,125	695	291	4,271	2,416
Borrowings	13	-	-	-	-	-	-
Provisions	14	1,297,232	1,163,686	51,730	46,721	1,348,962	1,210,407
<b>Total Current Liabilities</b>		<b>1,300,808</b>	<b>1,165,811</b>	<b>52,425</b>	<b>47,012</b>	<b>1,353,233</b>	<b>1,212,823</b>
<b>Non-Current Liabilities</b>							
Borrowings	13	34	-	9	-	43	-
Provisions	14	280,082	251,569	8,948	8,704	289,030	260,273
<b>Total Non-Current Liabilities</b>		<b>280,116</b>	<b>251,569</b>	<b>8,957</b>	<b>8,704</b>	<b>289,073</b>	<b>260,273</b>
<b>Total Liabilities</b>		<b>1,580,924</b>	<b>1,417,380</b>	<b>61,382</b>	<b>55,716</b>	<b>1,642,306</b>	<b>1,473,096</b>
<b>Net Assets</b>		<b>230,379</b>	<b>331,952</b>	<b>24,078</b>	<b>20,368</b>	<b>254,457</b>	<b>352,320</b>
<b>EQUITY</b>							
Accumulated Funds		230,379	331,952	24,078	20,368	254,457	352,320
<b>Total Equity</b>		<b>230,379</b>	<b>331,952</b>	<b>24,078</b>	<b>20,368</b>	<b>254,457</b>	<b>352,320</b>

## 20. 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 continuous basis.

**(a) Financial Instrument Categories**

			2020	2019
			\$'000	\$'000
<b>Financial Assets</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount</b>	<b>Carrying Amount</b>
Class:				
Cash and cash equivalents	5	Amortised Cost	108,146	82,613
Financial assets at fair value <sup>(i)</sup>	7	Fair value through profit or loss	1,781,539	1,512,786
Contract Assets <sup>(iii)</sup>	9	-	43	-
Other Financial Assets	7	Amortised Cost	-	221,000
<b>Financial Liabilities</b>	<b>Note</b>	<b>Category</b>		
Class:				
Payables <sup>(ii)</sup>	12	Financial liabilities measured at amortised cost	3,518	1,801

- (i) Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
- (ii) Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)
- (iii) While contract assets are also not financial assets, they are explicitly included in the scope of AASB 7 for the purpose of the credit risk disclosures.

**(b) Derecognition of financial assets and financial liabilities**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Corporation transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- The Corporation has transferred substantially all the risks and rewards of the asset; or
- The Corporation has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Corporation's continuing involvement in the asset. In that case, the Corporation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

**(c) Offsetting financial instruments**

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

## (d) Financial Risk

### Credit Risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting 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 authority 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.

The Corporation considers a financial asset in default when contractual payments are past 90 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

### Cash and cash equivalents

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

### Accounting policy for impairment of trade debtors and other financial assets under AASB 9

#### Receivables

Collectability of trade receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and contract assets, if applicable, have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The balance affected by the policy is not material.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, notification of companies in liquidation.

The loss allowance for trade receivables as at 30 June 2020 and 2019 was determined as follows:

	30 June 2020					
	\$000					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount at default	-	-	-	-	-	-
Expected credit loss	-	-	-	-	(65)	(65)
<b>Total</b>	-	-	-	-	-	-

	30 June 2019					
	\$'000					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount at default	-	-	-	-	-	-
Expected credit loss	-	(18)	(87)	(14)	(63)	(182)
<b>Total</b>	-	<b>(18)</b>	<b>(87)</b>	<b>(14)</b>	<b>(63)</b>	<b>(182)</b>

Notes: The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the sum of the receivables total in Note 6.

The Corporation is not materially exposed to concentrations of credit risk to a single debtor or group of debtors.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the Statement of Financial Position.

#### (e) 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.

During the current and prior year, there were no defaults of loans payable. 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.

The 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 Treasurer's Direction NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. 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 payments to other suppliers, the Head of an Authority (or person appointed by the Head of an Authority) may automatically pay the supplier simple interest.

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

	\$'000 Nominal Amount (i)	\$'000 Interest Rate Exposure			\$'000 Maturity Dates		
		Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing	< 1 Year	1-5 Years	> 5 Years
<b>2020</b>							
Payables	3,518	-	-	3,518	3,518	-	-
Lease liabilities	43	-	43	-	43	-	-
	3,561		43	3,518	3,561	-	-
<b>2019</b>							
Payables	1,801	-	-	1,801	1,801	-	-
Lease liabilities	-	-	-	-	-	-	-
	1,801	-	-	1,801	1,801	-	-

- (i) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Corporation can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

**(f) 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 interest rate risk on the Corporation's borrowings. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

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 the 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 2019. The analysis assumes that all other variables remain constant.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Corporation's interest bearing assets. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	\$'000				
	Carrying Amount	Net Result -1.0%	Equity -1.0%	Net Result +1.0%	Equity +1.0%
<b>2020</b>					
Financial Assets (i)	-	-	-	-	-
Cash and cash equivalents	108,146	(1,081)	-	1,081	-

	\$'000				
	Carrying Amount	Net Result -1.0%	Equity -1.0%	Net Result +1.0%	Equity +1.0%
<b>2019</b>					
Financial Assets (i)	221,000	(2,210)	-	2,210	-
Cash and cash equivalents	82,613	(826)	-	826	-

- (i) Both receivables and payables are excluded as the Corporation deems there exists no interest exposure.

**Currency risk**

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

**(g) Other Price risk – TCorpIM Funds**

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

Facility	Investment Sectors	Investment Horizon	2020 \$'000	2019 \$'000
Long Service Corporation Investment Facility Trust	Cash, money market instruments, Australian bonds, listed property, Australian and international shares	7 years and over	1,781,539	1,512,786

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.

TCorp as trustee 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 TCorpIM Funds facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

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). The TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results. A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM statement).

	Impact on Profit/ Loss			
	2020		2019	
	Change in Unit price	\$'000	Change in Unit price	\$'000
Long Service Corporation Investment Facility Trust (LSCIFT)	+/-10%	+/- 178,514	+/-13%	+/-196,662

**(h) Fair Value Measurement**

**(a) Fair value compared to carrying amount**

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

Financial instruments are generally recognised at cost, with the exception of the TCorp IM Long Term Growth Fund, which is 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.

**(b) Fair value recognised in the Statement of Financial Position**

Management assessed that cash, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets / liabilities that the Corporation can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$	Total
<b>2020</b>				
<b>Financial Assets at fair value</b>				
Term Deposits	-	-	-	-
TCorp IM Long Term Growth Fund	-	1,781,539	-	1,781,539
<b>Total</b>	-	<b>1,781,539</b>	-	<b>1,781,539</b>
<b>2019</b>				
<b>Financial Assets at fair value</b>				
Term Deposits	-	221,000	-	221,000
TCorp IM Long Term Growth Fund	-	1,512,786	-	1,512,786
<b>Total</b>	-	<b>1,733,786</b>	-	<b>1,733,786</b>

The value of the TCorpIM Funds is based on the Corporation's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds facilities are valued using 'redemption' pricing.

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

## 21. RELATED PARTY DISCLOSURES

### Key management personnel

The total remuneration of the key management personnel of the Corporation are as follows:

	2020 \$'000	2019 \$'000
Short-term employee benefits:		
- Salaries	228	192
- Non-monetary benefits	-	-
Post-employment benefits	-	29
Other long-term employee benefits	-	8
<b>Total remuneration</b>	<b>228</b>	<b>230</b>

### Other related party transactions

During the year, the Corporation entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by NSW Government. These transactions which are conducted as arm's length transactions are a significant portion of the Corporation's receiving of services, in aggregate are as follows:

Nature of transaction		2020 \$'000		2019 \$'000	
		Transaction value income/ (expense) \$'000	Net receivable/ (payable) \$'000	Transaction value income/ (expense) \$'000	Net receivable / (payable) \$'000
Purchases of goods/ services and other payments	New South Wales Treasury Corporation	-	-	(53,000)	-
Purchases of goods/ services and other payments	Department of Customer Service	(8,411)	(2,506)	(1,031)	-
Purchases of goods/ services and other payments and receipts	Government Property	6	-	(624)	-
Purchases of goods/ services and other payments	Crown Solicitors	(6)	(53)	-	-

Purchases of goods/ services and other payments and receipts	NSW Self Insurance Corporation	7	-	(24)	-
Purchases of goods/ services and other payments	Government Records Repository	(24)	-	-	-
Purchases of goods/ services and other payments	Audit Office	(41)	(52)	-	-

## 22. EVENTS AFTER THE REPORTING PERIOD

### Non- Adjusting Events

There are no known events after the reporting period which would give rise to a material impact on the reported results or financial position of the Corporation as at 30 June 2020.

**END OF AUDITED FINANCIAL STATEMENTS**

## 5.8 Controlled Entity financial statements

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**Long Service Corporation Investment Fund  
Annual Financial Report  
For the year ended 30 June 2020**

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

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

**Long Service Corporation Investment Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2020**

		30 June 2020	30 June 2019
	Notes	\$	\$
<b>Investment income</b>			
Interest income from financial assets at fair value through profit or loss		96,542	100,338
Trust distribution income		97,779,370	58,370,815
Net gains/(losses) on financial instruments held at fair value through profit or loss	12	<u>(51,021,571)</u>	<u>74,325,747</u>
<b>Total net investment income/(loss)</b>		<u><b>46,854,341</b></u>	<u><b>132,796,900</b></u>
<b>Expenses</b>			
Trustee fees	14	1,075,903	99,947
Expense recovery fees	14	28,188	20,486
Custody fees		20,663	43,153
Transaction costs		28,337	30,853
Other operating expenses		<u>125,745</u>	<u>-</u>
<b>Total operating expenses</b>		<u><b>1,278,836</b></u>	<u><b>194,439</b></u>
<b>Profit/(loss) for the year</b>		<b>45,575,505</b>	132,602,461
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><b>45,575,505</b></u>	<u><b>132,602,461</b></u>

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

**Long Service Corporation Investment Fund**  
**Statement of financial position**  
**As at 30 June 2020**

	Notes	30 June 2020 \$	30 June 2019 \$
<b>Assets</b>			
Cash and cash equivalents	11	1,931,780	12,932,774
Margin and collateral accounts		657,799	1,519,214
Receivables	9	27,080	19,015
Financial assets held at fair value through profit or loss	6	<u>1,778,846,825</u>	<u>1,500,320,355</u>
<b>Total assets</b>		<u><b>1,781,463,484</b></u>	<u><b>1,514,791,358</b></u>
 <b>Liabilities</b>			
Payables	10	14,883	11,993
Financial liabilities held at fair value through profit or loss	7	<u>183,366</u>	<u>89,635</u>
<b>Total liabilities</b>		<u><b>198,249</b></u>	<u><b>101,628</b></u>
<b>Net assets attributable to unitholders - equity</b>	5	<u><b>1,781,265,235</b></u>	<u><b>1,514,689,730</b></u>

*The above Statement of financial position 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 2020**

	Notes	30 June 2020 \$	30 June 2019 \$
<b>Total equity at the beginning of the financial year</b>		<b>1,514,689,730</b>	-
Reclassification due to AMIT tax regime implementation*		-	1,329,087,269
<b>Comprehensive income for the year</b>			
Profit/(loss) for the year		45,575,505	132,602,461
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>45,575,505</b>	132,602,461
<b>Transactions with unitholders</b>			
Applications	5	221,000,000	53,000,000
Units issued upon reinvestment of distributions	5	109,999,995	62,223,625
Distributions paid and payable	5	<u>(109,999,995)</u>	<u>(62,223,625)</u>
<b>Total transactions with unitholders</b>		<b><u>221,000,000</u></b>	<b><u>53,000,000</u></b>
<b>Total equity at the end of the financial year</b>		<b><u>1,781,265,235</u></b>	<b><u>1,514,689,730</u></b>

\* Effective from 1 July 2018, the Fund's units have been reclassified from financial liability to equity.

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

**Long Service Corporation Investment Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

	Notes	30 June 2020 \$	30 June 2019 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		773,421,407	139,286,594
Purchase of financial instruments held at fair value through profit or loss		(1,013,652,191)	(189,007,027)
Trust distributions received		9,315,502	4,412,183
Interest received		109,282	93,231
Trustee fees paid		(1,076,825)	(140,543)
Expense recovery fees paid		(28,188)	(25,625)
Transaction costs paid		(28,337)	(30,853)
Custody fees paid		(16,851)	(44,762)
Payment of other operating expenses		<u>(146,550)</u>	<u>(3,048)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	15(a)	<u><b>(232,102,751)</b></u>	<u><b>(45,459,850)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		<u>221,000,000</u>	<u>53,000,000</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u><b>221,000,000</b></u>	<u><b>53,000,000</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11,102,751)</b>	7,540,150
Cash and cash equivalents at the beginning of the year		12,932,774	5,505,995
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>101,757</u>	<u>(113,371)</u>
<b>Cash and cash equivalents at the end of the year</b>	11	<u><u><b>1,931,780</b></u></u>	<u><u><b>12,932,774</b></u></u>
Non-cash operating activities	15(b)	<u><b>88,463,868</b></u>	<u><b>53,958,632</b></u>
Non-cash financing activities	15(b)	<u><b>109,999,995</b></u>	<u><b>62,223,625</b></u>

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

## 1 General information

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

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

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

The financial statements were authorised for issue by the directors of the Trustee on 25 September 2020. The Trustee has the power to amend and reissue the financial report.

Where necessary, comparative information has been re-presented to be consistent with current period disclosures

## 2 Summary of significant accounting policies

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

### (a) Basis of preparation

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

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

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

The Statement of financial position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance sheet date. All assets and liabilities are expected to be recovered or settled within 12 months. 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.

The amounts presented in the financial statements have been rounded to the nearest dollar.

### (b) New accounting standards and interpretations

There are no standards, interpretations or amendments to existing standards that became effective for the first time during the financial period that have a material impact on the amounts recognised in the current or future periods.

Further, there are no 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.

### (c) Financial instruments

#### (i) Classification

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

- Financial instruments held 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 unlisted managed investment funds.

Financial assets and financial liabilities held 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.

- Derivative financial instruments such as futures and forward foreign exchange contracts are included under this classification. The Fund does not designate any derivatives as hedges in a hedging relationship.

## 2 Summary of significant accounting policies (continued)

### (c) Financial instruments (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 the financial assets or financial liabilities from this date.

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

#### (iii) Measurement

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

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

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

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

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

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

#### (iv) Offsetting financial instruments

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

### (d) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Trustee if it is in the best interests of the unitholders.

The units can be put back to the Fund for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at the Statement of financial position date if the holder exercises the right to put the units back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the criteria under *AASB 132 Financial instruments: Presentation*

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial assets, or to exchange financial instruments with another entity under potentially unfavorable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over its life are based substantially on profit or loss

Effective from 1 July 2018, the Fund's unit have been reclassified from financial liability to equity as they satisfied all the above criteria.

## 2 Summary of significant accounting policies (continued)

### (e) 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.

### (f) Investment income

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

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

Trust distributions are recognised on an entitlements basis.

### (g) Expenses

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

### (h) Income tax

In accordance with current legislation, there is no provision for income tax on the Fund's taxable income as it is intended that the entirety is attributed to its unitholders.

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.

### (i) Distributions

Distributions are payable as set out in the Fund's Constitution and the TCorpIM Funds Distribution Policy. Such distributions are determined by the Trustee of the Fund.

### (j) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

The 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 within the net gains or losses on financial instruments at fair value through profit or loss.

## 2 Summary of significant accounting policies (continued)

### (k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled within three business days.

### (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(f) 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 and redemption payable which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the Statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of each reporting period.

### (n) Applications and redemptions

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

### (o) Goods and services tax (GST)

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

### (p) Use of estimates and significant judgement

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

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

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

### (q) Margin and collateral accounts

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

### 3 Financial risk management

The Fund is exposed to market risk, credit risk and liquidity 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.

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

##### (ii) Foreign exchange risk

The Fund may hold monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises in relation to the value of monetary securities denominated in other currencies which will fluctuate due to changes in foreign exchange rates. The foreign exchange risk relating to non-monetary assets (such as equity investments and holdings in managed investment funds) and non-monetary liabilities in foreign currencies is a component of price risk not foreign exchange risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Fund may also be exposed to foreign exchange risk indirectly through its holdings in managed investment funds denominated in Australian dollars but whose underlying securities are denominated in foreign currencies. This also forms a component of price risk, not foreign exchange risk.

### 3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises all of the Fund's assets and liabilities, both monetary and non-monetary, that are denominated in a currency other than the Australian dollar.

Assets	30 June 2020 AUD equivalent in exposure by currency \$	30 June 2019 AUD equivalent in exposure by currency \$
US Dollars	388,553	1,537,863
Euro	47,248	-
British Pounds	30,285	-
Japanese Yen	30,264	-
Other Currencies	<u>66,435</u>	<u>978</u>
<b>Total assets</b>	<b><u>562,785</u></b>	<b><u>1,538,841</u></b>
Liabilities	30 June 2020 AUD equivalent in exposure by currency \$	30 June 2019 AUD equivalent in exposure by currency \$
US Dollars	(101,314)	(52,227)
Euro	(14,131)	(13,037)
British Pounds	(5,389)	(2,631)
Japanese Yen	-	(6,159)
Swiss Francs	-	(690)
Other Currencies	<u>(15,318)</u>	<u>(2,472)</u>
<b>Total liabilities</b>	<b><u>(136,152)</u></b>	<b><u>(77,216)</u></b>

(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)

#### (b) Summarised sensitivity analysis

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

	Impact on operating profit/net assets attributable to unitholders			
	Price risk *		Foreign exchange risk	
	-10%	+10%	-10%	+10%
	\$	\$	\$	\$
30 June 2020	(177,874,254)	177,874,254	(54,676)	54,676
	-10%	+10%	-10%	+10%
	\$	\$	\$	\$
30 June 2019	(150,019,140)	150,019,140	(143,860)	143,860

\*Price risk represents a Fund's exposure to equity securities and derivative securities price risk. The price risk sensitivity above has therefore been calculated excluding the Fund's cash and interest bearing securities holding.

#### (c) Credit risk

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

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

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

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

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

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.

#### (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 and derivative financial instruments.

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

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

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

At 30 June 2020	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	Total \$
<b>Liabilities</b>					
Forward foreign exchange contracts					
Inflows	11,548,672	-	-	-	11,548,672
(Outflows)	(11,642,437)	-	-	-	(11,642,437)
Equity futures					
(Outflows)	(2,691)	(86,910)	-	-	(89,601)
Payables	(14,883)	-	-	-	(14,883)
<b>Total liabilities</b>	<b>(111,339)</b>	<b>(86,910)</b>	<b>-</b>	<b>-</b>	<b>(198,249)</b>
At 30 June 2019	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	Total \$
<b>Liabilities</b>					
Forward foreign exchange contracts					
Inflows	1,085,793	-	-	-	1,085,793
(Outflows)	(1,098,554)	-	-	-	(1,098,554)
Equity futures					
(Outflows)	(2,313)	(74,561)	-	-	(76,874)
Payables	(11,993)	-	-	-	(11,993)
<b>Total liabilities</b>	<b>(27,067)</b>	<b>(74,561)</b>	<b>-</b>	<b>-</b>	<b>(101,628)</b>

#### (e) Fair value estimation

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

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

- Fair value in an active market

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

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

- Fair value in an inactive or unquoted market

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

### 3 Financial risk management (continued)

#### (f) Fair value measurement

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

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

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

The determination of what constitutes 'observable' requires significant judgement by the Trustee. The Trustee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable.

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

The following tables present the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2020 and 30 June 2019.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>As at 30 June 2020</b>				
<b>Financial assets</b>				
Forward foreign exchange contracts	-	14,687	-	14,687
Equity futures	16,021	-	-	16,021
Unlisted managed investment funds	-	1,609,632,632	169,183,485	1,778,816,117
<b>Total</b>	<b>16,021</b>	<b>1,609,647,319</b>	<b>169,183,485</b>	<b>1,778,846,825</b>
<b>Financial liabilities</b>				
Forward foreign exchange contracts	-	(93,765)	-	(93,765)
Equity futures	(89,601)	-	-	(89,601)
<b>Total</b>	<b>(89,601)</b>	<b>(93,765)</b>	<b>-</b>	<b>(183,366)</b>
<b>As at 30 June 2019</b>				
<b>Financial assets</b>				
Forward foreign exchange contracts	-	92,606	-	92,606
Equity futures	289,056	-	-	289,056
Interest rate futures	36,345	-	-	36,345
Unlisted managed investment funds	-	1,354,518,815	145,383,533	1,499,902,348
<b>Total</b>	<b>325,401</b>	<b>1,354,611,421</b>	<b>145,383,533</b>	<b>1,500,320,355</b>
<b>Financial liabilities</b>				
Forward foreign exchange contracts	-	(12,761)	-	(12,761)
Equity futures	(76,874)	-	-	(76,874)
<b>Total</b>	<b>(76,874)</b>	<b>(12,761)</b>	<b>-</b>	<b>(89,635)</b>

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.

### 3 Financial risk management (continued)

#### (f) Fair value measurement (continued)

There were no transfers between levels of the fair value hierarchy during the year ended 30 June 2020 and 30 June 2019.

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

#### Valuation techniques

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

30 June 2020	Unlisted managed investment funds
	\$
Opening balance	145,383,533
Purchases	33,615,109
Gains/(losses) recognised in the Statement of comprehensive income	<u>(9,815,157)</u>
<b>Closing balance</b>	<b><u>169,183,485</u></b>
Total unrealised gains/(losses) for the year included in the Statement of comprehensive income for financial assets and liabilities held at the end of the year	<u>(9,815,157)</u>
30 June 2019	Unlisted managed investment funds
	\$
Opening balance	121,442,014
Purchases	20,458,070
Gains/(losses) recognised in the Statement of comprehensive income	<u>3,483,449</u>
<b>Closing balance</b>	<b><u>145,383,533</u></b>
Total unrealised gains/(losses) for the year included in the Statement of comprehensive income for financial assets and liabilities held at the end of the year	<u>3,483,449</u>

The Fund's investment in these unlisted managed investment funds is carried at fair value based on redemption value per unit reported by the manager of such funds. The Trustee regularly monitors performance of such funds including its underlying assets.

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements.

	Fair value at 30 June 2020 \$	Unobservable inputs	Reasonable possible shift +/- (absolute value)	Change in valuation \$
Unlisted managed investment funds	169,183,485	Published redemption prices	+/-10%	16,918,349/ (16,918,349)
	Fair value at 30 June 2019 \$	Unobservable inputs	Reasonable possible shift +/- (absolute value)	Change in valuation \$
Unlisted managed investment funds	145,383,533	Published redemption prices	+/-10%	14,538,353/ (14,538,353)

#### 4 Offsetting financial assets and financial liabilities

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

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

	Gross amount of financial instruments presented in the Statement of financial position	Amounts subject to master netting arrangements	Net amount excluding collateral	Cash collateral received/posted	Net amount
	\$	\$	\$	\$	\$
<b>30 June 2020</b>					
<b>Financial assets</b>					
Forward foreign exchange contracts	14,687	(14,687)	-	-	-
Equity futures	16,021	-	16,021	-	16,021
Margin and collateral accounts	<u>657,799</u>	-	<u>657,799</u>	<u>(89,601)</u>	<u>568,198</u>
<b>Total</b>	<b><u>688,507</u></b>	<b><u>(14,687)</u></b>	<b><u>673,820</u></b>	<b><u>(89,601)</u></b>	<b><u>584,219</u></b>
<b>Financial liabilities</b>					
Forward foreign exchange contracts	(93,765)	14,687	(79,078)	-	(79,078)
Equity futures	<u>(89,601)</u>	-	<u>(89,601)</u>	<u>89,601</u>	-
<b>Total</b>	<b><u>(183,366)</u></b>	<b><u>14,687</u></b>	<b><u>(168,679)</u></b>	<b><u>89,601</u></b>	<b><u>(79,078)</u></b>
<b>30 June 2019</b>					
<b>Financial assets</b>					
Forward foreign exchange contracts	92,606	(12,761)	79,845	-	79,845
Equity futures	289,056	-	289,056	-	289,056
Interest rate futures	36,345	-	36,345	-	36,345
Margin and collateral accounts	<u>1,519,214</u>	-	<u>1,519,214</u>	<u>(76,874)</u>	<u>1,442,340</u>
<b>Total</b>	<b><u>1,937,221</u></b>	<b><u>(12,761)</u></b>	<b><u>1,924,460</u></b>	<b><u>(76,874)</u></b>	<b><u>1,847,586</u></b>
<b>Financial liabilities</b>					
Forward foreign exchange contracts	(12,761)	12,761	-	-	-
Equity futures	<u>(76,874)</u>	-	<u>(76,874)</u>	<u>76,874</u>	-
<b>Total</b>	<b><u>(89,635)</u></b>	<b><u>12,761</u></b>	<b><u>(76,874)</u></b>	<b><u>76,874</u></b>	<b><u>-</u></b>

## 5 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments that meet the definition of a financial liability are to be classified as equity where certain strict criteria are met.

As part of the Fund's election into the AMIT regime, the fund no longer has a contractual obligation to pay distributions to unitholders. As such, the net assets attributable to unitholders of the Fund have been classified as equity per the requirements of AASB 132.

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

	Year ended			
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	No.	No.	\$	\$
Opening balance	1,451,086,006	1,336,379,844	1,514,689,730	1,329,087,269
Profit/(loss) for the year	-	-	45,575,505	132,602,461
Applications	203,619,076	55,098,137	221,000,000	53,000,000
Units issued upon reinvestment of distributions	108,740,777	59,608,025	109,999,995	62,223,625
Distributions paid and payable	-	-	(109,999,995)	(62,223,625)
<b>Closing balance</b>	<b><u>1,763,445,859</u></b>	<b><u>1,451,086,006</u></b>	<b><u>1,781,265,235</u></b>	<b><u>1,514,689,730</u></b>
Published Unit Price			1.0101	1.0438

The 30 June published Unit Price may differ to the Net asset Value (NAV) per unit price calculated as per these financial statements. This is primarily due to methodology variances between calculating the published Unit Price and preparing the financial statements under the accounting standards. Variances are considered immaterial.

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 manages its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

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

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

	As at	
	30 June 2020	30 June 2019
	Fair value \$	Fair value \$
Equity futures	16,021	289,056
Interest rate futures	-	36,345
Forward foreign exchange contracts	14,687	92,606
Unlisted managed investment funds	<u>1,778,816,117</u>	<u>1,499,902,348</u>
<b>Total financial assets held at fair value through profit or loss</b>	<b><u>1,778,846,825</u></b>	<b><u>1,500,320,355</u></b>

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

	As at	
	30 June 2020	30 June 2019
Equity futures	(89,601)	(76,874)
Forward foreign exchange contracts	<u>(93,765)</u>	<u>(12,761)</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<b><u>(183,366)</u></b>	<b><u>(89,635)</u></b>

## 8 Derivative financial instruments

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

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

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

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

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

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

### (a) Futures

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

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

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

### (b) Forward foreign exchange contracts

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

## 8 Derivative financial instruments (continued)

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

	Contract/notional \$	Fair Value	
		Assets \$	Liabilities \$
<b>30 June 2020</b>			
Forward foreign exchange contracts	4,444,415	14,687	(93,765)
Equity futures	(3,999,541)	<u>16,021</u>	<u>(89,601)</u>
		<u>30,708</u>	<u>(183,366)</u>

	Contract/notional \$	Fair Value	
		Assets \$	Liabilities \$
<b>30 June 2019</b>			
Forward foreign exchange contracts	3,865,604	92,606	(12,761)
Equity futures	17,347,726	289,056	(76,874)
Interest rate futures	6,427,240	<u>36,345</u>	<u>-</u>
		<u>418,007</u>	<u>(89,635)</u>

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

## 9 Receivables

	As at	
	30 June 2020 \$	30 June 2019 \$
Interest receivable	730	13,470
GST receivable	<u>26,350</u>	<u>5,545</u>
<b>Total</b>	<u><b>27,080</b></u>	<u><b>19,015</b></u>

## 10 Payables

	As at	
	30 June 2020 \$	30 June 2019 \$
Trustee fees payable	-	922
Custody fees payable	<u>14,883</u>	<u>11,071</u>
<b>Total</b>	<u><b>14,883</b></u>	<u><b>11,993</b></u>

## 11 Cash and cash equivalents

	As at	
	30 June 2020 \$	30 June 2019 \$
Cash at bank	<u>1,931,780</u>	<u>12,932,774</u>
<b>Total</b>	<u><b>1,931,780</b></u>	<u><b>12,932,774</b></u>

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

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

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss (including FX gains/(losses))	<u>(51,021,571)</u>	<u>74,325,747</u>
	<u><u>(51,021,571)</u></u>	<u><u>74,325,747</u></u>

## 13 Auditor's remuneration

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

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
Audit of the financial statements	<u>13,572</u>	<u>13,398</u>
<b>Total</b>	<u><u>13,572</u></u>	<u><u>13,398</u></u>

Auditor's remuneration disclosed is inclusive of GST. Audit fees are being paid for by the Trustee. To cover this and certain other expenses paid by the Trustee on behalf of the Fund, the Trustee receives expense recovery fees from the Fund as discussed in Note 14.

## 14 Related party transactions

### Trustee

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

### Ultimate parent entity

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

### Key management personnel

#### Directors

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

### Key management personnel compensation

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

### Key management personnel loan disclosures

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

## 14 Related party transactions (continued)

### Other transactions

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

### Cabinet Ministers

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

### Other New South Wales Government entities

Other NSW Government entities invest in the Fund. The Fund transacts with these investors in accordance with the provisions of the Fund Constitution.

### Trustee fees and other transactions

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

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

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

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Expense recovery fees for the year	28,188	20,486
Trustee fees for the year	1,075,903	99,947
Aggregate amounts payable to the Trustee at the reporting date	-	922

The method in applying Trustee fees changed during the year. From 1 August 2019 Trustee fees for all TCorp related Funds invested into were paid and accrued directly by this Fund, based on its percentage holding.

## 14 Related party transactions (continued)

### Investments

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

30 June 2020	Fair value of investment \$	Interest held %	Distributions/ Interest received or receivable during the year \$
TCorpIM Indexed International Share (Unhedged) Fund	104,629,597	15.89	3,007,436
TCorpIM International Share (Unhedged) Fund	210,719,378	2.85	19,932,014
TCorpIM Alternative Risk Premia Fund	29,576,578	1.28	-
TCorpIM Australian Share Fund	123,076,792	2.80	20,598,559
TCorp Indexed Australian Share Fund	44,383,842	21.08	1,829,525
TCorpIM Australian Bond Fund	444,507,455	31.50	17,579,845
TCorpIM Liquidity Cash Fund	26,682,662	1.19	609,721
TCorpIM Short Term Income Fund	238,723,669	7.32	1,933,779
TCorpIM Emerging Market Share Fund	33,824,329	1.45	2,306,442
TCorpIM Unlisted Property Fund	71,519,412	4.60	6,722,844
TCorpIM Unlisted Infrastructure Fund	78,206,654	4.50	2,592,658
TCorpIM Multi-Asset Class Fund	35,085,551	3.05	381,748
TCorpIM Australian Inflation Linked Bond Fund	178,097,085	61.26	11,231,823
TCorpIM Bank Loan Fund	71,314,036	2.53	1,559,247
TCorpIM Emerging Market Debt Fund	69,011,660	4.19	7,493,730
TCorpIM Opportunistic Fund A	19,457,419	7.78	-

30 June 2019	Fair value of investment \$	Interest held %	Distributions/ Interest received or receivable during the year \$
TCorpIM Indexed International Share (Unhedged) Fund	99,268,297	15.89	2,204,369
TCorpIM International Share (Unhedged) Fund	280,228,560	3.70	13,952,573
TCorpIM Listed Property Fund	79,978,151	26.10	731,384
TCorpIM Australian Share Fund	379,368,208	6.32	20,536,209
TCorp Indexed Australian Share Fund	48,035,141	21.08	1,990,267
TCorpIM Australian Bond Fund	218,074,484	24.66	6,145,469
TCorpIM Liquidity Cash Fund	62,667,690	1.99	2,132,764
TCorpIM Short Term Income Fund	33,342,265	0.91	655,372
TCorpIM Emerging Market Share Fund	82,695,031	4.31	1,937,445
TCorpIM Unlisted Property Fund	77,472,247	4.73	5,277,446
TCorpIM Unlisted Infrastructure Fund	67,911,286	6.04	1,856,647
TCorpIM Multi-Asset Class Fund	70,011,498	3.92	924,158
TCorpIM International Share (Hedged) Fund	849,491	0.07	26,710

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

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	45,575,505	132,602,461
Net (gains)/losses on financial instruments held at fair value through profit or loss (including FX (gains)/losses)	51,021,571	(74,325,747)
Proceeds from sale of financial instruments held at fair value through profit or loss	773,421,407	139,286,594
Purchases of financial instruments held at fair value through profit or loss	(1,013,652,191)	(189,007,027)
Dividends/distributions reinvested	(88,463,868)	(53,958,632)
Net change in receivables and other assets	(8,065)	(10,154)
Net change in accounts payables and accrued liabilities	<u>2,890</u>	<u>(47,345)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>(232,102,751)</u></b>	<b><u>(45,459,850)</u></b>
<b>(b) Non-cash activities</b>		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	109,999,995	62,223,625
During the year, the following acquisitions were satisfied by participation in dividend and distribution reinvestment plan	<u>88,463,868</u>	<u>53,958,632</u>
	<b><u>198,463,863</u></b>	<b><u>116,182,257</u></b>

## 16 Structured entities

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

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

## 17 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period up to the date of signing the Annual Financial Report which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

## 18 Contingent assets, contingent liabilities and commitments

There are no outstanding contingent assets, contingent liabilities or commitments as at 30 June 2020 (30 June 2019: Nil).

## Statement by the Trustee

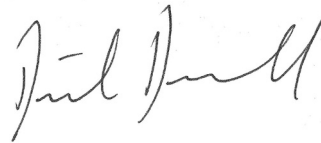
In the opinion of the directors of the Trustee

- (a) The financial statements and notes of the Fund are in accordance with the requirements of the Fund Constitution, the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2015, and:
  - (i) are properly drawn up so as to present fairly the Fund's financial position as at 30 June 2020 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the year ended on that date; and
  - (ii) comply with Australian Accounting Standards and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe the Fund will be able to pay its debts as and when they become due and payable.
- (c) The directors are not aware of any circumstances as at the date of this statement, which would render any particulars included in the financial report misleading or inaccurate.

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



M J Dwyer  
Director



D M Deverall  
Director

Sydney  
25 September 2020



## INDEPENDENT AUDITOR'S REPORT

### Long Service Corporation Investment Fund

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial report of the Long Service Corporation Investment Fund (the Fund), which comprises the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial report:

- gives a true and fair view of the financial position of the Fund as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- is in accordance with the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- is in accordance with the requirements of the Fund's Constitution.

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

#### Basis for Opinion

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

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

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

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

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

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

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

## **The Trustee's Responsibilities for the Financial Report**

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

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is 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 report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor 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 report on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial report.



David Daniels  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2020  
SYDNEY

## 6. Appendices

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### 6.1 Consultants

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Consultant	Product description	Amount (excl GST) \$
<b>Consultants costing \$50,000 or more</b>		
<b>Finance/Accounting</b>		
Professional Financial Solutions (PFS)	Actuarial reports and advice	62,921
<b>Total expenditure on consultants</b>		<b>62,921</b>

### 6.2 Consumer response

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LSC recorded a total of 502 separate feedback items during the year, including 277 complaints, 109 suggestions and 116 compliments. The main complaint areas this year were processing and wait times, and usability of our systems. During the year, LSC has improved processing times for claims from an average of 6 weeks down to an average of 2 weeks and has invested heavily in system improvements to make some claim types available online in the 2020-21 year. It is encouraging to note that 107 of the compliments (92 per cent) were attributed to the quality of our customer service.

Online survey results from our portals were again very positive with 90 per cent of 11,484 respondents stating the Employer portal met their needs extremely or very well and 84 per cent of 9,542 respondents indicating the Worker portal met their needs extremely or very well. Similarly, 92% of respondents stated that our Tax Agent portal met their needs extremely or very well.

LSC also saw a +24 point increase in customer satisfaction, from +30 for the prior financial year to +54, measured by our Net Promoter Score (NPS) surveys. Survey feedback generally praised the high quality of service provided by customer-facing staff and identified processing times and better communication as areas to improve.

## 6.3 Employment and senior executive statistics

### Human Resources

In June 2020 LSC had 60.2 full-time equivalent (FTE) employees. This equates to a headcount of 67.

There were no exceptional movements in wages, salaries or allowances.

Senior Executive Band	2018 <sup>1,2,3</sup>		2019 <sup>1,2,3</sup>		2020 <sup>1,2,3</sup>	
	Female	Male	Female	Male	Female	Male
Band 4 (Secretary)	-	-	-	-	-	-
Band 3 (Deputy Secretary)	-	-	-	-	-	-
Band 2 (Executive Director)	-	-	-	-	-	-
Band 1/Senior Officer (Director)	1	0	1	0	1	0
<b>Total</b>	<b>1</b>		<b>1</b>		<b>1</b>	

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

Note 2: Statistics are based on Workforce Profile Census data as at 28 June 2018, 27 June 2019 and 25 June 2020.

Note 3: All employees reported in 2018, 2019 and 2020 are appointed under the *Government Sector Employment Act 2013*. Salary band based on current assignment including those on a temporary above level assignment for more than two months.

Senior Executive Band - Average Remuneration	2018 <sup>4</sup>	2019 <sup>4</sup>	2020 <sup>4</sup>
Band 4 (Secretary)	N/A	N/A	N/A
Band 3 (Deputy Secretary)	N/A	N/A	N/A
Band 2 (Executive Director)	N/A	N/A	N/A
Band 1/Senior Officer (Director)	\$214,380	\$223,477	\$229,064

Note 4: Salary ranges effective at the Workforce Profile census dates of 28 June 2018, 27 June 2019 and 25 June 2020.

Staff by age	2018	2019	2020
20 - 24 years	0	0	1
25 - 29 years	3	3	1
30 - 34 years	7	4	5
35 - 39 years	11	9	10
40 - 44 years	12	15	11
45 - 49 years	15	12	9
50 - 54 years	6	12	13
55 - 59 years	11	8	10
60 + years	5	7	7

Non-executive staff by classification and grade		
Grade	Actual staff numbers	Full-time equivalent
Clerk Grade 1 - 2	5	4.5
Clerk Grade 3 - 4	13	10.9
Clerk Grade 5 - 6	24	21.4
Clerk Grade 7 - 8	10	9.5
Clerk Grade 9 - 10	11	10.1
Clerk Grade 11 - 12	3	3

Employee related costs	2018	2019	2020
Executive	\$238,100	\$415,272	\$288,306
Non-Executive	\$5,647,175	\$11,724,728	\$7,685,694
Total	\$5,885,275	\$12,140,000	\$7,974,000
Ratio Senior Executive	4.0%	3.42%	3.62%

## 6.4 Employment relations, policies and practices

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LSC staff are employees of DCS and all human resource and payroll services are provided by DCS.

## 6.5 Legislative changes

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### Bushfire Exemption

An amendment to Part 3 of the *Building and Construction Industry Long Service Payments Regulation 2017* in March 2020 saw the introduction of clause 12A Exemptions from levy - bushfire relief. The clause adds to the existing levy exemptions to allow exemption from levy for the erection of a building to replace or repair a building that was damaged as a result of bushfires, in NSW natural disaster declared areas, between 1 July 2019 and 2 March 2020.

The levy is not payable on the first \$1,000,000 of costs (incl GST), resulting in a maximum levy exemption value of \$3,500. The exemption period is available for applications until 2 March 2023.

### COVID-19

Clause 1.7 of Schedule 1 to the *COVID-19 Legislation Amendment (Emergency Measures - Miscellaneous) Act 2020*, assented to on 14 May 2020, inserted section 118 to the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*.

Section 118 provides that, up until 26 March 2021, a registered worker permanently leaving the contract cleaning industry, with five or more years of recognised service is entitled to access their long service benefits immediately, rather than after the legislated 20 week wait.

## 6.6 Public interest disclosures

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All staff have a responsibility to report suspected wrongdoing including corruption; maladministration; serious and substantial waste of public money; and breaches of the *Government Information (Public Access) Act 2009* (GIPA Act). The *Public Interest Disclosures Act 1994* (PID Act) is aimed at encouraging and facilitating the disclosure, in the public interest, of wrongdoing in the public sector.

LSC is committed to protecting staff that make public interest disclosures and adopts the department's Fraud and Corruption Internal Reporting Policy, which is consistent with the NSW Ombudsman's model policy. The policy is widely available on the DCS intranet and includes details of the nominated officers who are authorised to receive a disclosure.

PID resources are available to staff on the DCS intranet and highlighted during induction training and at regular intervals through mandatory online training.

<b>Section 4 of the Public Interest Disclosures Regulation 2011:</b>			
	Public interest disclosures made by public officials in performing day to day functions	Public interest disclosures not covered by (1) that are made under a statutory or other legal obligation	All other public interest disclosures
Number of public officials who made PID's	0	0	0
Number of PID's received	0	0	0
<b>Of PID's received, number primarily about:</b>			
Corrupt conduct	0	0	0
Maladministration	0	0	0
Serious and substantial waste	0	0	0
Government information contravention	0	0	0
Local government pecuniary interest contravention	0	0	0
Number of PID's finalised	0	0	0

## 6.7 Other disclosures

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

## 6.8 Exemptions from the report provision

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As a small statutory body LSC need only report on a triennial basis (last reported in 2017-2018) in relation to:

- Equal employment opportunity.
- Multicultural policies and services program.
- Work health and safety.
- Workforce diversity.

## 6.9 Statutory reporting compliance index

Compliance requirement	Section in the Annual Report	Page
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