



WorkCover

WorkCover NSW
Annual Report

2011-12



WORK SAFE  HOME SAFE

Letter to the Minister

31 October 2012

The Hon. Gregory Stephen Pearce, BA LLB MLC
Minister for Finance and Services
Minister for the Illawarra
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister

In accordance with the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting, for your information and presentation to Parliament, the Annual Report of WorkCover NSW for the financial year ended 30 June 2012.

It provides a comprehensive insight to the Agency's performance over the 2011/12 financial year and an overview of its future direction.

Yours sincerely

Julie Newman
Chief Executive Officer
WorkCover NSW

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Chief Executive Officer Report

A message from the Chief Executive Officer

The 2011/12 financial year has been one of immense change and transition across the WorkCover NSW business.

Following a Parliamentary Inquiry in May, significant legislative reforms were introduced to address the financial deterioration of the State's workers compensation scheme, which was \$4.1 billion in deficit. The reforms, which will continue to be rolled out in the 2012/13 financial year, are designed to ensure the scheme's long-term financial sustainability. Changes to the scheme will also mean injured workers will be encouraged and assisted to early return to work as soon as possible, and there will be better financial support for seriously injured workers.

As part of the reforms, a new operating model for the NSW Workers Compensation Insurance System has been created, and a Workers Compensation Regulatory Guidelines and Instructions Taskforce has been established to review all claims management and insurance policy guidelines and instructional material.

During 2011 WorkCover launched the 10/5/5 program, now known as the Focus on Industry Program, concentrating on the top ten industries, top five injuries and top five illnesses in NSW based on their level of risk. By working with businesses to focus on key injuries and illnesses and their causes, we can motivate workers, creating safer and more competitive workplaces.

WorkCover also took on an active and ongoing role in the areas of quad bike safety through its Industry Solutions Program, raising awareness about accidents and fatalities, and funding university research into vehicle design and engineering.

New work health and safety laws passed in late 2011 officially came into effect on 1 January 2012, delivering certainty and protection for all local workers and local businesses, and making the laws easier to understand. An implementation program, supported by the WorkCover Assist Grants Program and 2011 WorkCover Small Business Assistance Grants, focused on helping business and workers understand and adopt the new laws. The program concluded on 29 June 2012.

Our role spearheading the Heads of Asbestos Coordination Authorities (HACA) has also seen WorkCover heavily involved in developing a state-wide asbestos plan for the safe management and removal of asbestos to better prevent asbestos-related diseases.

WorkCover will continue to look for opportunities to prevent workplace injuries, support injured workers to return to work, and help businesses meet their responsibilities under work health and safety laws.

Julie Newman

Chief Executive Officer

About us

Who we are

Established on 1 July 1989, WorkCover was the first government agency to integrate workplace injury prevention, injury rehabilitation and workers compensation into a single authority. It is one of Australia's largest insurance businesses and was responsible for net assets of approximately \$12.8 billion as at 30 June 2012. WorkCover reports to the Minister for Finance and Services.

Our purpose

Our purpose is to increase the competitiveness of the NSW economy through productive, healthy and safe workplaces.

Our commitment

WorkCover is dedicated to promoting productive, healthy and safe workplaces for workers and employers in NSW.

Our values

WorkCover's corporate values form an integral part of our workplace culture. WorkCover's values go to the very heart of our organisation and shape the way management and staff interact with each other and how the organisation is perceived by our stakeholders.

By universally applying these values, the organisation builds a culture it can be proud of and creates a strong environment for delivering high quality services to its stakeholders, in particular injured workers. Our values are:

- Integrity – I do what I say I will do
- Respect – I value people
- Ethical Behaviour – I am honest and fair
- Accountability – I take responsibility
- Excellence – I aim to be my best

Our role

WorkCover promotes compliance with work health and safety legislation by providing information, education and assistance on work health and safety in the workplace, as well as licensing the operation of hazardous equipment, activities and defined premises.

It assists businesses to improve their workplace safety by providing advice, information and industry-based incentives.

WorkCover exercises the powers of the Nominal Insurer for the NSW Workers Compensation Scheme through the Workers Compensation Insurance Fund (WCIF), and performs the Insurer's operational functions. Approximately 267,000 employers and their workers were covered by the NSW Workers Compensation Scheme in 2011/12.

Corporate plan

The 2010–15 Corporate Plan guides WorkCover's service delivery and policy focus. The plan, which aligns with NSW government priorities, explains what the community can expect of WorkCover. Seven key result areas (KRAs) represent the priority outcomes or results to deliver on our primary purpose. The following KRAs cover all areas of the organisation's business:

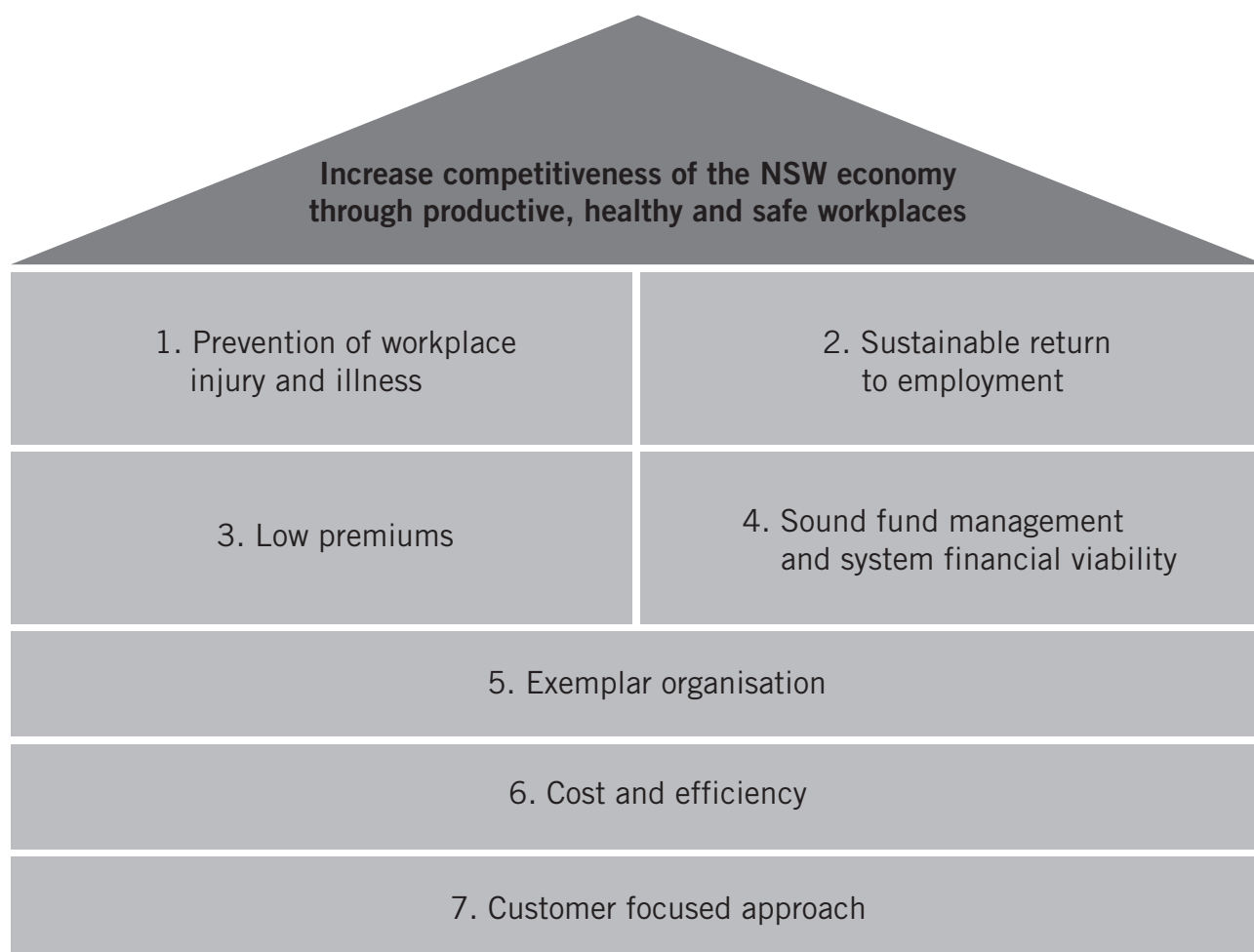
- Prevention of workplace injury and illnesses.
- Sustainable return to employment.
- Low premiums.
- Sound fund management and system financial viability.
- Exemplar organisation.
- Cost and efficiency.
- Customer focused approach.

WorkCover has a diverse range of customers who include the NSW community, government, employers, workers and third parties.

Funding

WorkCover receives funding from various sources including fixed contributions from the Workers Compensation Insurance Fund (WCIF) after having regard to the estimate of WorkCover's net operating expenses, contributions on the premium income of self-insurers, licensing fees, investment income and other miscellaneous sources of income.

The WCIF is funded through premium collections from employers and investment returns. As such, industry bears the direct cost of work health and safety services and the management of the workers compensation system in NSW.



Legislation

WorkCover's main statutory functions are to ensure compliance with the following legislation:

- *Work Health and Safety Act 2011*
- *Workers Compensation Act 1987*
- *Workplace Injury Management and Workers Compensation Act 1998, Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987*
- *Explosives Act 2003*
- *Workers Compensation (Dust Diseases) Act 1942*
- *Sporting Injuries Insurance Act 1978*
- *Rural Workers Accommodation Act 1969*
- *Dangerous Goods (Road and Rail Transport) Act 2008*
- *Associated General Contractors Insurance Company Limited Act 1980*
- *Bishopsgate Insurance Australia Limited Act 1983*
- Associated Regulations and other statutory rules.

Reporting requirements

The 2011/12 WorkCover NSW Annual Report provides financial reports for the WorkCover Authority Fund, the Workers Compensation Commission, the Compensation Authorities Staff Division and the NSW Workers Compensation Scheme.

Workers Compensation Commission

The Workers Compensation Commission (the Commission) is an independent statutory tribunal within the justice system of NSW, which commenced operating on 1 January 2002.

The Commission was established by the *Workplace Injury Management and Workers Compensation Act 1998*. The Commission's principal objective is to provide a just, timely and cost effective forum for the resolution of workers compensation disputes in NSW. The Commission's non-adversarial dispute resolution process ensures injured workers obtain a fair and quick resolution to their disputes about workers compensation entitlements.

In accordance with the *Public Finance and Audit Act 1983* and Australian Accounting Standards, the Commission is required to prepare financial statements to consolidate operations of the Commission as well as separate financial statements. These commence on page 80.

Compensation Authorities Staff Division

On 1 July 2009, the Compensation Authorities Staff Division (CASD) was formed pursuant to *Public Sector Employment and Management (Departmental Amalgamations) Order 2009*.

As at 30 June 2012, CASD employs staff for WorkCover NSW, Workers' Compensation (Dust Diseases) Board, Lifetime Care and Support Authority, Motor Accidents Authority, Sporting Injuries Committee and the Workers Compensation Commission.

CASD is a division of the Government Service under the *Public Sector Employment and Management Act 2002*. Financial statements have been prepared in accordance with the *Public Finance and Audit Act 1983* and commence on page 101.

The Workers' Compensation (Dust Diseases) Board, Lifetime Care and Support Authority, Motor Accidents Authority and the Sporting Injuries Committee prepare separate Annual Reports.

NSW WorkCover Scheme

The NSW WorkCover Scheme comprises of the Workers Compensation Nominal Insurer and the Workers Compensation Insurance Fund.

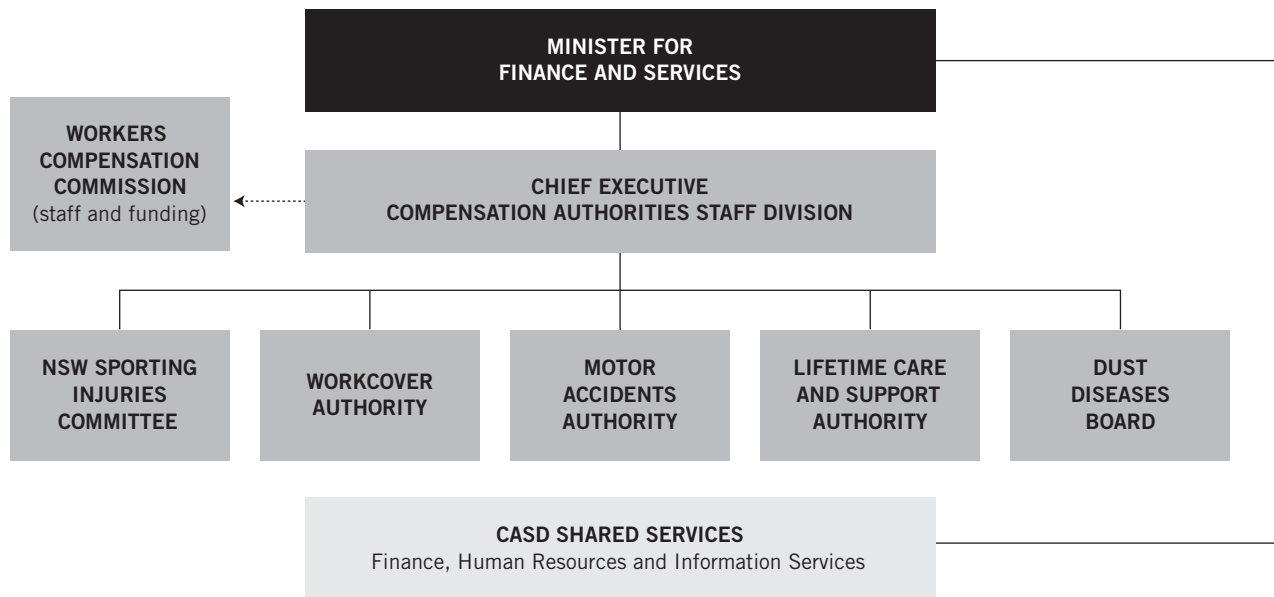
The Workers Compensation Nominal Insurer is a legal entity established in 2005 to issue policies of insurance and manage workers compensation claims of NSW employers. All funds received are paid in to the Workers Compensation Insurance Fund (WCIF) which also meets the costs of claims and administration of the scheme.

The assets of the WCIF are owned by the employers of NSW who are also responsible for meeting any shortfalls.

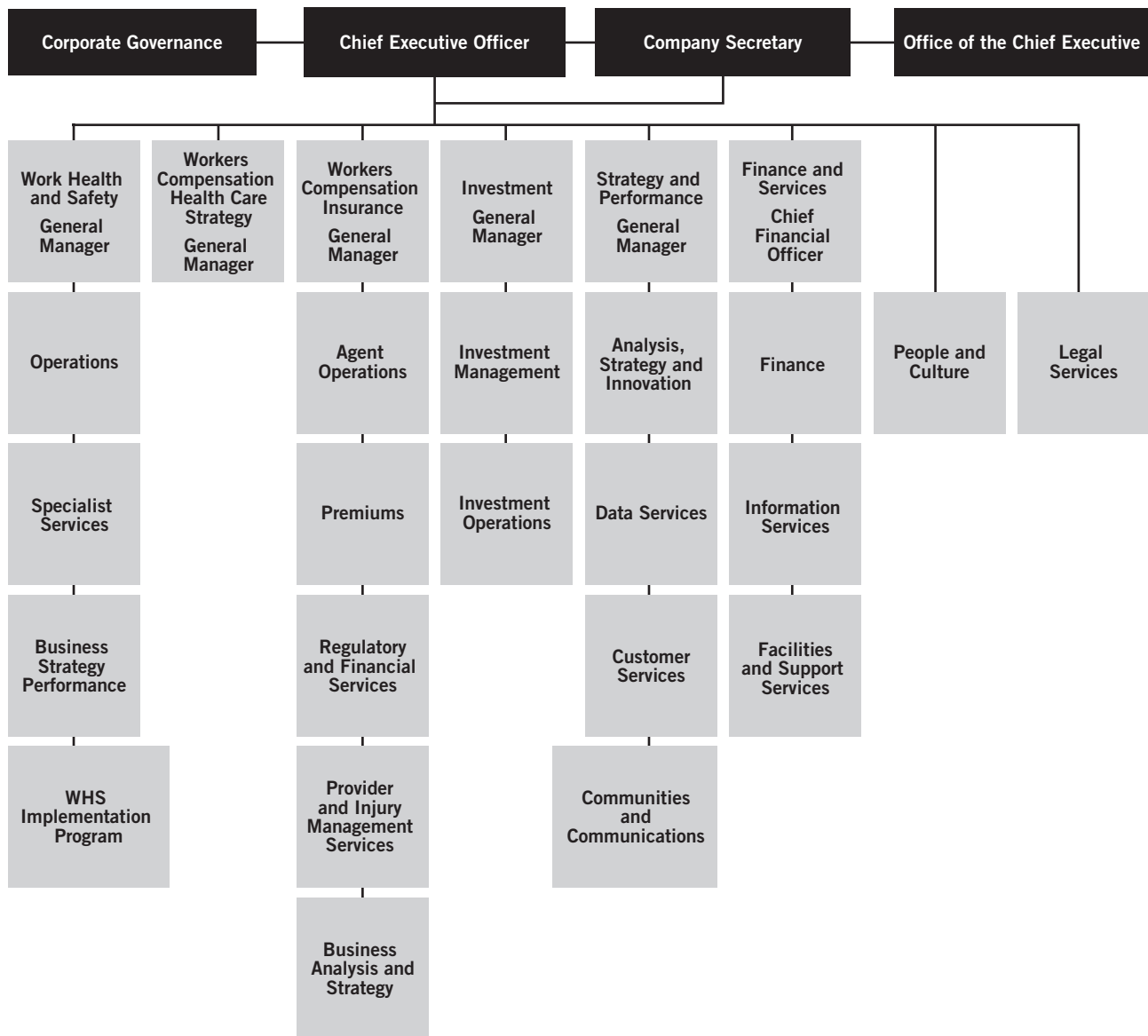
Additional information about the activities of the WCIF in 2011/12 is provided on page 21. Financial Statements for the WCIF commence on page 121.

Organisational structure

Compensation Authorities Staff Division



WorkCover Authority as at 30 June 2012



Board of directors and senior management

The Board of Directors of WorkCover NSW was constituted and defined under the *Workplace Injury Management and Workers Compensation Act 1998*.

Under this Act:

- the Board of Directors determine the administrative policies of WorkCover and ensures activities are carried out properly and efficiently
- the Board consists of seven part-time directors (including the Chairperson) and the Chief Executive Officer. The part-time directors were appointed by the Governor of NSW on the recommendations of the Minister
- the Chief Executive Officer controls and manages the affairs of WorkCover in accordance with the policies of the Board
- both the Board and the Chief Executive Officer are subject to ministerial control and direction.

The Board was appointed on 2 May 2012 for a three-year period. As at 30 June 2012 there were no vacant director positions on the Board.

It should be noted that the *Safety, Return to Work and Support Board Act 2012* was assented to on 27 June 2012. This Act abolishes the Boards of the WorkCover Authority of NSW, Motor Accidents Authority of NSW, Lifetime Care and Support Authority of NSW and Workers Compensation Insurance Fund Investment Board, replacing them with the Safety, Return to Work and Support Board. It also abolishes the Workers Compensation and Work Health and Safety Council, Motor Accidents Council and Lifetime Care and Support Council. This Act had not yet been proclaimed by the Governor as at 30 June 2012.

Members of the WorkCover Board on 30 June 2012



Michael Carapiet, MBA – Chairman

Formerly with the Macquarie Group, Michael Carapiet held a number of senior executive roles including Global Head of Advisory and Specialised Funds, executive

Director of Macquarie Bank Limited and executive Chairman of Macquarie Capital and Macquarie Securities.

As at 30 June 2012, Michael's roles included:

- Chair, Workers Compensation Insurance Fund Investment Board
- Director, Macquarie Specialised Asset Management
- Director, Southern Cross Media Limited
- Chair, State Super Trustee Corporation
- Director, State Super Financial Services.

Michael was appointed as Chair of the WorkCover Authority of NSW Board on 2 May 2012.



Nicholas Whitlam, AB (Hons), MSc – Deputy Chair

As a former CEO and Chairman of major financial institutions, Nicholas Whitlam's career has embraced most aspects of banking, insurance and superannuation.

As at 30 June 2012, Nicholas' roles included:

- Chairman, Lifetime Care & Support Authority Board
- Chairman, Port Kembla Port Corporation
- Director, Whitlam Institute, University of Western Sydney.

Nicholas was appointed as Deputy Chair of the WorkCover Authority of NSW Board on 31 May 2010.



Gavin Bell LLB, MBA

Gavin Bell became Freehills' Chief Executive Officer and Managing Partner on 1 July 2005. Gavin commenced at Freehills in 1982 and he became a partner in 1988.

Gavin is currently a member of the Advisory Council of the Australian School of Business and the Business Council of Australia.

As at 30 June 2012, Gavin's roles included:

- Member, Workers Compensation Insurance Fund Investment Board
- Partner, Freehills Services Pty Ltd
- Director, AIMSC Ltd (Aust Indigenous Minority Supplier Council).

Gavin was appointed as a member of the WorkCover Authority of NSW Board on 2 May 2012.



Elizabeth Carr BA (Hons) UWA, MPA Harvard, FAICD

Elizabeth Carr's career has covered senior executive management positions in Technology (IBM), Finance (Macquarie Group) and Government (Department State Development WA).

As at 30 June 2012, Elizabeth's roles included:

- Member, Workers Compensation Insurance Fund Investment Board
- Director, Environmental Protection Authority (WA)
- Chairman, Macular Degeneration Foundation (National)
- Director, Kokoda Track Foundation (National)
- Director, Kambala School for Girls (NSW)
- Director, St Marys Anglican Girls School (WA).

Elizabeth was appointed as a member of the WorkCover Authority of NSW Board on 2 May 2012.



Mark Lennon BComm, LLB

Mark Lennon is Secretary of Unions NSW, and was appointed to that position in October 2008. Mark joined Unions NSW (formerly the Labor Council) in 1988 and has held the positions of Occupational Health and Safety Training Officer, Industrial Officer and Assistant Secretary, prior to becoming Secretary.

As at 30 June 2012, Mark's roles included:

- Unions NSW Secretary
- Director, Trades Hall Association
- Director, First State Super Trustee Corporation.

Mark was first appointed as a member of the WorkCover Authority of NSW Board on 30 May 2007. He was re-appointed on 31 May 2010.



Julie Newman – (Acting CEO) BHS Mgt, CPA

Julie Newman is the Chief Financial Officer, Compensation Authorities Staff Division. Julie's broad experience in the NSW public sector spans over 40 years, including 26 years in senior management and leadership roles in NSW Health and, more recently, the Compensation Authorities Staff Division. As at 30 June 2012, Julie's roles included:

- A/Chair, Dust Diseases Board
- Member of Workers Compensation Insurance Fund Investment Board
- Director, Sargood Centre
- A/Chair Heads of Asbestos Coordination Authorities.

Julie has been Acting Chief Executive Officer, Compensation Authorities Staff Division since December 2011.



Carolyn Walsh Bec, GAICD

Carolyn Walsh has over 25 years experience in policy development, regulation and safety management at both the Commonwealth and state levels.

From 2004 to 2009, Carolyn was the Chief Executive of the NSW Independent Transport Safety and Reliability Regulator.

Carolyn has specialist expertise in safety (both transport and occupational health and safety), risk management and the regulatory framework governing transport operations in Australia.

As at 30 June 2012, Carolyn's roles included:

- Commissioner, Australian Transport Safety Bureau
- Chair of the NSW School Bus Safety Community Advisory Committee
- NSW Government audit and risk committees including Compensation Authorities Staff Division; Police Integrity Commission; Public Transport Ticketing Corporation; NSW Aboriginal Land Council; Information and Privacy Commission.

Carolyn was appointed to the WorkCover Authority of NSW Board on 31 May 2010.



Raymond Whitten BA, LLB, LLM

Raymond Whitten commenced practising law in 1972 and is a Solicitor Director of Whittens & McKeough Pty Limited.

He has extensive experience in property, commercial transactions and all types of dispute work.

Raymond is an Accredited Specialist in Business Law, Notary Public and Responsible Officer of a Nominated Adviser to the NSX.

As at 30 June 2012, Raymond's roles included:

- Chair, Workers Compensation and Work Health and Safety Council
- Deputy Chair, Workers Compensation Insurance Fund Investment Board
- Director, Whittens & McKeough Pty Limited.

Raymond was appointed to the WorkCover Authority of NSW Board on 21 September 2011.

WorkCover Executive at 30 June 2012

A/Chief Executive Officer

Julie Newman BHS Mgt, CPA

A/General Manager, Investment Division

Christopher Grogan BCom (Acct), CIMA

General Manager, Work Health and Safety Division

John Watson PSM, Assoc Dip OHS, HFSIA.NSW

General Manager, Strategy and Performance Division

Carmel Donnelly, BA (Hons), MBA (Exec), MPH, GAICD

General Manager, Workers Compensation

Geniere Aplin, MBA (Exec), LLB

General Manager, Workers Compensation Insurance Division – Health Care Strategy

Wayne Weatherbee

A/Chief Financial Officer, Finance and Services Division

Megan Hancock BBus, Grad Dip AFI, CA

A/Director, People and Culture

Greg Barnier, Dip Man, Ass Dip Bus (B&F),
Dip HRM, Dip FS(FP)

Members of the WorkCover Executive who resigned prior to 30 June 2012

Chief Executive Officer

Lisa Hunt BA, LLB

Resigned position 2 February 2012

General Manager, Corporate Services Division

Robert Gray, MMgt

Resigned position 1 July 2011

General Manager, Investment Division

Jerome Lander, MBBS, MBusCom, Grad Cert Business Admin, CIMA

Resigned position 29 July 2011

Office of the Chief Executive

The Office of the Chief Executive manages the provision of executive support and secretariat services to the Chief Executive Officer, the WorkCover Executive, the WorkCover Board and the Workers Compensation and Workplace Occupational Health and Safety Council.

Director, Office of the Chief Executive

Vacant

A/Company Secretary, Office of the Chief Executive

Samantha Lawrence, 23 November 2011 – 30 June 2012

Internal Audit Unit

WorkCover's Internal Audit Unit manages the organisation's operation, systems of control and ethical culture to identify and prevent corruption and deliver improved systematic performance. The Director of Internal Audit reports directly to the Chief Executive Officer.

Directors meetings

During 2011/12 the meetings held and attendances by directors were:

Current Board	Number eligible to attend	Number attended
Michael Carapiet – Chairman	2	2
Nicholas Whitlam – Deputy Chair	11	11
Gavin Bell – Director	2	1
Elizabeth Carr – Director	2	2
Mark Lennon – Director	11	9
Carolyn Walsh – Director	11	9
Raymond Whitten – Director	11	9
Julie Newman – (Acting CEO)	6	6

Previous Board	Number eligible to attend	Number attended
Lisa Hunt	6	4
Sue Clark	6	6
Greg McCarthy	6	6
Cass O'Connor	9	7
John Watson (Acting as CEO)	0	1
Geniere Aplin	1	0

2011/12 Annual Report figures for Audit and Risk Committee attendance

Audit and Risk Committee	Number eligible to attend	Number attended
Doug Wright (Chair)	6	6
Carolyn Walsh (deputy Chair)	6	6
Robert Ingui	6	6
Cass O'Connor	6	6
Ray Petty	6	6
Sue Clark ⁱ	4	4
Lisa Hunt ⁱⁱ	4	1
Julie Newman ⁱⁱⁱ	5	5

ⁱ Sue Clark appointment ended 22 February 2012.

ⁱⁱ Lisa Hunt CASD Chief Executive until 2 February 2012. The CASD Chief Executive is a standing invitee of the CASD Audit and Risk Committee

ⁱⁱⁱ Julie Newman attended as acting Chief Executive

Workers compensation reforms

In June 2012 the government introduced changes to the NSW Workers Compensation System. The government needed to act quickly to improve the System for a number of reasons. The NSW WorkCover Scheme was more than \$4.1 billion in deficit and not adequately fulfilling its core responsibilities in rehabilitating injured workers, where possible, and returning them to work while ensuring those who were unable to return to work were properly supported.

Under the reforms, there are significant new benefits for workers and employers, more assistance to get workers back to work and better financial support for seriously injured workers.

These are far-reaching changes to the way workers compensation is delivered in NSW. WorkCover is committed to making the transition under the new legislation as smooth as possible for all participants and injured workers in particular.

Therefore, the changes will be introduced in stages to allow an orderly rollout of new systems and claims procedures by insurers. Some of the changes took effect in June 2012 and include new arrangements for journey claims, lump sum payments and nervous shock, heart attack and stroke, and disease injuries. The other changes are outlined below.

From 17 September 2012

- Seriously injured workers (with greater than 30 per cent whole person impairment), who are receiving less than the transitional rate of \$725 per week, begin receiving an increased benefit irrespective of when they were injured. The benefit provided under the old scheme was capped for most workers at \$432.50 per week.

From 1 October 2012

- Workers injured on or after this date receive benefits based on their pre-injury earnings and more closely aligned with their real earnings prior to injury. More than 80 per cent of injured workers go back to work in the first 13 weeks. Workers receive 95 per cent of their pre-injury average weekly earnings for the first 13 weeks. After 13 weeks the benefits step down for workers who are not working 15 hours or more per week. These measures are designed to encourage injured workers to safely return to work.
- A new WorkCover Independent Review Officer will be available to review decisions made about benefits and work capacity.

From 1 January 2013

- Workers injured prior to 1 October 2012 will be transitioned to the new legislative requirements, including work capacity assessments. Taking into account functional, vocational and medical capacity, the assessment will determine whether the worker is able to return to employment.

In the meantime:

- the existing weekly benefit rate of \$432.50 will apply until claimants undergo a work capacity assessment. Due to the large number of people receiving payments, this may take more than 12 months. After the assessment a transitional rate of up to \$725.00 will apply
- workers with claims more than five years old will be entitled to a further five years of weekly benefit payments under the new scheme following commencement, provided they are unable to work or, if able to work, are working 15 or more hours per week
- injured workers who have been receiving benefits for at least 12 weeks, and these arrangements are changed due to a reassessment following a work capacity test, will be given three months notice of any changes to their weekly benefits
- the most seriously injured workers with a whole person impairment of more than 30 per cent will not be subject to work capacity assessments unless they wish to have one.

Current arrangements regarding medical expenses and legal costs will continue to apply until a commencement date is announced.

Prevention of workplace injury and illness

Work health and safety performance

Ensuring the safe return home of workers is the most important thing employers can do for their workers. WorkCover helps businesses achieve this goal by providing advice and assistance on their work health and safety obligations that enable businesses to effectively manage work health and safety risks.

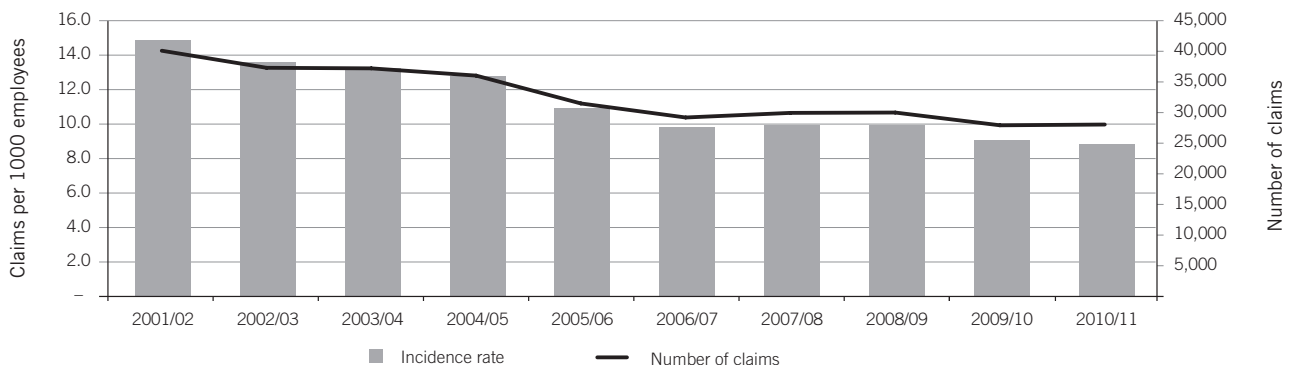
WorkCover undertakes workplace inspections, investigation of incidents and complaints, mediates on workers compensation disputes and, when necessary, issues penalties and undertakes prosecutions.

To measure the effectiveness of its illness and injury interventions, WorkCover measures the changes in the incidence rates for major workplace injuries and workplace fatalities. The most recent figures (2010/11 data) show that major workplace injury rates (definition below) have reduced by 52 per cent since 1991/92, from 18.7 injuries per 1000 workers to 8.9. This is the lowest rate since inception of the scheme in 1987. Work-related fatalities have dropped by 34 per cent, from 177 to 117 over the same period.

Workplace injuries

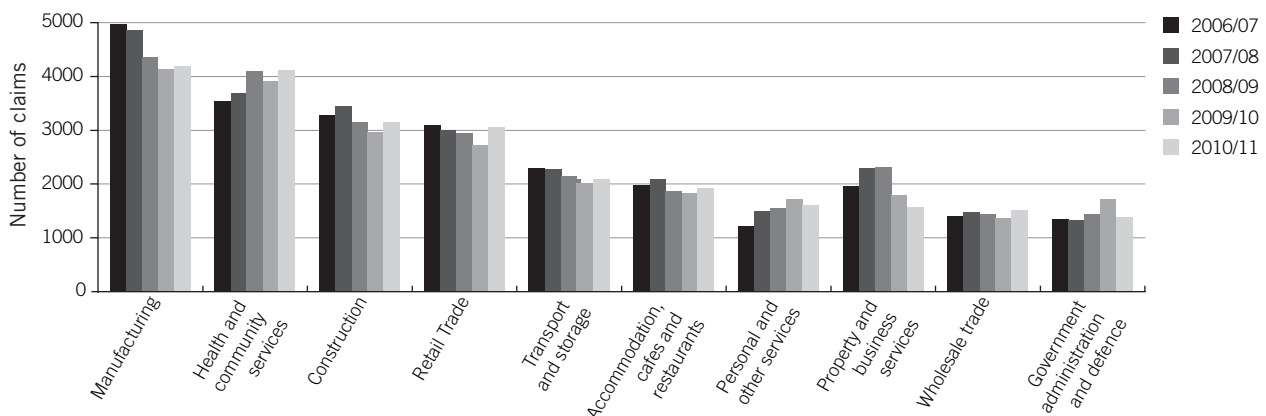
The incidence rate for major workplace injuries is defined as the number of major workplace injury claims per 1000 employees. Workplace injuries are defined as those caused by incidents occurring at the workplace either during work or during a work break, where the worker's activity is under the control of an employer. Major injury claims are those that result from incidents causing death, permanent disability or temporary disability where five or more days have been paid for total incapacity. A reclassification of road accidents in 2004/05 means that road traffic accidents at work are now included in workplace calculations. This reclassification should be taken into consideration when comparing pre 2004/05 workplace injury and fatality data with data from recent years.

Major workplace injuries



The agriculture, forestry and fishing industry had the highest rate of major workplace injuries with 18.1 per 1000 employees. The highest number of major claims was received in the manufacturing industry with 3973. The highest number of fatalities was recorded in the property and business services industry with 10, followed closely by transport and storage with seven. Together, these two industries accounted for 33 per cent of all workplace fatalities.

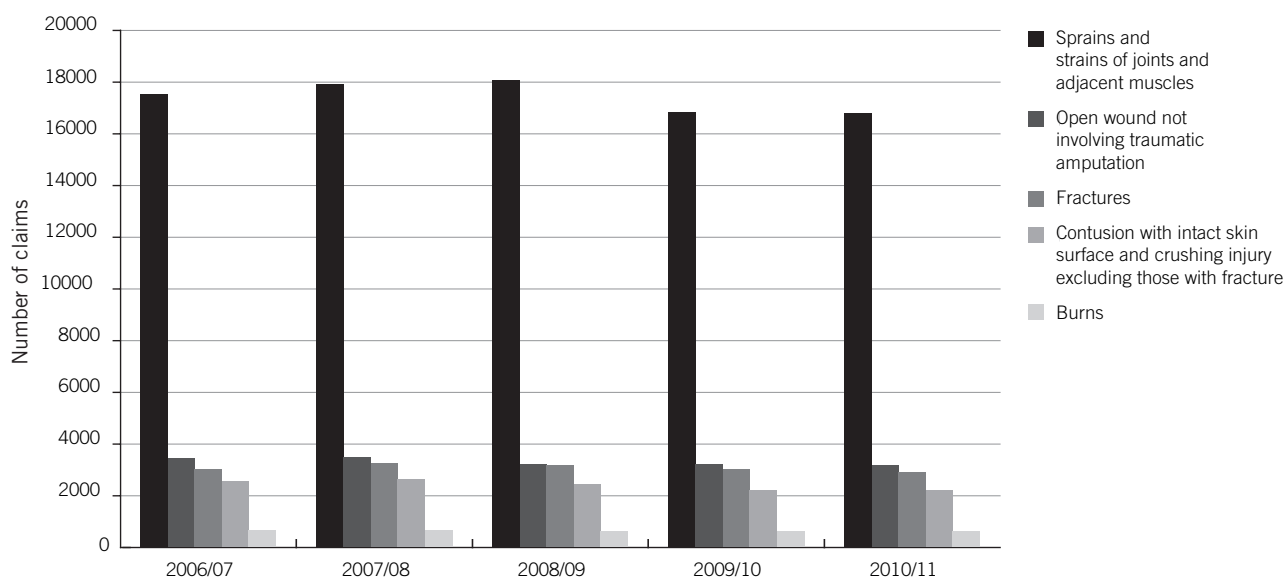
Highest number of workplace injury claims in 2010/11 by industry



Manual handling injuries were the most common mechanism for workplace injuries, contributing to a total of 8504 of the 28,179 workplace injuries across all industries.

Sprains and strains of joints and adjacent muscles remains the highest reported injury type with 16,772 recorded in 2010/11. A total of 6593 of these injuries were reported as back injuries. The graph below shows the highest ranking injury types (excludes 'other').

Five most common injury types



Labourers and related workers had the highest occupational incidence rate with 24 major injuries per 1000 workers. There were eight workplace fatalities for this occupation (equal third highest number of fatalities by occupation) behind professionals (14) and intermediate production and transport workers (13). Labourers and related workers also had eight workplace fatalities.

The highest age range for a major workplace injury was the 45 – 49 year age bracket with 2789 injuries and an incidence rate of 10.4. This age bracket also had the highest number of fatalities by age range with 15. The lowest incidence rate by age bracket belonged to the 15 to 19 year range with 6.8 injuries per 1000 employees, followed by the 25 to 29 year bracket (6.9) and the 20 to 24 year bracket (7.1).

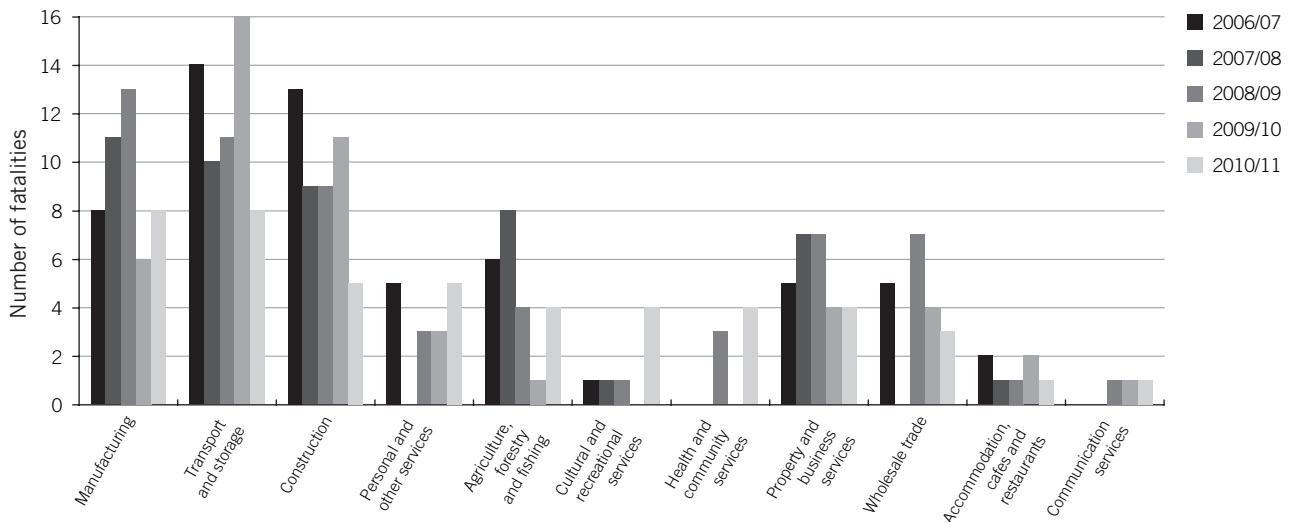
Workplace fatalities

Workplace fatalities fluctuate from year to year, however, numbers have remained stable from 51 in 2009/10 to 51 in 2010/11. WorkCover uses the rate of fatalities per 100,000 workers to measure trends.

There have been 647 workplace fatalities in the 10 year period from 2001/02 – 2010/11. Of these, 60 were as a result of a road transport incident, representing nine per cent of all workplace fatalities.

The transport and storage industry has had the highest number of workplace fatalities over the past five years with a total of 58. There have also been 47 fatalities in the construction industry and 44 in the manufacturing industry over the same period.

Industries with the highest number of work place fatalities



Employment injuries

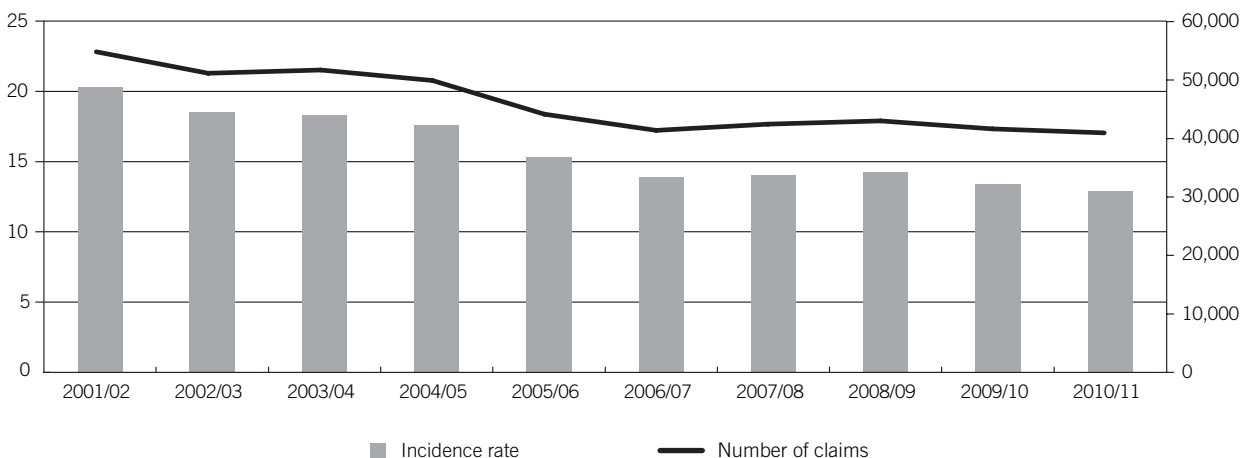
Employment injuries comprise all injuries resulting from incidents and all occupational diseases contracted or aggravated in the course of a worker's employment. Total employment injuries include all claims whether or not there was any time lost from work and also include claims for medical costs only. There were 126,077 work related injuries in 2010/11, a reduction of 2.2 per cent from the 128,923 reported in 2008/09.

Major employment injury claims are those that result from incidents causing death, permanent disability or temporary disability where five or more days have been paid for total incapacity. Major employment incidence rates (major employment injuries per 1000 employees) have reduced by 36 per cent from 20.3 in 2001/02 to 12.9 in 2010/11.

The Major Employment Injuries graph shows the continual reduction in major employment injury claims and incidence rates since 2001/02. The personal and other services sector had the highest incidence rate (21.2), followed by manufacturing (20.9), and agriculture, forestry and fishing and the transport and storage industries both at 20.7.

An analysis of employment injuries represented in the graph below shows workplace injuries make up approximately 69 per cent of all employment injuries, followed by occupational diseases (22 per cent), with other work-related injuries contributing to nine per cent.

Major employment injuries



Occupational disease

Industrial deafness was the major contributor of occupational disease, representing 3196 of the 8981 claims, decreasing from 4290 in 2009/10.

Mental disorders continue to be highly represented with 2961 claims, a slight increase from the 2695 claims in 2009/10. The incidence rate of mental disorders (0.9) is slightly lower than the high of 1.2 recorded in 2002/03.

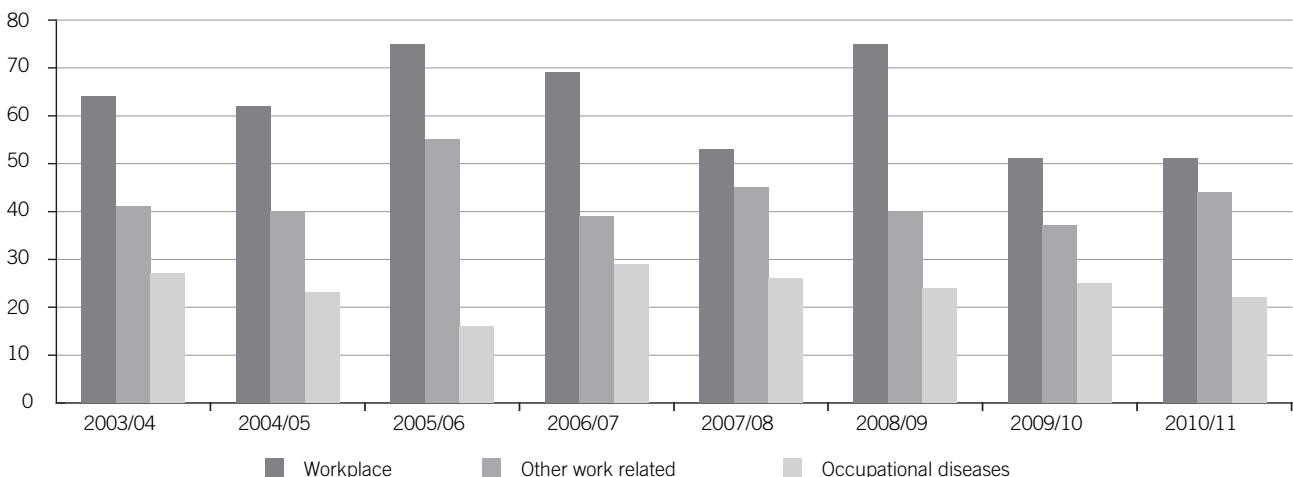
The health and community services industry was the major contributor, representing almost 22 per cent of all reported mental disorders. The number of claims has also increased in the health and community services sector from 508 in 2009/10 to 587 in 2010/11.

Employment fatalities

There were 117 work related fatalities in 2010/11, a reduction of 44 per cent since the scheme commenced in 1987/88. This represents a 66 per cent reduction in the fatality incidence rate.

- 51 occurred as a result of traumatic injury while the person was at work.
- 22 resulted from diseases contracted or aggravated as a result of employment.
- 44 occurred while the person was away from their place of work – eg commuting to or from work.

Employment fatalities



Work Health and Safety Legislation

NSW began operating under the *Work Health and Safety Act 2011* and the *Work Health and Safety Regulation 2011* on 1 January 2012. Implementation of the new laws was managed through a dedicated project known as the Work Health and Safety Legislation Implementation Program.

WorkCover undertook a range of activities to help the NSW community prepare for the new legislation including:

- more than 4000 presentations across NSW, including a Road Show in 13 metropolitan and regional areas
- more than 20 webinars involving 6000 participants across NSW
- development of health and safety representative training courses.

Complementing the work of the implementation program, funding was provided to the NSW community under the WorkCover Assist Grants Program and the Small Business Assistance Grants Program to assist businesses and workers understand and adopt the new laws. The funding has provided training for more than 10,000 recipients across a range of industries. The training materials developed under the grants program were made available to all grant recipients and are available on the WorkCover website. The courses can be tailored to meet the needs of the workplace and have been designed to be delivered as separate modules or as an entire training course.

An extensive range of policies and procedures have been developed in conjunction with other jurisdictions through the Heads of Workplace Safety Authorities' Regulators' Harmonisation Project to provide a consistent approach to compliance and enforcement in all Australian jurisdictions.

WorkCover is continuing to work with Safe Work Australia and other jurisdictions on the development of further model codes of practice and other guidance materials to support the new laws.

Heads of Asbestos Coordination Authorities

The management of asbestos has traditionally been a complex issue, due to the different state and local agencies responsible for different parts of the asbestos management cycle.

In order to address the need for improved coordination of government organisations who play a role in asbestos management, the NSW Government established the Heads of Asbestos Coordination Authorities (HACA).

HACA is chaired by WorkCover's Chief Executive Officer and comprises heads of agency representatives from the Department of Planning and Infrastructure, Department of Trade and Investment, Regional Infrastructure and Services, Division of Local Government, Environment Protection Authority, Local Government and Shires Associations of NSW, Ministry for Police and Emergency Services, Ministry of Health and the Workers' Compensation Dust Diseases Board.

Since it was established in August 2011, HACA has been working closely with industry associations, employee associations, and community groups, asbestos disease support groups, professional associations and researchers.

HACA has been tasked with developing:

- a state-wide Asbestos Plan for the safe management and removal of asbestos to better prevent asbestos-related diseases
- a model asbestos policy for local councils across the state
- an extensive educational campaign to raise public awareness, particularly around home renovations and maintenance.

The NSW state-wide Asbestos Plan will focus on initiatives and actions in the areas of research, communication, prevention and coordination. The plan was released for public consultation on the WorkCover website in June 2012. The Asbestos Plan will be finalised and submitted to Cabinet late 2012.

Occupational Disease and Wellbeing Strategy 2011–2015

In NSW, the number of claims for occupational diseases is increasing and the average cost is double the cost of a workplace injury. The Occupational Disease and Wellbeing Strategy 2011–15 provides for a planned and strategic approach to this issue that will ensure WorkCover is more effective at preventing and managing occupational disease.

The strategy focuses on reducing exposure to high risk hazards that cause occupational disease, promoting healthy workplaces and wellbeing, changing workplace culture, and driving down costs through effective claims management and support for ill workers. It is designed to promote increased awareness of potential risk among industries with a high incidence of illnesses, along with undertaking activities to ensure that NSW employers are controlling the risks associated with occupational disease.

Five priority occupational diseases have been identified in NSW:

- Mental disorders
- Diseases of the musculoskeletal system, including spinal injury
- Diseases of the nervous system and senses, including hearing loss
- Diseases of the respiratory system, including asthma
- Occupational cancers, including skin cancers.

Activities under the strategy have included:

- identifying high risk industries in NSW and the common occupational diseases in those industries
- workplace visits to determine the risk factors associated with the identified occupational diseases and to monitor and assess employee exposure levels to hazardous chemicals, noise and other known carcinogens
- providing information, risk control advice and policy advocacy for prevention programs for high risk occupational diseases
- building stakeholder relationships with key influencers in the field of occupational disease and wellbeing, such as NSW Ministry of Health and the Cancer Institute of NSW, to increase awareness of the impact of lifestyle factors, such as stress, challenging behaviours, poor nutrition, physical inactivity, obesity, smoking and excessive alcohol consumption on workplace health and safety
- developing protocols to investigate occupational diseases, and undertaking post workplace incident analysis and research into occupational diseases.

Focus on Industry

The Focus on Industry Program is an example of WorkCover's risk-based approach and targets work health and safety, injury management and return to work issues in the highest risk NSW industry sectors. Formerly known as the 10/5/5 project, this initiative focuses interventions on the most common injuries and severe illnesses across the highest risk industries based on comprehensive business and claims data intelligence. Industry action plans are developed and delivered in partnership with industry stakeholders and community leaders to improve safety, reduce injury and illness costs, and increase NSW business confidence and competitiveness.

Demolition sector pilot

The demolition sector was identified as the pilot for the Focus on Industry Priority Program, based on an analysis of statistical data. Validation visits and industry surveys were carried out to provide a clearer understanding of the factors that contribute to work health and safety and return to work issues within the industry. In particular, the demolition industry was asked what challenges it faced in implementing safety and how WorkCover could best assist them in meeting their safety responsibilities.

The key information that came from this consultation identified significant literacy, language and cultural barriers within the industry. It also identified that the industry was highly technically enabled with most operators preferring to have information and tools delivered to them by electronic means such as smart phones and online.

A number of tools and strategies have been developed as a result of the project including:

- a pre-start check list and audit tool to assist demolition industry site supervisors to manage risks that can be delivered via smart phone or computer
- an online interactive induction course that uses graphics and voice-over to address literacy and language barriers to replace a written induction course
- a series of tool box topics that can be delivered via smart phone and email that will focus on priority hazard areas
- posters and information sheets have been developed that communicate the priority hazards in the industry via graphics and key messages.

Following the success of the demolition pilot project, three more industry projects commenced in late 2011. Focused on road freight transport, sheep and beef cattle farming and wooden structural component manufacturing, worksites have received visits from Inspectors and Business Advisory Officers to help identify the causes of injury and illness within the industries, as well as any other contributing factors.

A risk-based approach for regional NSW

WorkCover has adopted a risk-based planning approach to enable us to prioritise work around risk and to strategically allocate resources to the areas of greatest need.

Five regional "hubs" have been established to facilitate customer service delivery outside of the metropolitan area. Just as each hub has unique geographical characteristics, each hub also has unique health and safety risks. Analysis was undertaken on a range of business intelligence for each regional hub (including workers compensation claims data) to identify specific risk factors and to develop a regional risk profile for each hub.

Regional risk plans were developed from these profiles for each hub in consultation with community representatives. A total of 58 community representatives were involved in developing the regional risk plans, including representatives from local business chambers and local industries such as transport, construction and agriculture.

The five regional risk plans were officially endorsed and launched in 2012. All hubs have begun implementing their regional risk plans in order to deliver targeted activities to address their most significant work health and safety risks.

Investigation, enforcement and follow up of safety risks

WorkCover assists businesses in improving their workplace safety, while also meeting community expectations regarding enforcement. Evidence based processes are applied to determine the most appropriate advisory and compliance approach for each safety issue. The approach is consistent with the National compliance and enforcement policy.

WorkCover inspectors and advisory officers held 140 workshops, 414 presentations and 27 webinars, which contributed to improved awareness of the new Work Health and Safety legislation. In total, 19,545 visits to workplaces were conducted by inspectors.

Between 1 July and 31 December 2011, WorkCover inspectors issued 1028 Confirmation of Advice Records to employers, documenting safety advice provided onsite.

As part of the nationally harmonised approach to compliance and enforcement, WorkCover commenced issuing inspection reports from 1 January 2012 to align with the commencement of the new Work Health and Safety legislation. Between 1 January and 30 June 2012, there were 3192 inspection reports issued that documented advice provided onsite following workplace visits.

During 2011/12, WorkCover inspectors issued a total of 11,661 notices, including 357 Penalty Notices, 601 Prohibition Notices and 8858 Improvement Notices.

WorkCover remains committed to the National compliance and enforcement policy and will continue to provide advice and support to businesses throughout every interaction.

Work health and safety prosecutions

As the regulator for work health and safety in NSW, WorkCover undertakes strategic prosecutions for non compliance with work health and safety legislation. In 2011/12, WorkCover concluded a total of 98 successful work health and safety prosecutions involving 84 defendants in 49 matters. Total fines awarded by the courts were over \$7,922,000.

A total of 117 defendants were charged for breaches of the legislation in 2011/12. As at 30 June 2012, 173 defendants were before the Courts for breaches of work health and safety legislation. This does not include two matters currently under appeal.

High quality investigations

WorkCover's High Quality Investigations Program uses investigation, enforcement and follow-up processes that eliminate or control safety risks in workplaces. The program uses a multi-pronged approach that includes:

- improving investigations policy and procedures to increase the focus on risk-based investigations
- implementing the Close the Loop Program that aims to assist workplaces who have recently been prosecuted to improve their work health and safety performance and to ensure that the risks and hazards that gave rise to the prosecuted incident have been eliminated or controlled
- implementation of an investigations and prosecutions communication strategy that includes the establishment of a prosecutions page on the WorkCover website. The website includes a summary of all prosecution outcomes that resulted in a guilty verdict from 2008 with a link to the full judgment.

The aim of communicating these outcomes is to raise awareness about serious workplace events that have occurred, to deter poor safety behaviour, and ultimately to help more workplaces permanently remove safety risks or hazards. The future of this program aims to build on the lessons learnt from prosecution outcomes and to communicate key messages, including new understandings about workplace hazards and risk controls, and what compliance looked like in the particular situation.

Sustainable return to employment

Return to Work Initiatives with Scheme Agents

During 2011/12, WorkCover established several initiatives that involved working collaboratively with scheme agents to improve services and enhance return to work outcomes for injured workers in the NSW WorkCover Scheme. The initiatives involved:

- working within each scheme agent to actively seek an enhanced understanding of each agent's claims portfolio, culture, operating practices and opportunities for enhancement
- promoting and developing a consistent scheme culture of information exchange, cooperation and knowledge sharing between WorkCover and scheme agents of outcomes-based and service oriented claims management practice
- setting effective performance based, remuneration frameworks and targets to motivate and encourage scheme agents to focus on improving sustainable recovery and return to work outcomes for workers recently injured in the workplace and longer term injured workers
- replacing process driven performance indicators with outcomes based minimum service standards linked to return to work targets.

New remuneration arrangements linked to revised performance targets and minimum service standards were implemented across the scheme agents for the 2011/12 period to focus on improved outcomes in support of earlier return to work rates within 26, 52 and 104 weeks, and longer term claims where the worker's date of injury was three years and greater.

Severe Injury Management Claims Project

The Severe Injury Management (SIM) Claims Project aims to achieve better health and social outcomes for severely injured workers. WorkCover has funded 21 specialist severe injury case managers, based within the scheme agents who will work closely with WorkCover in the development and implementation of a system-wide effective and consistent claims management approach for severe injury claims.

WorkCover has been working closely with the scheme agent case managers to provide mentoring support and guidance on how to effectively work with severely injured workers so that they may identify goals for increasing their participation in work and the community, and to effectively recognise and deliver appropriate support needs.

There are currently 522 claims being managed under the project. Each specialist case manager is working closely with no more than 30 severely injured workers. Almost half of these workers have a brain injury, while the rest have a spinal cord injury (16 per cent), amputation (12 per cent), or other severe injury such as blindness or severe burns (21 per cent).

Project initiatives have included the collection and analysis of data on severely injured workers to better target services and inform future financial support required for their needs, the development of assessment tools and case manager training in community living, person-centred planning, and assessment of support needs. The project has implemented an extranet site for scheme agent case managers to access valuable resources and support around improved case management practices.

Injury Management Seminars Program

In 2011/12, WorkCover continued its Professional Pathways Program. The program supports the workers compensation insurance industry to develop the case management capability of NSW workers compensation industry professionals. The key initiative in 2011/12 was the piloting of the new Injury Management Seminars Program (IMSP). The IMSP will contribute to the development of the workers compensation industry's skill base that will improve services and outcomes for injured workers in NSW.

The pilot IMSP, which ran from May 2011 to May 2012, was developed and delivered as a whole-of-industry initiative. Experts from across the workers compensation insurance industry worked collaboratively to develop and deliver 40 individual seminars, covering 10 topics of relevance for case managers.

The pilot seminars attracted over 1400 attendees from the Sydney and Newcastle areas. Recognising the practical demands of case managers, the seminars were designed to be brief and informative, and addressed relevant injury management topics in a contemporary and engaging way.

The feedback from seminar participants and those involved in the development and delivery of the program was overwhelmingly positive and will assist in the improvement of services for injured workers in NSW.

Sound fund management and system financial viability

Sound Fund Management

Sound fund management has proved for many managers to be an elusive target over the past year. With the global economic turmoil that has been experienced and an uncertain future, expectations have not been high. However, the Workers Compensation Insurance Fund (WCIF) has returned in excess of 7.75 per cent over the last financial year. When compared to the performance returns of superannuation funds across various asset class categories from All Growth to Conservative, the WCIF has outperformed them all.

Workers Compensation Insurance Fund

The Workers Compensation Legislation Amendment Act 2004 prescribed the establishment of the Workers Compensation Insurance Fund Investment Board (the Investment Board). The Investment Board has these functions:

- Determining investment policies for the investment of the Workers Compensation Insurance Investment Fund (the Fund).
- Reporting to the Minister on the investment performance of the Fund.

The Investment Board has a determinative, not an advisory, role. This means that the Nominal Insurer, as manager of the Fund, must implement the Investment Board's decisions on investment policy for the Fund, through its agent, WorkCover.

The functions of the Investment Board are distinct from the functions of the WorkCover Board. In performing its functions, the Investment Board develops appropriate policies and procedures. The Investment Board makes decisions relating to investment policy.

WorkCover's Investment division undertakes operational management of the fund. The Investment Board members as at 30 June 2012 were Michael Carapiet (Chairperson), Ray Whitten (Deputy Chairperson), Gavin Bell, Elizabeth Carr, Peeyush Gupta and Julie Newman, A/Chief Executive Officer of the WorkCover Authority of NSW.

Investment performance and market information

The Fund has produced a 7.77 per cent return for the financial year ending 30 June 2012. The table below shows Fund total performance for the period ending June 2012 and since inception.

	Total fund performance (% p.a.) ¹		
	12 Months	6 Months	Since inception ²
Total Fund performance	7.77	4.29	5.56
Liability benchmark return ³	14.35	5.25	7.73
Relative performance	(6.58)	(0.96)	(2.17)
Asset allocation return	8.43	4.62	5.16
Relative performance	(0.66)	(0.33)	0.40

¹ All figures shown are based on market values and income of the assets provided by the Master Custodian.

² Inception 30 November 2005.

³ The liability benchmark return is an approximation to the effect on the Fund's claims liabilities of market moves in nominal government bond interest rates.

The table below shows Fund asset class performance for the period ending June 2012 and since inception.

Asset Class	Performance (% p.a.)		Benchmark (% p.a.)		Outperformance / (Underperformance) (% p.a.)	
	Fin year	Since inception ¹	Fin year	Since inception ¹	Fin year	Since inception ¹
Aust. equities	(11.65)	2.06	(6.71)	2.35	(4.94)	(0.29)
Int'l equities ²	2.70	1.61	(3.16)	0.22	5.86	1.39
Aust. unlisted property	8.53	6.35	8.38	8.56	0.15	(2.21)
Aust. fixed interest	12.40	7.41	14.33	7.19	(1.93)	0.22
Tail risk hedging	10.84	6.75	-	-	-	-
Aust. inflation-linked bonds	13.69	6.40	16.03	6.20	(2.34)	0.20
Investment grade credit	6.33	7.07	7.62	7.66	(1.29)	(0.59)
Infrastructure debt	19.41	18.38	15.02	14.45	4.39	3.93
Commodities	(15.60)	(7.91)	(13.76)	(8.82)	(1.84)	0.91
Cash	5.34	5.80	4.70	5.49	0.64	0.31

¹ Inception date for performance is 30 Nov 2005, except Unlisted Property 20 Dec 2005, Commodities 5 Aug 2008, Investment Grade credit performance 11 October 2009, Tail Risk Hedging Nov 2010 and Infrastructure debt Mar.2

² International developed markets currency exposure hedged zero per cent at June 2012.

The asset allocation (AA) of the Fund at 30 June 2012 is shown in the table below.

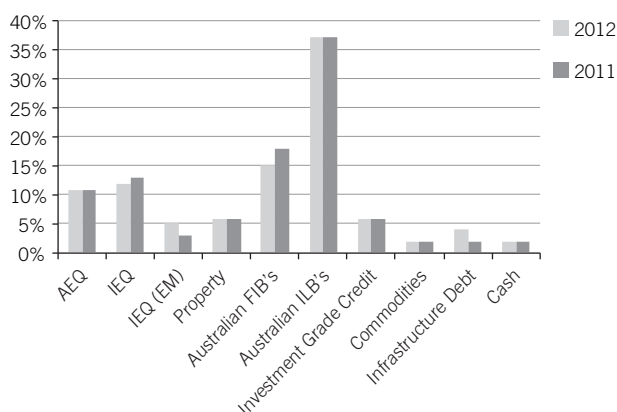
Asset class	AA (%) ¹
Aust. equities (AEQ)	11
Int'l equities ² (IEQ)	12
Int'l equities emerging markets (IEQ (EM))	5
Property	6
Aust. fixed interest bonds	15
Aust. inflation-linked bonds	37
Investment grade credit	6
Infrastructure debt	4
Commodities	2
Cash	2
Total	100.0³

¹ Actual asset class amounts are kept within a +/- 2.5 per cent tolerance of the Asset Allocation percentages.

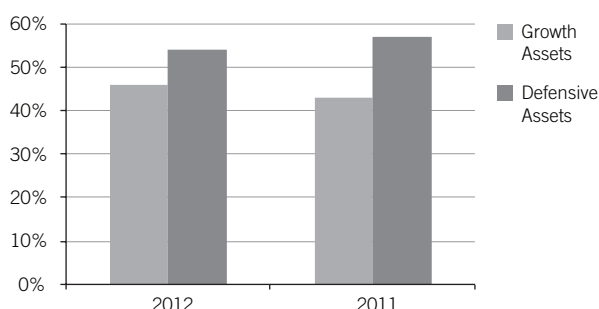
² Developed market currency exposure strategic hedge ratio was zero per cent as at 30 June 2012.

³ The total WCIF valuation is inclusive of tail risk hedging which does not form part of the AA.

The Asset Allocation (AA) of the fund at 30 June 2011 and 30 June 2012



The AA mix of growth and defensive assets of the Fund at 30 June 2011 and 30 June 2012



Fund enhancements

The Investment Board adopted environmental, social and governance (ESG) principles in June 2011. A staged approach will be taken to implement the ESG Principles. A gap analysis on ESG, as well as analysis on current proxy voting approaches of WCIF investment managers have been conducted.

A review of Australian equity managers commenced in the second quarter of 2011. JCP Investment Partners and Alphinity Investment Management were appointed as active Australian equity managers in October 2011. This appointment aims to provide additional returns from the asset class by increasing allocation to core style active managers. Tyndall was terminated from this asset class in October 2011.

An increased allocation to emerging market equities was endorsed by the Investment Board in March 2011. Investec Asset Management was appointed as an additional manager and commenced managing emerging market equities for WCIF in November 2011.

Following a comprehensive review of the foreign currency policy conducted towards the end of the year, a neutral hedge ratio of zero per cent was adopted. The currency hedge ratio has been dynamically managed throughout the year, the Fund's hedge ratio was zero per cent at June 2012.

The Investment Board endorsed additional allocation to infrastructure debt. The Fund's infrastructure debt allocation was seeded using existing infrastructure inflation-linked bonds.

The additional allocation is invested by the Fund's infrastructure debt manager through participation in Australian infrastructure debt deals that meet the objectives of its mandate.

A review of Australian Inflation Linked Bonds was undertaken during the year, after which Ardea Investment Management was funded as an additional manager in December 2012.

A review of the investment grade credit allocation was undertaken during the year, after which the allocation permitted a minor allocation to Asian bond exposure on an unhedged basis.

Over the course of the year, the Investment Board endorsed an allocation to a medium to long term momentum managed futures strategy. This allocation is expected to be funded in the second half of calendar year 2012.

As part of the appointment of new investment managers, WorkCover undertakes an assessment of the manager's operational practices including a review of its compliance and operational environments. This assessment is conducted in addition to the assessment of the manager's investment management capability. In the period ending 30 June 2012, nine operational reviews were undertaken of Fund investment managers.

Fund investment managers

Fund investment managers as at 30 June 2012

Asset class	Investment manager
Australian Shares	Independent Asset Management Pty Limited Northcape Capital Pty Ltd JCP Investment Partners Ltd Kapstream Capital Pty Limited (passive) Alphinity Investment Management Pty Limited
Global Shares	Arrowstreet Capital Limited Partnership (low volatility global shares) Colonial First State Investments Limited (emerging markets shares) Lazard Asset Management Pacific Co MFS International (UK) Limited Investec Asset Management Limited (emerging markets shares)
Australian Unlisted Property	AMP Capital Investors Limited Dexus Property Group GPT Group Limited Goodman Funds Management Limited Lend Lease Real Estate Investments Limited
Investment Grade Credit	AMP Capital Investors Limited Kapstream Capital Pty Limited
Australian Fixed Interest and Tail Risk	WorkCover (Portfolio Construction) with Kapstream Capital Pty Limited and State Street Bank and Trust Company (Portfolio implementation) New South Wales Treasury Corporation
Australian Inflation-Linked Bonds	Aberdeen Asset Management Limited Colonial First State Asset Management (Australia) Limited New South Wales Treasury Corporation Ardea Investment Management Pty Limited
Currency Hedging	Aberdeen Asset Management Limited
Infrastructure Debt	Industry Funds Management Pty Limited
Commodities	H3 Global Advisors Pty Limited
Cash	New South Wales Treasury Corporation

Fund costs

The estimated total cost of running the Fund for the financial year ending June 2012 was approximately 0.25 per cent of the average value of the Fund over the year. Of the 0.25 per cent, external investment management expenses amounted to 74 per cent of the total cost of running the Fund. The reduction in total cost is not a sustained reduction, as it is due to reduced performance fees paid to investment managers. The Fund's fee arrangements in certain asset classes are aligned to investment manager performance. Performance fees are expected to normalise as the Fund's managers obtain greater outperformance on the Fund's mandates in the future.

Operational manager review framework.

In line with the key result area of sound funds management and system financial viability, an Operational Manager Review Framework (the Framework) has been developed and implemented. The Framework provides a clear and consistent set of methodologies, processes and/or tools to enable the implementation of manager and potential manager operational reviews for investment managers of the Workers Compensation Nominal Insurer (WCNI).

The Framework is designed to ensure that any investment managers acting for the WCNI have the ability to provide and adhere to the very highest of standards in terms of risk management, systems and technology, organisation and governance, and operational processes.

Low premiums

Accurate and timely premium collection

Each year, the NSW WorkCover Scheme (the scheme) collects around \$2.5 billion in premiums from NSW employers. The scheme is a pool of employer premiums that provides protection to workers injured at work while limiting the financial exposure of employers.

The aim of the scheme is to provide financial support and medical and rehabilitation services to injured workers to assist them to return to work, while premiums should be fair and affordable for employers.

Premium compliance

Workers compensation premiums are calculated on information provided by employers. As a key component of its premium compliance strategy, WorkCover conducts a wage audit program to help ensure employers are paying the correct premiums. These audits review the wages and business activity declared by an employer for premium calculation purposes.

A panel of auditors appointed and managed by WorkCover undertakes the audits. In 2011/12 wage audits identified \$28 million in underpaid premiums because of under-declaration of wages. The wage audits also resulted in \$5.5 million being refunded to employers who had overstated their wages.

Premium appeals

Workers compensation premiums are calculated by scheme agents based on information supplied to them by the insured employer. If an employer disagrees with the premium calculated by their scheme agent, the employer may apply to WorkCover for a determination.

WorkCover must receive the application within one month of the scheme agent issuing the notice of the premium to the employer. WorkCover's target is to finalise appeals within 90 days of receiving a completed application.

Premium appeals determined in 2011/12

Appeal type	Total determined	Average timeframes for completion (Months)
Cost of claim	99	6.8
WIC	131	4.9
Wages	174	5.3
Total	404	5.3

Managing scheme costs

Premium rates

The premium rates for 2011/12 were maintained at the same level as the previous year.

Retro-Paid loss premium method

The Retro-Paid Loss Premium Method (the method) was introduced from 30 June 2009 to provide an optional alternative premium method for large employers. It offers employers with a basic tariff premium of more than \$500,000 a choice between the conventional premium calculation method and an alternative method, based on commercial retro-paid loss arrangements.

The method derives an employer's premium almost entirely from their individual claims experience and success in injury prevention and claims management during the period of the insurance policy.

Retro-paid loss arrangements are available to large employers who meet a range of eligibility criteria.

As at 30 June 2012, 49 organisations, incorporating 242 employing entities, have been accepted into the Retro-Paid Loss Premium arrangements. These participants have a combined wage roll of \$8379 million and a combined basic tariff premium of \$152 million.

A condition of participation in the method is the provision of security. Currently, \$578 million is held as required security by the Nominal Insurer in either cash deposits or bank guarantees. Legislation introduced from 1 February 2011 now allows for the provision of performance (insurance) bonds as an alternative method for providing the required security.

Premium estimator

The Premium Estimator (the estimator) was officially launched on 10 October 2011. Based on a similar concept to the Motor Accident Authority's successful Green Slip Calculator, the estimator is a free online tool available on the WorkCover website that enables employers to estimate their workers compensation premium.

The estimator helps employers plan for their future by allowing them to test what happens to their workers compensation premiums if they add or change business activities, change staffing levels or have a claim. Employers are able to adjust estimated wages and claims costs to give an indication of the premium that may be payable as a result of changes to their workforce.

Through using the estimator, employers can identify their WorkCover Industry Classification to help them to better understand their workers compensation premiums, while giving assurance that they are properly classified. Employers are also able to add additional WorkCover Industry Classifications to assess the premium impact of adding new businesses to their policy.

WorkCover worked with an accessibility specialist to ensure people with different levels of vision impairment could use the estimator. The estimator was also tested by participants with a range of other impairments during development to ensure it was suitable for the widest possible audience.

In the eight months to 31 May 2012, the estimator recorded over 10,000 users and upwards of 50,000 views. Feedback received indicates that the overwhelming majority of users were satisfied with the service provided by the estimator.

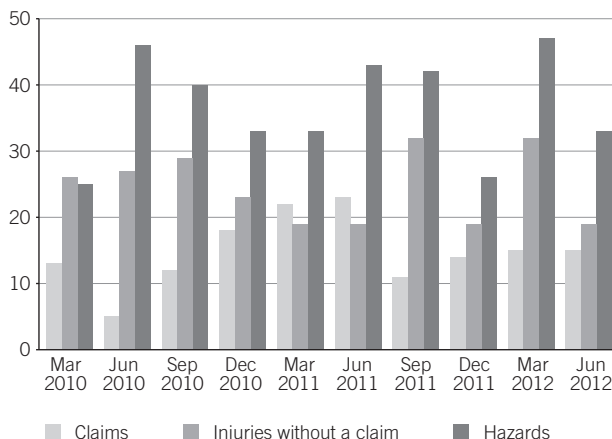
The estimator is a valuable tool to assist NSW business with their planning and operations.

Exemplar organisation

Work health and safety and workers compensation performance

With the commencement of the work health and safety legislation on 1 January 2012, WorkCover has transitioned into compliance with the new laws. Consultation with the workforce has resulted in the appointment of a number of Health and Safety Representatives and other agreed consultation arrangements. WorkCover continues to review health and safety policies and procedures to ensure alignment with the *Work Health Safety Act 2011*, the *Work, Health and Safety Regulation 2011* and Codes of Practice.

Through this process, staff are reminded of their responsibilities to report any identified hazards. As a result, the number of hazards identified consistently exceeds the number of injuries reported. This is a positive indicator highlighting an improved awareness by all staff across the organisation of safety policies, workplace safety responsibilities and risk management. WorkCover continues to undertake risk management activities focusing on a behavioural safety approach, particularly with regard to workplace ergonomics.



The number of claims lodged in 2011/12 was 54 claims, a significant decrease in the number of claims for the previous year (74 claims). There were 10 claims for psychological injury, again a significant reduction on the previous year. In addition, the total cost of claims has also decreased, supporting a focus on early intervention and appropriate re-engagement with the workplace.

Workcover continues to support staff through non work related injury and illness concerns. This early intervention is reflected in the reduction in number of claims. A healthy utilisation of the Employee Assistance Program is reflected by the consistent pattern of use of this service which provides confidential advice and counselling to employees. The Critical Incident Support Program is also available and provides de-briefing services to employees involved in emergency or crisis situations, importantly, Inspectors after attending or investigating fatalities. WorkCover's Bullying Response Service for internal staff received a small number of calls (five) in 2011/12. All reports and concerns around bullying continue to be thoroughly investigated.

WorkCover's Wellness component of the "GROWing our Culture" strategy supports the emotional, physical and social wellbeing of staff through learning environments, information and participation in various wellness activities. Significant support and learning has been provided to staff around building resilience and dealing with change. Similarly the safety component provides education, advice and focus to encourage and maintain a safety culture within WorkCover.

Social justice

WorkCover undertakes a number of activities in partnership with NSW employers, employees, the community and other government agencies to address social justice issues in the promotion of workplace safety and improving workers compensation outcomes.

Workers Compensation Commission

In April 2012, the Workers Compensation Commission (the commission) launched a new website, which has a range of resources to assist our clients. This includes access to plain English information, as well as information on how to access specialised services for clients who do not have English as their first language. Brochures relating to the process within the commission and access to website information are available in the following ten languages: Arabic, Cantonese, Croatian, Greek, Italian, Macedonian, Mandarin, Serbian, Spanish, Turkish and Vietnamese.

During 2012/13, the commission will be reviewing its Access and Equity Charter to ensure that we continue to offer a range of flexible and accessible services to our clients across NSW, including those in rural and regional areas. The commission will also be introducing enhancements to its online lodgement facility, designed to make it easier for clients to prepare and submit forms electronically.

Multicultural policies and services program

WorkCover recognises and supports a multicultural society of NSW. We are committed to ensuring that all our services are easily accessible to people from diverse linguistic, religious and cultural backgrounds.

WorkCover's awareness and commitment to multiculturalism is noted in its Corporate Plan 2010–2015. In addition, WorkCover is currently liaising with the Community Relations Commission to ensure it continues to effectively address the needs of a culturally, linguistically and religiously diverse society in all business planning, development and delivery of services and to ensure its activities fit within the Policies and Services Plan framework.

Key initiatives undertaken during 2011/12 included:

- increased promotion of the Community Language Allowance Scheme with improvements in knowledge management and the collation of data. There are currently 16 officers offering services in 12 languages
- promotion and participation in key social justice events, such as Harmony Day.

WorkCover is in the process of developing a Multicultural Plan 2012–2016, which is structured around the seven key outcomes of the framework. The plan includes strategies to address multicultural issues, caters for dedicated resources to progress initiatives and champion multiculturalism, and includes the incorporation of cultural and linguistic diversity considerations into policy, research, program and communications initiatives.

Disability action plan

WorkCover's Disability Action Plan aims to meet the needs of service users, both as clients and workers.

In 2011, development of the Compensation Authorities Staff Division "Disability Employment Strategy" aligning to the NSW Department of Premier and Cabinet "*employABILITY Strategy*" commenced. Implementation across all CASD agencies will, including WorkCover, is expected by end of 2012.

The main initiatives undertaken in 2011/12 included:

- sponsoring of six paralympians who were injured in the workplace, to assist with the promotion of workplace safety
- promotion of, and participation in, key social justice events, such as International Day for People with a DisAbility and Loud Shirt Day.

Equal employment opportunity management

WorkCover collects Equal Employment Opportunity (EEO) data for the Department of Premier and Cabinet Workforce Profile, which measures performance in meeting the Government's employment benchmarks for staff from identified EEO minority groups and informs planning and development of EEO initiatives.

The 2011/12 workforce profile indicates the proportion of women rose slightly to 56.1 per cent with the highest proportion employed at the salary level \$75,552 to \$97,702. Women occupy approximately 39 per cent of management positions.

WorkCover's proportion of Aboriginal and Torres Strait Islander staff is 3.2 per cent, exceeding the public sector benchmark of 1.6 per cent. The proportion of staff whose first language spoken as a child was not English is 15 per cent.

The proportion of staff with a disability was 7.7 per cent. Staff with a disability, requiring a work place adjustment was 4.4 per cent, 2.9 per cent above the public sector benchmark of 1.5 per cent.

Spokeswomen's program

The WorkCover Spokeswomen's Program outcomes are linked with broader human resources and social justice initiatives including:

- continued sponsorship of Central Coast Lifeline Steel Magnolia Awards – Young Achiever Award
- coordination of International Women's Day celebrations in various locations, focusing on enhancing access to activities and participation

Aboriginal and Torres Strait Islander development strategies

WorkCover aims to build the capacity of Aboriginal and Torres Strait Islander employers, workers and communities by delivering culturally appropriate information and services and capturing a profile of Aboriginal and Torres Strait Islander staff and skills. Key initiatives in 2011/12 included:

- participating in the local Central Coast Community NAIDOC Week celebrations by entering a WorkCover team in the 2012 Kikupa Cup touch football competition. WorkCover also participated in the Central Coast Community Gathering and Health Expo.

WorkCover's Aboriginal and Torres Strait Islander network

WorkCover's Aboriginal and Torres Strait Islander Network (WATSIN) provides a network of support and encouragement to Aboriginal and Torres Strait Islander staff and provides management with advice and assistance on matters involving staff and clients with an Aboriginal and Torres Strait Islander background.

In 2011/12 WATSIN coordinated a number of successful initiatives aimed at raising cultural awareness including:

- NAIDOC week celebrations and information sessions
- Reconciliation week celebrations and information sessions.

Trends in the representation of equal employment opportunity groups on 30 June¹

Trends in the representation of EEO groups	EEO group benchmark / target	2010	2011	2012
Women	50%	55.3%	55.4%	56.1%
Aboriginal people and Torres Strait Islanders	2.6%	3.9%	3.4%	3.1%
People whose first language spoken as a child was not English	19.0%	14.3%	14.1%	15.0%
People with a disability	N/A	6.8%	7.7%	7.6%
People with a disability requiring work-related adjustment	1.5%	3.5%	4.3%	4.3%

¹ Calculations are based on the methodology used by DPC based on the annual workforce profile data submission.

Trends in the distribution of equal employment opportunity groups on 30 June^{1,2}

Trends in the representation of EEO groups	EEO group benchmark / target	2010	2011	2012
Women	100	90	91	91
Aboriginal people and Torres Strait Islanders	100	80	92	94
People whose first language spoken as a child was not English	100	102	101	100
People with a disability	100	100	89	99
People with a disability requiring work-related adjustment	100	97	96	95

¹ A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values of less than 100 mean the EEO group tends to be more concentrated at lower salary levels than other staff. The more pronounced this tendency, the lower the index. In some cases, the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

² Excludes casual staff.

Human resources statistics

2011/12										2010/11										2009/10										2008/09									
	CASD	WCA	WCC	SIC	DDB	MMA	LTCSA	CASD	WCA	WCC	SIC	DDB	MMA	LTCSA	OWCA	WCA	WCC	LSPC	SIC	DDB	MMA	LTCSA	OWCA	WCA	WCC	LSPC	SIC	DDB											
Number of CES/SES positions	16	12				2	2	15	10				3	2	16	10		1				3	2	11	10		1												
Number of positions filled by women	7	5				1	1	8	6				1	1	7	5						1	1	4	4														
Positions at or above SES level 5	9	7				1	1	9	7				1	1	7	5						1	1	5	5														

Note 1 Motor Accidents Authority(MAA) and Lifetime Care and Support Authority (LTCSA) are reported as part of the Compensation Authorities Staff Division as of 2009/10.

Note 2 From 4 April 2011, employees from the Long Service Corporation (LSPC) (Formerly the Building and Construction Industry Long Service Payments Corporation) no longer formed part of the Compensation Authorities Staff Division (CASD).

Cost and efficiency

WorkCover focuses on its ability to deliver on its key result areas and supporting its key performance indicators. This ensures that WorkCover will continue to:

- improve work health and safety in NSW workplaces
- improve the cost effectiveness and accountability of services
- maintain the financial sustainability of the workers compensation system.

Energy performance and waste reduction

WorkCover is committed to achieving savings in energy usage and sustained energy management principles. During 2011/12, WorkCover owned or leased 30 sites that purchased electricity using the State Contracts Control Board (SCCB) electricity contracts. These contracts minimise costs and achieve a reduction of greenhouse gas emissions by purchasing six per cent green power.

WorkCover will continue to review and implement cost effective strategies to reduce energy consumption.

The following table shows energy trends over the past three financial years.

There was an overall 5.7 per cent decrease in electricity consumption between 2010/11 and 2011/12. Electricity consumption trends are subject to fluctuation, with this year's decrease being considered normal. E10 fuel purchases made up 73 per cent of fuel purchases, contributing to a decrease in vehicle emissions.

Between 2010/11 and 2011/12, overall total energy costs increased by four per cent, while total energy consumption reduced by five per cent. Greenhouse gas emissions decreased by 6.2 per cent over the period.

WorkCover regularly consults with the Department of Finance and Services to access information on the latest innovations in energy management that will enhance our ability to sustain energy saving and deliver positive environmental outcomes.

WorkCover is committed to reducing its operational and environmental impact in the areas of recycling and waste reduction. Between 2011 and 2012, the organisation achieved a 1.4 per cent reduction in the amount of waste disposed, and an 11 per cent reduction in the amount of copy paper disposed. WorkCover actively looks for opportunities to purchase recycled content products and reduce waste where suitable and cost effective.

Fuel	Total energy consumed GJ			Annual cost \$			CO ₂ emissions tonnes			Energy % change in the last year
	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	
Electricity (black coal)	17,699	18,752	18,146	862,128	801,764	762,282	5,274	5588	5408	-5.6
Electricity (green power)	1,130	1,218	1180	\$76,080	70,199	69,840	0	0	0	-7.2
Natural gas	726	622	646	11,098	9916	9987	37	32	33	16.7
LPG	0	0	0	0	0	0	0	0	0	0
Diesel	1,759	1,524	592	60,342	48,668	17,083	474	105	41	15.4
Petrol	22,242	32,128	35,707	847,382	1,114,544	1,162,429	1,335	1997	2278	-30.8
TOTAL	43,556	54,244	56,271	1,857,030	2,045,091	2,021,621	7120	7722	7760	-19.7

Customer focused approach

Customer service

The WorkCover Customer Service Centre provides information and assistance to workers, industry and the community on work health and safety, injury management and the workers compensation system. The WorkCover Assistance Service includes the Information Centre, the Claims Assistance Service (CAS) and the Licensing Solutions Unit, and is the first point of contact with many of our customers.

The Information Centre is the central point of contact in WorkCover for enquiries about work health and safety, injury management and workers compensation legislation. The Information Centre received 210,880 phone calls, 10,547 emails and approximately 1600 counter enquiries in 2011/12.

CAS provides assistance to injured workers and employers about workers compensation claims.

In 2011/12 CAS received 6469 new cases. It resolved 5826 (86 per cent) of the 6774 cases closed throughout the year. In addition, CAS handled 7237 No Response matters for the year.

WorkCover's Licensing Solutions Unit is a high volume customer service provider, responsible for the timely and accurate processing of work, health and safety licence applications, notifications and registrations.

In 2011/12, the unit received 257,548 customer requests, comprising of 232,123 licenses, notifications, certificates and permits, and 25,425 customer calls for assistance received through the licensing hotlines.

Customer feedback

In 2011/12, WorkCover received 83 formal compliments congratulating WorkCover staff and thanking them for their assistance, courteous approach and timely resolution of work health and safety issues. Workcover also received a number of compliments regarding its webinars and public information forums outlining the upcoming changes to work health and safety legislation.

A strong customer service focus is central to WorkCover's success in providing information, education and advice to assist employers improve workplace safety throughout NSW.

Internal audit unit

The Compensation Authorities Staff Division (CASD) Internal Audit Unit (IAU) is an independent review function that manages, through an outsourced service provider, an annual plan of risk-based audits across all the CASD Agencies including WorkCover (WCA). In 2011/12, 13 reviews were completed CASD-wide (including WorkCover). These reviews made 98 audit recommendations to strengthen the organisation's internal controls.

The following internal audit reviews were completed in 2011/12:

- CASD accounts payable
- CASD accounts receivable
- CASD flex leave
- CASD payroll
- CASD procurement management*
- CASD recruitment management process*
- WCA government licensing system
- WCA Insurance Division – Compliance Improvement Branch*
- WCA Insurance Division – Monitoring of pecuniary and non-pecuniary interests
- WCA Investment Division custodian
- WCA Northwest regional offices
- WCA NSW Riverina regional offices
- WCA Workers Compensation Insurance Fund Branch operational*.

*Internal audit reviews from the 2010/11 audit plan completed during the 2011/12 year.

In addition to the above, the following internal audit reviews, from the 2011/12 audit plan, were in progress as at 30 June 2012:

- CASD Work, health and safety management process; and workers compensation management process
- WCA Investment Division – Derivate exposure
- WCA Investment Division – Operational review process
- WCA Medical Providers Unit
- WCA self and specialised insurers
- WCA Work, Health and Safety Audit Management and Operational Governance.

The IAU also undertakes a range of fraud and corruption prevention activities. In 2011/12, CASD-wide policies for fraud and corruption control and internal reporting were launched. IAU staff act as Public Interest Disclosure Officers to whom staff can report allegations of corrupt conduct within the *Public Interest Disclosure Act 1994*. The IAU also manages investigations into corrupt conduct liaising, where appropriate, with the Independent Commission Against Corruption (ICAC).

The Director Corporate Governance acts as the Chief Audit Executive and reports directly to the CASD Audit and Risk Committee for strategic direction and accountability purposes, and reports administratively to the Chief Executive Officer to facilitate day to day operations.

Public Interest Disclosures (PIDs)

1. Statistical information on PIDs

	Jan 2012 – June 2012
Number of public officials who made PIDs	0
Number of PIDs received	0
Of PIDs received, number primarily about:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of PIDs finalised	0

Note: The number of PIDs finalised only refers to PIDs that have been received since 1 January 2012.

2. Commentary on PID obligations

WorkCover has an Internal Reporting Policy that was issued by the Chief Executive to all WorkCover staff in October 2011.

The Chief Executive has taken action to make staff aware of their rights and responsibilities under the *Public Interest Disclosure Act 1994*. Awareness activities within the current PID reporting period (1 January to 30 June 2012) include induction training, internet communications and posters.

Internal Audit and Risk Management Statement for the 2011-2012 Financial Year for the WorkCover Authority

I, Julie Newman, A/Chief Executive Officer of the WorkCover Authority, am of the opinion that the WorkCover Authority has internal audit and risk management processes in operation that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*. Core requirement 3 has been fully in operation since 22 February 2012 when the Audit and Risk Committee membership was reduced from six to five.

I, Julie Newman, A/Chief Executive Officer of the WorkCover Authority, am of the opinion that the Compensation Authorities Staff Division Audit and Risk Committee for the WorkCover Authority is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- Douglas Wright, independent Chair
- Carolyn Walsh, independent Member
- Susan Clark, independent Member (member until 22 February 2012)
- Robert Ingui, independent Member
- Raymond Petty, independent Member
- Cass O'Connor, independent Member

I, Julie Newman, A/Chief Executive Officer of the WorkCover Authority declare that this Internal Audit and Risk Management Attestation is made on behalf of the following controlled entities (or subsidiaries):

- Workers Compensation Commission

These processes provide a level of assurance that enables the senior management of the WorkCover authority to understand, manage, and satisfactorily control risk exposures.


Julie Newman,
A/Chief Executive Officer

Dated this thirteenth day of August 2012

Contact Officer: Julie Newman, A/Chief Executive Officer
WorkCover Authority
92-100 Donnison Street, GOSFORD NSW 2250
Telephone: (02) 4321-5636

WorkCover Authority NSW

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Additional background information

– Overview of results

Introduction

Under the *Public Finance and Audit Act 1983* financial reports are prepared for the following entities:

- A consolidated entity that reports the combined results of both the WorkCover Authority and the Workers Compensation Commission (WCC). This report also shows the individual results of just the WorkCover Authority. Under Australian accounting standards WorkCover controls the WCC and is required to show the results of the consolidated entity of WorkCover and WCC in a financial report.
- Workers Compensation Commission.
- Compensation Authorities Staff Division.

Discussion of the key aggregated financial results contained in each of these reports follows.

1. WorkCover Authority:

	2012 actual \$m	2011 actual \$m
Operating results		
Expenses	350.6	264.2
Revenue	272.3	269.7
Gains/(Losses)	(2.0)	(2.2)
Net result	(80.3)	3.3
Financial position		
Short term solvency	114%	104%
Long term solvency	70%	88%
Total assets	275.7	275.8
Total liabilities	392.0	311.8
Equity	(116.3)	(36.0)

Operating Results

The operating results for the year ended 30 June 2012 was a deficit of \$80.3m. This was a decrease of \$83.6m from the operating surplus of \$3.3m reported in 2010/11. The operating deficit has decreased the accumulated deficit from \$36.0m in 2010/11 to \$116.3m in 2011/12. The result for 2011/12 is featured by:

- Increase of \$74.4m in the actuarially assessed movement in superannuation. This item moved from a gain of \$3.4m in 2010/11 to a loss of \$70.9m in 2011/12. This increase was primarily due to the discount rate used in the valuation declining from 5.28% at 30 June 2011 to 3.06% at 30 June 2012.
- An increase of \$3.1m in extended leave and associated on-cost provisions due to the reduction in the discount rate used to value extended leave under an actuarial model from 5.25% at 30 June 2011 to 3.0% at 30 June 2012.

Financial Position

Overall, WorkCover's financial position is sound.

Short-term solvency is adequate with current assets representing 114% (104%, June 2011) of current liabilities.

Long-term solvency is also adequate with total assets representing 70% of liabilities (88%, June 2011). Outstanding claims and superannuation are the main liabilities. Outstanding claims have been actuarially assessed at \$145.7m (\$127.9m, June 2011). Superannuation has been actuarially assessed at \$133.8m (\$62.9m, June 2011).

Cash Flow

Overall WorkCover is in a sound position in relation to the level of cash it holds and the amount of cash it generates to meet its operating activities. In 2011/12 WorkCover generated positive cash flows from operating activities of \$13.6m. This cash was used to fund expenditure of \$3.3m on WorkCover's capital program.

2. Workers Compensation Commission

In accordance with the Public Finance and Audit Act and Australian accounting standards the WorkCover Authority controls the Workers Compensation Commission and is required to produce a separate financial report for it.

Under Section 35(2) (e1) of the Workplace Injury Management and Workers Compensation Act, 1998 the costs of the Commission are to be met from the WorkCover Authority Fund. Accordingly the Commission is funded by WorkCover at a level sufficient to meet costs and has no operating surplus or equity.

The Commission increased total costs by \$4.9m from \$29.5m in 2010/11 to \$34.4m in 2011/12. This increase is mainly attributable to superannuation actuarial losses of \$2.4m and increases in arbitrator and medical specialist expenses of \$1.5m due to higher than expected case loads.

3. Compensation Authorities Staff Division

Effective from 1 July 2009 and in accordance with Division 10 of the Public Sector Employment and Management (Departmental Amalgamations) Order 2009 (No. 352) the Compensation Authorities Staff Division (CASD) was established. CASD amalgamated the former Office of the WorkCover Authority (OWCA) and Office of the Motor Accidents Authority (OMAA) which were abolished under the same order.

CASD's objective is to provide personnel services to the following entities:

- Lifetime Care Support Authority
- Motor Accidents Authority
- Sporting Injuries Committee
- WorkCover Authority
- Workers Compensation Commission
- Workers' Compensation (Dust Diseases) Board

CASD has no total comprehensive income or equity as it only receives funding from these entities equal to the value of the personnel services it provides to them.

CASD's results for 2011/12 were dominated by superannuation actuarial losses of 79.8m which increased the associated superannuation liability. These increases were offset by equal increases in revenue and receivables.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Statement by Chief Executive Officer

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

1. the accompanying consolidated financial statements exhibit a true and fair view of the consolidated financial position of the WorkCover Authority of New South Wales as at 30 June 2012 and transactions for the year then ended; and
2. these statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, Australian Accounting Standards and the Treasurer's Directions.

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

Julie Newman

A/Chief Executive Officer

Safety, Return to Work and Support Division

26 September 2012

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW



WORKCOVER AUTHORITY of NSW

Actuarial Certificate Outstanding claims liabilities at 30 June 2012

PricewaterhouseCoopers (PwC) has been contracted by the WorkCover Authority of NSW ("WorkCover Authority") to make estimates of the outstanding claims liabilities as at 30 June 2012 of the following funds:

- Emergency and Rescue Workers Compensation Fund ("ERWCF")
- Bushfire Fighters Funds Compensation Fund ("BFFCF")
- Insurers' Guarantee Fund ("IGF"), covering the pre-WorkCover liabilities of the following failed insurers: National Employers Mutual, Bishopsgate, AGCI, Greatlands, HIH and Rural and General

Data

PwC has relied on historical data and other quantitative and qualitative information supplied by the WorkCover Authority and other parties without audit or independent verification. We did, however, review this information for reasonableness and internal consistency, where possible. The accuracy of our results is dependent upon the accuracy and completeness of the underlying data.

Basis of Our Estimates

We have made central estimates of the outstanding claims liabilities – this means that our assumptions have been selected to yield estimates that are not knowingly above or below the ultimate liabilities. Our estimates include allowances for:

- Future inflation and investment return;
- Claims handling expenses; and
- Future expected recoveries.

Valuation Results

The PwC estimated liability for the above funds, net of recoveries, is \$145.671 million. This amount is made up as follows:

Net Outstanding Claims Liability at 30 June 2012	\$M
ERWCF	15.717
BFFCF	16.219
IGF - Non-HIH	91.132
IGF - HIH	22.603
Total Net Outstanding Claims Liability	145.671

It is a decision for the WorkCover Authority as to the amount adopted in the accounts.

*PricewaterhouseCoopers, Actuarial Pty Limited, ACN 003 562 696, ABN 29 003 562 696,
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW



Uncertainty

There is a limitation upon the accuracy of the estimates in this certificate in that there is an inherent uncertainty in any estimate of outstanding claim liabilities. This is due to the fact that the ultimate liability for claims is subject to the outcome of events yet to occur. These include, but are not limited to, the likelihood of injured volunteers lodging claims under the funds, the amount of compensation paid and the attitudes of claimants towards settlement of their claims. In our judgement, we have employed techniques and assumptions that are appropriate, and we believe the conclusions presented herein are reasonable, given the information currently available. However, it should be recognised that future claim development is likely to deviate, perhaps materially, from our estimates.

Reports

Full details of data, method, assumptions and results for the above funds are set out in two separate reports dated 12 July 2012 for ERWCF/BFFCF and IGF.

Relevant Standards

Our estimates and reports are prepared in accordance with the Australian Accounting Standard AASB137 and the Institute of Actuaries of Australia's Professional Standard 300.

Michael Playford

Nadeem Korim

Fellows of the Institute of Actuaries of Australia
16 July 2012

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW



INDEPENDENT AUDITOR'S REPORT

WorkCover Authority of New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of WorkCover Authority of New South Wales (the Authority), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Authority and the consolidated entity. The consolidated entity comprises the Authority and the entity it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the consolidated entity as at 30 June 2012, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Chief Executive Officer's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

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

My opinion does *not* provide assurance:

- about the future viability of the Authority or consolidated entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements
- about the assumptions used in formulating the budget figures disclosed in the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A Oyetunji
Director, Financial Audit Services

28 September 2012
SYDNEY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Statement of Comprehensive Income for the year ended 30 June 2012

		Consolidated			Authority		
		Actual 2012	Budget 2012	Actual 2011	Actual 2012	Budget 2012	Actual 2011
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses							
Operating expenses							
Personnel services	4	230,901	157,906	142,271	213,272	141,797	128,027
Other operating expenses	5	77,440	79,064	73,209	62,261	66,379	59,472
Depreciation & amortisation		10,334	12,741	13,498	9,484	12,088	12,827
Grants and subsidies	6	3,181	6,428	4,470	3,181	6,428	4,470
Finance costs	7	6,725	3,179	5,799	6,725	3,179	5,799
Other expenses	7	21,312	40,877	24,108	55,759	40,877	53,616
Total expenses excluding losses		349,893	300,195	263,355	350,682	270,748	264,211
Revenue							
Sale of goods and services	8	11,797	7,565	6,496	12,586	8,412	7,352
Investment revenue	9	6,700	10,829	13,215	6,700	10,829	13,215
Retained taxes, fees and fines	10	250,130	276,232	245,463	250,130	245,938	245,463
Other revenue	11	2,928	6,921	3,713	2,928	6,921	3,713
Total revenues		271,555	301,547	268,888	272,344	272,100	269,743
Gain/(Loss) on disposal	12	41	-	(77)	41	-	(77)
Other gains/(losses)	13	(2,023)	(1,352)	(2,184)	(2,023)	(1,352)	(2,184)
Net result		(80,320)	-	3,271	(80,320)	-	3,271
Other comprehensive income							
Transfer from asset revaluation reserve		487	-	621	487	-	621
Net (decrease) in property, plant and equipment							
Asset revaluation reserve		(487)	-	(621)	(487)	-	(621)
Total other comprehensive income		-	-	-	-	-	-
Total comprehensive income		(80,320)	-	3,271	(80,320)	-	3,271

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Statement of Financial Position as at 30 June 2012

		Consolidated			Authority		
		Actual 2012	Budget 2012	Actual 2011	Actual 2012	Budget 2012	Actual 2011
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Current assets							
Cash and cash equivalents	24	72,026	60,387	55,002	72,025	60,386	55,001
Receivables	14	17,104	16,833	16,834	16,932	16,663	16,663
Inventory	19	-	1,440	1,441	-	1,440	1,441
Total current assets		89,130	78,660	73,277	88,957	78,489	73,105
Non-current assets							
Receivables	14	24,054	43,498	33,132	24,054	36,519	33,132
Financial assets at fair value	15	130,651	132,225	132,772	130,651	132,225	132,772
Property, plant and equipment							
- Land and Buildings	17	16,650	17,350	17,626	16,650	17,350	17,626
- Plant and equipment	17	9,437	8,303	11,127	9,248	8,292	10,855
Total Property, plant and equipment		26,087	25,653	28,753	25,898	25,642	28,481
Intangible assets	18	6,140	5,119	8,761	6,140	5,119	8,368
Total non-current assets		186,932	206,495	203,418	186,743	199,505	202,753
Total assets		276,062	285,155	276,695	275,700	277,994	275,858
Liabilities							
Current liabilities							
Payables	20	15,303	10,674	14,049	12,951	9,557	12,930
Provisions	21	52,439	48,905	46,081	48,269	45,378	42,640
Other	22	16,814	16,185	14,494	16,814	16,185	14,494
Total current liabilities		84,556	75,764	74,624	78,034	71,120	70,064
Non-current liabilities							
Payables	20	19,712	54,602	44,371	31,217	54,602	50,611
Provisions	21	159,252	79,236	80,281	153,907	76,719	77,764
Other	22	128,857	111,548	113,414	128,857	111,548	113,414
Total non-current liabilities		307,821	245,386	238,066	313,981	242,869	241,789
Total liabilities		392,377	321,150	312,690	392,015	313,989	311,853
Net assets		(116,315)	(35,995)	(35,995)	(116,315)	(35,995)	(35,995)
Equity							
Reserves		16,482	16,969	16,969	16,482	16,969	16,969
Accumulated Funds		(132,797)	(52,964)	(52,964)	(132,797)	(52,964)	(52,964)
Total equity		(116,315)	(35,995)	(35,995)	(116,315)	(35,995)	(35,995)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Statement of Cash Flows for the year ended 30 June 2012

	Note	Consolidated			Authority		
		Actual 2012	Budget 2012	Actual 2011	Actual 2012	Budget 2012	Actual 2011
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities							
Payments							
Personnel services		(148,637)	(157,461)	(143,668)	(134,241)	(141,438)	(129,667)
Grants and subsidies		(3,181)	(6,428)	(4,470)	(3,181)	(6,428)	(4,470)
Other		(124,440)	(132,481)	(104,410)	(108,439)	(117,717)	(121,423)
Total payments		(276,258)	(296,370)	(252,548)	(245,861)	(265,583)	(255,560)
Receipts							
Sale of goods and services		5,274	13,490	5,952	5,274	13,490	5,952
Retained taxes, fees and fines		264,132	272,106	233,623	234,950	242,551	237,053
Interest received		2,821	2,505	2,614	2,821	2,505	2,614
Other receipts		17,601	10,973	10,255	16,386	9,741	9,825
Total receipts		289,828	299,074	252,444	259,431	268,287	255,444
Net cash flows from operating activities	23	13,570	2,704	(104)	13,570	2,704	(116)
Cash flows from investing activities							
Proceeds on sale of property, plant and equipment		755	-	6	755	-	6
Proceeds from sale of investments		6,000	8,871	5,000	6,000	8,871	5,000
Purchase of property, plant and equipment and intangibles		(3,301)	(6,190)	(3,413)	(3,301)	(6,190)	(3,401)
Net cash flows from investing activities		3,454	2,681	1,593	3,454	2,681	1,605
Net increase/(decrease) in cash		17,024	5,385	1,489	17,024	5,385	1,489
Opening cash and cash equivalents		55,002	55,002	53,513	55,001	55,001	53,512
Closing cash and cash equivalents	24	72,026	60,387	55,002	72,025	60,386	55,001

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Statement of Changes in Equity for the year ended 30 June 2012

	Consolidated & Authority		
	Accumulated Funds	Asset Revaluation Reserve	Total
Note	\$'000	\$'000	\$'000
Balance at 1 July 2011	(52,964)	16,969	(35,995)
Net result for the year	(80,320)	-	(80,320)
Other comprehensive income			
Transfer from asset revaluation reserve	487	-	487
Net (decrease) in property, plant and equipment	-	(487)	(487)
Total other comprehensive income for the year	487	(487)	-
Total comprehensive income for the year	(79,833)	(487)	(80,320)
Balance at 30 June 2012	(132,797)	16,482	(116,315)
Balance at 1 July 2010	(56,856)	17,590	(39,266)
Net result for the year	3,271	-	3,271
Other comprehensive income			
Transfer from asset revaluation reserve	621	-	621
Net (decrease) in property, plant and equipment		(621)	(621)
Total other comprehensive income for the year	621	(621)	-
Total comprehensive income for the year	3,892	(621)	3,271
Balance at 30 June 2011	(52,964)	16,969	(35,995)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 1 Reporting entity

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

The WorkCover Authority as a reporting entity comprises all the entities under its control namely the Workers Compensation Commission (WCC) (refer Note 3(k)).

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

These financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive Officer of the Safety, Return to Work and Support Division on 26/09/2012.

NOTE 2 Constitution and functions of the WorkCover Authority

The WorkCover Authority is constituted under the *Workplace Injury Management and Workers Compensation Act 1998*. The Authority has responsibility for the direction, control and management of a range of funds as outlined in Note 28. A reference in these financial statements to the Authority refers to all of those funds.

NOTE 3 Summary of significant accounting policies

(a) Basis of preparation

These financial statements are general purpose financial statements which 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 the Public Finance and Audit Regulation 2010 and
- the Financial Reporting Directions published in the Financial reporting code for NSW General Government Sector Entities or issued by the Treasurer.

Property, plant and equipment and financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(b) Statement of compliance

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

(c) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to not-for-profit general government sector entities.

(d) Insurance

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

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

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not receivable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 3 Summary of significant accounting policies (continued)

(f) Income recognition

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

(i) Retained Taxes and Fines

Retained Fines

Retained taxes (Contributions) to the major funds, the WorkCover Authority Fund and the Insurers' Guarantee Fund, are principally made by the Nominal Insurer and licensed self and specialised insurers and:

- for the WorkCover Authority Fund, are brought to account on the basis of a levy on special insurers' premium income and self-insurers' deemed premiums relating to each policy renewal year and a fixed contribution received from the Nominal Insurer determined after having regard to the estimate of WorkCover's net operating expenses;
- for the Insurers' Guarantee Fund, are brought to account to recognise the full funding of total claims costs.

Contributions to the Bush Fire Fighters and Emergency and Rescue Workers Compensation Funds are made through the NSW Treasury and are brought to account to recognise the full funding of total claims costs. The annual cash contributions by NSW Treasury are determined on the basis of the anticipated cost of claims on a "pay as you go" basis for each year together with an allowance for administration expenses.

Fines

Worker Health Safety (WHS) prosecution fines are issued by the Industrial Relations Commission and the Chief Industrial Magistrates but are collected by the Office of State Revenue once the matter has been referred by the Courts to them. Infringement notices are issued by Workcover and collected by the Office of State Revenue.

WorkCover recognises the WHS prosecution fines after the appeal period has finished and infringement notices upon receipt from the Office of State Revenue.

(ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when the entity transfers the significant risks and rewards of ownership of the assets.

(iii) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

(iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB Financial *Instruments: Recognition and Measurement*. Rental revenue from operating leases is recognised in accordance with AASB 117 *Leases* on a straight line basis over the lease term.

(g) Assets

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by WorkCover. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

Where payment for an asset is deferred beyond normal credit terms, the cost is the cash price equivalent, ie deferred payment amount is effectively discounted at an asset-specific rate.

(ii) Capitalisation thresholds

Property, plant and equipment are those assets with a useful life of more than one year and with a unit or network asset value greater than \$5,000.

Intangibles are those assets with a useful life of more than one year and with a unit cost in excess of \$100,000 including direct allocation of WorkCover personnel service costs.

(iii) 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 07-1). This policy adopts fair value in accordance with AASB 116 *Property, plant and equipment*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 3 Summary of significant accounting policies (continued)

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the assets fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

WorkCover revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset class does not materially differ from its fair value at reporting date. Details of the latest revaluations are given in Note 17.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the asset), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, AASB 136 *Impairment of Assets* effectively is not applicable. AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, where an asset is already measured at fair value, impairment can only arise if selling costs are material. Selling costs for WorkCover are regarded as immaterial.

(v) 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 WorkCover. Land is not a depreciable asset.

The rates applied are:

	2011/12	2010/11
	%	%
Buildings	3.0–7.0	3.0
Furniture and fittings	10.0	10.0
Library	10.0	10.0
Scientific equipment	4.0–50.0	20.0
Technical equipment	4.0–20.0	14.3
Office machines and equipment	20.0–100.0	20.0
Computer hardware	20.0–33.3	20.0–33.3

Leasehold improvements are depreciated over the unexpired terms of the respective leases or the estimated life of the improvements, whichever is the shorter.

(vi) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of the asset, to the extent it is recognised as a liability.

(vii) 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.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 3 Summary of significant accounting policies (continued)

(viii) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased asset, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

(ix) Intangible assets

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

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

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

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

Amortisation is provided on a straight line basis for all intangible assets so as to write off the depreciable amount of each asset as it is consumed over this useful life. The rates applied are:

	2011/12	2010/11
	%	%
Computer software	7.70–33.0	14.3–33

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 the recoverable amount and the reduction is recognised as an impairment loss.

(x) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(xi) Inventory

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Cost is calculated using the weighted average cost method.

(xii) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. WorkCover determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end. At the end of the current financial reporting period all of WorkCover's assets have been designated as fair value through profit or loss.

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

The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option ie these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to WorkCover's key management personnel.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item ‘investment revenue’.

(xiii) Cash and cash equivalents

Short-term deposits are stated at net fair value. Interest is recognised in the Statement of Comprehensive Income when earned.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 3 Summary of significant accounting policies (continued)

(xiv) Impairment of financial assets

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

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence.

(xv) Derecognition of financial assets and financial liabilities

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

- where substantially all the risks and rewards have been transferred or
- where WorkCover has not transferred substantially all the risks and rewards, if WorkCover has not retained control

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

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

(h) Liabilities

(i) Payables

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

(ii) Employee benefits and other provisions

(a) Personnel service, annual leave, sick leave and on-costs

The Authority's staff is supplied by the Compensation Authorities Staff Division (CASD). Liabilities for personnel services (including non-monetary benefits) that are due to be settled within 12 months after the period in which the employees render the service are recognised and measured in respect of the employee's service up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long term annual leave that is not expected to be taken within 12 months is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on government bonds are used to discount long term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

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

(b) Long service leave and superannuation

WorkCover's liabilities for long service leave and defined benefits are actuarially assessed.

Superannuation is actuarially assessed prior to each reporting date and is measured at the present value of the estimated future payments. The amount recognised is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligation is to be settled directly.

The actuarial assessment of superannuation uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market experience for the period over which the obligations are to be settled.

Long service leave has been measured as the present value of accrued liabilities at balance date. The present value of the liabilities has been determined by estimating for each future year the amounts of entitlements expected to be paid in service and on termination of employment for each employee based on their current salary, long service leave balance, assumed rates of taking long service leave in service, rates of death, disablement, retirement and resignation and rates of salary escalation. The resulting cash flows have then been converted to a present value by discounting from the expected date of payment to the valuation date at the long term government bond yield rate. The assumed rate of salary escalations applied for this valuation was 2.5 per cent pa for all future years (3.5 per cent for all future years 2011) and the discount rate applied was 3.0 per cent (5.25 per cent - 2011).

(c) Make-good provision (building leases)

Make-good provision is recognised for the estimate of future payments for make-good upon termination of the leases of current office premises.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 3 Summary of significant accounting policies (continued)

(i) Net claims incurred

Net claims incurred include claims paid and the movement in the provision for outstanding claims liabilities. The provision for outstanding claims liabilities includes claims incurred but not yet paid, incurred but not yet reported and allowances for the costs of claims administration. An assessment of outstanding claims by independent actuarial consultants is undertaken to determine this liability and the central estimate of that liability is brought to account.

(j) Grants

Workcover provides grants to support registered trade unions and employer associations to assist their members to implement occupational health and safety and workers compensation legislation. It also provides research grants to independent organisations to undertake commissioned research into occupational health and safety and injury management issues. As payment of the grant is conditional on the completion of significant future milestones, the cost of these grants are recognised progressively as milestones are met.

(k) Other expenses

Other expenses refer to the cost of funding the Workers Compensation Commission.

The Workers Compensation Commission was established on 1 January 2002 pursuant to the *Workplace Injury Management and Workers Compensation Act 1998*. The WorkCover Authority is responsible for funding the Commission and has to provide to the Commission:

- a. facilities (including registry facilities); and
- b. any additional staff that may be necessary.

The Commission replaced the Workers Compensation Resolution Service which was the administrative responsibility of the Department of Industrial Relations, and the Compensation Court which was the administrative responsibility of the Attorney General's Department.

(l) Equity and reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with WorkCover's policy on the revaluation of property, plant and equipment as discussed in note 3(g)(iii).

(ii) Accumulated Funds

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

(m) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

(n) Comparative information

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

(o) New Australian Accounting Standards issued but not yet effective

In this reporting period, the following recent Australian Accounting Standards that are not yet effective were not used in preparing these financial statements.

AASB amendment	Affected standards	Operative date
AASB 9	Financial instruments	1 January 2015
AASB 2010/7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 13	Fair value measurement	1 January 2013
AASB 2011/8	Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013
AASB 2011/10	Amendments to Australian Accounting Standards arising from AASB 119	1 January 2013
AASB 2011/11	Amendments to Australian Accounting Standards arising from AASB 119	1 July 2013
AASB 2010/10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time adopters	1 January 2013

The new standards are concerned with disclosures and will have no direct impact on the Authority's financial statements.

Other accounting standards exist that have not been applied and are not yet effective, they have been excluded from the above table as they are not considered relevant to WorkCover.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 3 Summary of significant accounting policies (continued)

(p) Deficiencies in Net Assets

The Statement of Financial Position shows a deficiency of \$116.3m for Net Assets. The Director's have considered the deficiency when preparing the financial statements and assessed that they should be prepared on a going concern basis as the funding model ensures sufficient cash for each financial year is received from the Nominal Insurer.

NOTE 4 Personnel services

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including recreation leave)	127,091	119,774	114,484	107,719
Long service leave	8,291	4,723	7,670	4,408
Payroll tax and fringe benefits tax	8,183	8,034	7,420	7,304
Workers compensation insurance	1,897	1,207	1,747	1,089
Superannuation – defined benefit plans	76,724	180	74,206	86
Superannuation – defined contribution plans	8,715	8,353	7,745	7,421
	230,901	142,271	213,272	128,027

Included in the Consolidated Entity superannuation expense item is an actuarial assessed superannuation loss of \$70.9m (gain of \$3.49m – 2011)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 5 Other operating expenses

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Payment to board members	690	859	690	859
Compensation Court of NSW	2,881	1,072	2,881	1,072
Office accomodation	3,608	4,312	3,616	3,507
Operating lease rental expenses	10,957	10,379	9,271	8,542
Bad Debts	78	-	72	-
Consultants	1,361	2,729	1,309	2,729
Contractors	15,978	13,565	4,328	3,424
Travel and vehicle expenses	5,365	5,649	5,230	5,539
Communication expenses	2,050	2,073	1,801	1,804
Advertising	458	947	458	941
Fees	10,248	10,319	10,125	10,233
External audit – Audit of the financial statements	247	258	231	242
Internal audit	432	374	432	374
Printing	1,793	1,424	1,717	1,374
Repairs and maintenance	7,030	5,200	6,951	5,943
Stores	1,596	1,968	1,499	1,850
Training	1,225	1,433	1,206	1,365
Media expenses	1,411	1,036	1,408	1,034
Legal aid and rehab	460	374	460	374
Interpreter services	382	423	43	47
Cost of inventories held for distribution and written off	1,678	713	1,678	713
Insurance	203	257	203	257
Other	7,309	7,846	6,652	7,250
	77,440	73,209	62,261	59,472

Payments to Board members are made in accordance with Premier's Guidelines and cover the WorkCover Board and the Workers Compensation Insurance Fund Investment Board.

Included in Other Expenses are funds that the WorkCover Board may resolve as being surplus and so transfer back to the WCIF in accordance with the *Workplace Injury Management and Workers Compensation Act 1998*. In 2012 no funds were resolved as being surplus (2011: \$ Nil).

NOTE 6 Grants and subsidies

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Injury prevention, education and research grants	30	426	30	426
Workcover assistance	3,005	4,044	3,005	4,044
Other	146	-	146	-
	3,181	4,470	3,181	4,470

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 7 Other expenses and finance costs

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Finance costs	6,725	5,799	6,725	5,799
Other expenses	21,312	24,108	55,759	53,616
	28,037	29,907	62,485	59,415

Dissection of other expenses and finance costs into the nature of expenditure incurred under these items:

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Finance costs – Judges Pension Scheme	900	-	900	-
Net claims incurred	27,137	29,907	27,137	29,907
Workers Compensation Commission	-	-	34,448	29,508
	28,037	29,907	62,485	59,415

Details of the net claims incurred by the Authority's various funds are:

	Claims paid	Finance costs	Movement in claims liabilities	Net claims incurred	
	2012	2011	2012	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Insurers' Guarantee Fund	3,881	4,107	20,542	28,530	13,649
Bush Fire Fighters Compensation Fund	1,853	937	(5,433)	(2,643)	8,506
Emergency and Rescue Workers Compensation Fund	3,640	781	(3,171)	1,250	7,752
	9,374	5,825	11,938	27,137	29,907

Finance costs relate to the increase in the carrying amount of the outstanding claims liability that reflects the passage of time associated with the use of a discount rate in determining the value of the outstanding claims liability. (Note 22 refers)

NOTE 8 Sale of goods and services

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
TestSafe Australia testing fees	3,521	3,201	3,521	3,201
Biological monitoring	1,337	1,757	1,337	1,757
Consultancy and training	167	184	167	184
Fees for services rendered to other agencies	6,523	1,140	7,312	1,995
Other	249	214	249	215
	11,797	6,496	12,586	7,352

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 9 Investment revenue

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Interest on call and term deposits	2,821	2,614	2,821	2,614
Movement in market values	3,879	10,601	3,879	10,601
	6,700	13,215	6,700	13,215

NOTE 10 Retained taxes, fees and fines

Retained taxes (contributions) to the various funds were:

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
WorkCover Authority Fund				
Nominal insurer, self and specialised insurers	204,780	205,609	204,780	205,609
Workers compensation insurance fund				
Management and administration expenses	-	521	-	521
	204,780	206,130	204,780	206,130
Insurers' Guarantee Fund	24,656	2,986	24,656	2,986
Bush Fire Fighters Compensation Fund	(2,128)	9,042	(2,128)	9,042
Emergency and Rescue Workers Compensation Fund	2,028	8,543	2,028	8,543
Total retained taxes	229,336	226,701	229,336	226,701
Fees				
Certificates of competency	5,591	4,379	5,591	4,379
Registration of plant	1,185	1,162	1,185	1,162
Demolition and pest control licences	480	505	480	505
Construction induction training	1,829	1,877	1,829	1,877
Dangerous goods licensing activities	2,356	2,407	2,356	2,407
Asbestos licences and removal permits	389	363	389	363
Accreditation fees	121	187	121	187
Other	55	45	55	45
Total fees	12,006	10,925	12,006	10,925
Fines				
OHS prosecution fines	3,782	3,631	3,782	3,631
Professional costs recoveries	2,764	1,736	2,764	1,736
Workers compensations s156 recoveries	1,893	1,953	1,893	1,953
Infringement notices	349	517	349	517
Total fines	8,788	7,837	8,788	7,837
Total retained taxes, fees and fines	250,130	245,463	250,130	245,463

The WorkCover Authority Fund receives contributions from specialised and self insurers at the rate of 4.0 per cent of the self-insurers deemed premium income and the specialised insurers' premium income (4.0 per cent - 2011).

Contributions received from the 'Nominal Insurer' are fixed and are determined after having regard to the estimate of WorkCover's net operating expenses.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 11 Other revenue

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Distribution from liquidator – IGF	1,317	1,357	1,317	1,357
Other	1,611	2,356	1,611	2,356
	2,928	3,713	2,928	3,713

NOTE 12 Gain/(loss) on disposal

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Net gain/(loss) on disposal of property; plant and equipment	41	(77)	41	(77)

NOTE 13 Other gain/(losses)

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Bad and doubtful debts	2,023	2,184	2,023	2,184

NOTE 14 Current/non-current assets – receivables

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current				
Receivables	20,977	21,142	20,805	20,972
Less allowance for impairment	(4,274)	(5,022)	(4,274)	(5,022)
Prepayments	401	714	401	713
Total current receivables	17,104	16,834	16,932	16,663
Non-current				
Receivables	24,054	33,132	24,054	33,132
Total receivables	41,158	49,966	40,986	49,795

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Movement in the allowance for impairment				
Balance at 1 July	(5,022)	(3,644)	(5,022)	(3,644)
Amounts written off during the year	2,771	740	2,771	740
Amounts recovered during the year	-	-	-	-
(Increase)/decrease in allowance recognised in profit or loss	(2,023)	(2,118)	(2,023)	(2,118)
Balance at 30 June	(4,274)	(5,022)	(4,274)	(5,022)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 15 Financial assets at fair value

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
TCorp Hour-Glass investment facilities – medium and long term growth	130,651	132,772	130,651	132,772
	130,651	132,772	130,651	132,772
Current	-	-	-	-
Non-current	130,651	132,772	130,651	132,772
Total financial assets	130,651	132,772	130,651	132,772

These assets relate to the Insurers' Guarantee Fund and their availability for use by the Authority is "restricted". They can only be used for purposes set out in the legislation that established the Insurers' Guarantee Fund. Note 28 provides more details on this.

Other financial assets are classified as current and non-current depending upon the amount expected to be consumed or converted into cash within 12 months of balance date.

NOTE 16 Financial instruments

WorkCover's principal financial instruments are outlined below. These financial instruments arise directly from WorkCover's operations and are required to finance these operations. WorkCover does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

The Board 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 WorkCover, to set risk limits and controls and to monitor risk. Compliance with policies is reviewed by the Audit and Risk Committee.

(a) Financial instrument categories

Category			Consolidated		Authority	
			2012	2011	2012	2011
Financial Assets	Note		\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	23	N/A	72,026	55,002	72,025	55,001
Receivables (1)	13	Loans and receivables at amortised cost	10,289	8,895	10,289	8,895
Financial Assets at fair value	14	At fair value through profit or loss designated as such upon initial recognition	130,651	132,772	130,651	132,772
Financial liabilities						
Payables (2)	19	Financial liabilities measured at amortised cost	14,787	13,503	12,435	12,386

(1) Excludes statutory receivables and prepayments (ie not within the scope of AASB 7)

(2) Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

(b) Credit risk

Credit risk arises where there is the possibility of WorkCover's debtors defaulting on their contractual obligations, resulting in a financial loss to WorkCover. The maximum exposure to credit risk at balance date is generally represented by the carrying amount of the financial assets net of any allowance for impairment as indicated in the Statement of Financial Position.

Credit risk arises from the financial assets of WorkCover, including cash and receivables. No collateral is held by WorkCover. WorkCover has not granted any financial guarantees. WorkCover is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

Credit risk associated with WorkCover's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. All cash and investments are held in Australian banks or TCorp and therefore the credit risk associated with these assets is considered minimal.

Cash

Cash comprises cash on hand and bank balances. Interest is earned on daily bank balances in accordance with an agreement with WorkCover's banker. The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 16 Financial instruments (continued)

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures have been established to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that WorkCover will not be able to collect the amount due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 14 day terms.

Details of WorkCover's past due trade debtors follows:

	Consolidated					
	Total	Past due but not impaired	Considered impaired	Total	Past due but not impaired	Considered impaired
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012						
< 3 months overdue	213	213	-	213	213	-
3 months – 6 months overdue	28	28	-	28	28	-
> 6 months overdue	11	7	4	11	7	4
2011						
< 3 months overdue	207	207	-	207	207	-
3 months – 6 months overdue	12	7	5	12	7	5
> 6 months overdue	35	8	27	35	8	27

Note: Excludes statutory receivables as they are not within the scope of AASB 7 so will not reconcile to the Statement of Financial Position.

There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

(c) Liquidity risk

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

WorkCover does not have any loans payable and no assets have been pledged as collateral. WorkCover'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 NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. There were no interest payments made for late payment of accounts in 2012. (2011 - Nil).

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FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 16 Financial instruments (continued)

Maturity analysis and interest rate exposure of financial liabilities

Consolidated

	Weighted Average Effective Interest Rate	Nominal Amount 1	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing	< 1 year	1–5 years	> 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012								
Payables	N/A	14,787	-	-	14,787	14,787	-	-
2011								
Payables	N/A	13,503	-	-	13,503	13,503	-	-

Authority

	Weighted Average Effective Interest Rate	Nominal Amount 1	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing	< 1 year	1–5 years	> 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2012								
Payables	N/A	12,435	-	-	12,435	12,435	-	-
2011								
Payables	N/A	12,386	-	-	12,386	12,386	-	-

Notes: 1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Authority can be required to pay. The tables include both interest (if applicable) and principal cash flows and therefore may not reconcile to the Statement of Financial Position.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. WorkCover's exposures to market risk are primarily through other price risks associated with the movement in the unit price of the Hour-Glass Investment Facilities. WorkCover has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on the net result due to a reasonably possible change in a risk variable such as interest rate risk and other price risk is outlined in the information below. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which WorkCover operates and the time frame for the assessment (ie 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 for 2011. The analysis assumes that all other variables remain constant.

The exposure to market risk on financial instruments at the balance date and previous year is as follows:

	Consolidated		Authority	
	Market value 2012	Market Value 2011	Market value 2012	Market Value 2011
	\$'000	\$'000	\$'000	\$'000
Financial assets				
TCorp Hour-Glass investment facilities	130,651	132,772	130,651	132,772
Cash and cash equivalents	72,026	55,002	72,025	55,001
Total financial assets exposed to market risk	202,677	187,774	202,676	187,773
Receivables	10,289	8,895	10,289	8,895
Total financial assets not exposed to market risk	10,289	8,895	10,289	8,895
Total financial assets	212,966	196,669	212,965	196,668
Financial liabilities				
Payables	14,787	13,503	12,435	12,386
Total financial liabilities not exposed to market risk	14,787	13,503	12,435	12,386

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 16 Financial instruments (continued)

Interest rate risk

The exposure to interest rate risks and effective interest rates of financial assets and financial liabilities both recognised and unrecognised for the Authority at the balance date is as follows:

Financial instruments	Consolidated				Authority		
	Weighted average effective interest 2012	Floating interest rate 2012	Non-interest bearing 2012	Total 2012	Floating interest rate 2012	Non-interest bearing 2012	Total 2012
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash at bank	4.87%	4,838	8,381	13,219	4,837	8,381	13,218
Receivables	N/A	-	10,289	10,289	-	10,289	10,289
Investment in cash facilities	4.90%	58,807	-	58,807	58,807	-	58,807
Financial assets	N/A	-	-	-	-	-	-
Total financial assets		63,645	18,670	82,315	63,644	18,670	82,314
Financial liabilities							
Payables	N/A	-	14,787	14,787	-	12,435	12,435
Total financial liabilities		-	14,787	14,787	-	12,435	12,435

Interest rate risk exposure – Previous year

Financial instruments	Consolidated				Authority		
	Weighted average effective interest 2011	Floating interest rate 2011	Non-interest bearing 2011	Total 2011	Floating interest rate 2011	Non-interest bearing 2011	Total 2011
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash at bank	5.27%	2,939	6,137	9,076	2,938	6,137	9,075
Receivables	N/A	-	8,895	8,895	-	8,895	8,895
Investment in cash facilities	5.37%	45,926	-	45,926	45,926	-	45,926
Financial assets	N/A	-	-	-	-	-	-
Total financial assets		48,865	15,032	63,897	48,864	15,032	63,896
Financial liabilities							
Payables	N/A	-	13,503	13,503	-	12,386	12,386
Total financial liabilities		-	13,503	13,503	-	12,386	12,386

Exposure to interest rate risk is minimal as WorkCover does not have any interest bearing liabilities. The potential impact of WorkCover's exposure to a reasonably possible change in interest rates is set out below.

Change in Interest rate	Impact on net result			
	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cash at bank	+/-1% 34	19	34	19

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WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 16 Financial instruments (continued)

Other price risk

Exposure to "other price risk" primarily arises through the investment in the TCorp Hour-Glass Investment facilities, which are held for strategic rather than trading purposes.

WorkCover holds units in the following Hour-Glass investment trusts:

Facility	Investment sectors	Investment horizon	Consolidated		Authority	
			2012	2011	2012	2011
			\$'000	\$'000	\$'000	\$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	58,807	45,926	58,807	45,926
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	3 years to 7 years	98,035	99,916	98,035	99,916
Long term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	7 years and over	32,616	32,856	32,616	32,856

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

NSW 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. However, TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass Facility limits WorkCover's exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the facilities, using historically based volatility information. The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on the net result (rather than equity). However, given the legislative guarantee of funding for the Insurer's Guarantee Fund (IGF) holdings with TCorp in the Hour-Glass facility that relate to this fund will not impact on WorkCover's net result and have been excluded from the sensitivity analysis below:

Change in unit price		Impact on net result			
		Consolidated		Authority	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Hour-Glass Investment - Cash facility	+/-1%	574	459	574	459

A reasonable possible change is based on the percentage change in unit price multiplied by the redemption price as at 30th June each year for each facility (as advised by TCorp).

(e) Fair value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on WorkCover's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 16 Financial instruments (continued)

(f) Fair value recognised in the Statement of Financial Position

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

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

2012				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value				
TCorp Hour-Glass Invt. facility		130,651		130,651

There were no transfers between Levels 1 and 2 during the period ended 30 June 2012

2011				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value				
TCorp Hour-Glass Invt. facility		132,772		132,772

There were no transfer between Levels 1 and 2 during the period ended 30 June 2012.

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 17 Property, plant and equipment

	Note	Consolidated		Authority	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Land and buildings					
Freehold land					
At fair value	17 (a)	12,110	12,810	12,110	12,810
Total freehold land at fair value	17 (b)	12,110	12,810	12,110	12,810
Buildings					
Gross carrying value		5,117	5,117	5,117	5,117
Accumulated depreciation and impairment		(577)	(301)	(577)	(301)
Total buildings at fair value		4,540	4,816	4,540	4,816
Total land and buildings at fair value		16,650	17,626	16,650	17,626
Leasehold improvements					
Gross carrying value		35,672	34,803	33,362	31,590
Accumulated depreciation and impairment		(31,248)	(28,641)	(29,124)	(25,695)
Total leasehold improvements at fair value		4,424	6,162	4,238	5,895
Office machines and equipment					
Gross carrying value		543	579	543	578
Accumulated depreciation and impairment		(484)	(525)	(484)	(525)
Total office machines and equipment at fair value		59	54	59	53
Furniture and fittings (incl library)					
Gross carrying value		66	322	54	53
Accumulated depreciation and impairment		(52)	(305)	(43)	(40)
Total furniture and fittings at fair value		14	17	11	13
Computer hardware					
Gross carrying value		9,652	9,528	9,652	9,506
Accumulated depreciation and impairment		(6,902)	(6,467)	(6,902)	(6,445)
Total computer hardware at fair value		2,750	3,061	2,750	3,061
Scientific and technical equipment					
Gross carrying value	17 (a)	2,813	2,812	2,813	2,812
Accumulated depreciation and impairment		(1,486)	(1,028)	(1,486)	(1,028)
Total scientific and technical equipment at fair value		1,327	1,784	1,327	1,784
Motor vehicles					
Gross carrying value		208	344	208	344
Accumulated depreciation and impairment		(207)	(327)	(207)	(327)
Total motor vehicles at fair value		1	17	1	17
Capital works in progress					
At fair value or gross carrying value		862	32	862	32
Total capital works in progress at fair value		862	32	862	32
Total property, plant and equipment		26,087	28,753	25,898	28,481

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 17 Property, plant and equipment (continued)

- (a) In accordance with a policy of revaluing non-current assets with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date, buildings and freehold land were revalued in 2010 and scientific and technical equipment were revalued in 2009. Freehold land, buildings and scientific and technical equipment were revalued on the basis of net fair value.

The independent valuations as at 30 June 2010 were carried out by:

Land and buildings

Paul Goldsmith – Land and Property Management Authority

Scientific and technical equipment

Blythe Robinson and Mason Paynter – Hymans Asset Management

- (b) Details of land owned by WorkCover:

Description of use	Location	Fair value
36.549 Hectares	919 Londonderry Road Londonderry NSW	\$12,110,300

Used as a centre for occupational health and safety research and testing.

Movements during financial year for the Consolidated reporting entity:

Class of asset	Net carrying amount at 1/7/11	Additions	Disposals	Depn. w/ back on disposal	Net revaln. movements	Recoverable amount w/ downs	Depn expense	Net carrying amount at 30/6/12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Freehold land	12,810	-	(700)	-	-	-	-	12,110
Buildings	4,816	-	-	-	-	-	(276)	4,540
Leasehold improvements and make-good	6,162	2,153	(1,284)	1,284	-	-	(3,891)	4,424
Office machines and equipment	54	55	(44)	44	-	-	(50)	59
Furniture and fittings	17	2	(256)	256	-	-	(5)	14
Computer hardware	3,061	894	(817)	817	-	-	(1,205)	2,750
Scientific and technical equipment	1,784	20	(19)	5	-	-	(463)	1,327
Motor vehicles	17	(1)	(136)	136	-	-	(15)	1
Capital WIP	32	830	-	-	-	-	-	862
Total property, plant and equipment	28,753	3,953	(3,256)	2,542	-	-	(5,905)	26,087

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 17 Property, plant and equipment (continued)

Movements during financial year for the Authority:

Class of asset	Net carrying amount at 1/7/11	Additions	Disposals	Depn. w/ back on disposal	Net revaln. movements	Recoverable amount w/ downs	Depn expense	Net carrying amount at 30/6/12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Freehold land	12,810	-	(700)	-	-	-	-	12,110
Buildings	4,816	-	-	-	-	-	(276)	4,540
Leasehold improvements and make-good	5,895	1,778	(6)	6	-	-	(3,435)	4,238
Office machines and equipment	53	56	(44)	44	-	-	(50)	59
Furniture and fittings	13	1	-	-	-	-	(3)	11
Computer hardware	3,061	894	(795)	795	-	-	(1,205)	2,750
Scientific and technical equipment	1,784	20	(19)	5	-	-	(463)	1,327
Motor vehicles	17	(1)	(136)	136	-	-	(15)	1
Capital WIP	32	830	-	-	-	-	-	862
Total property, plant and equipment	28,481	3,578	(1,700)	986	-	-	(5,447)	25,898

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 17 Property, plant and equipment (continued)

		Consolidated		Authority	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Land and buildings					
Freehold land					
At fair value	17 (a)	12,810	12,810	12,810	12,810
Total freehold land at fair value	17 (b)	12,810	12,810	12,810	12,810
Buildings					
Gross carrying value		5,117	5,117	5,117	5,117
Accumulated depreciation and impairment		(301)	(4)	(301)	(4)
Total buildings at fair value		4,816	5,113	4,816	5,113
Total land and buildings at fair value		17,626	17,923	17,626	17,923
Leasehold improvements					
Gross carrying value		34,803	34,447	31,590	31,233
Accumulated depreciation and impairment		(28,641)	(25,394)	(25,695)	(22,660)
Total leasehold improvements at fair value		6,162	9,053	5,895	8,573
Office machines and equipment					
Gross carrying value		579	625	578	625
Accumulated depreciation and impairment		(525)	(448)	(525)	(448)
Total office machines and equipment at fair value		54	177	53	177
Furniture and fittings (incl library)					
Gross carrying value		322	322	53	54
Accumulated depreciation and impairment		(305)	(301)	(40)	(38)
Total furniture and fittings at fair value		17	21	13	16
Computer hardware					
Gross carrying value		9,528	9,849	9,506	9,827
Accumulated depreciation and impairment		(6,467)	(5,784)	(6,445)	(5,767)
Total computer hardware at fair value		3,061	4,065	3,061	4,060
Scientific and technical equipment					
Gross carrying value	17 (a)	2,812	2,821	2,812	2,821
Accumulated depreciation and impairment		(1,028)	(567)	(1,028)	(567)
Total scientific and technical equipment at fair value		1,784	2,254	1,784	2,254
Motor vehicles					
Gross carrying value		344	344	344	344
Accumulated depreciation and impairment		(327)	(273)	(327)	(273)
Total motor vehicles at fair value		17	71	17	71
Capital works in progress					
At fair value or gross carrying value		32	4	32	4
Total capital works in progress at fair value		32	4	32	4
Total property, plant and equipment		28,753	33,568	28,481	33,078

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FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 17 Property, plant and equipment (continued)

Movements during financial year for the Consolidated reporting entity:

Class of asset	Net carrying amount at 1/7/10	Additions	Disposals	Depn. w/ back on disposal	Net revaln.	Recoverable amount w/ downs	Depn expense	Net carrying amount at 30/6/11
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Freehold land	12,810	-	-	-	-	-	-	12,810
Buildings	5,113	-	-	-	-	-	(297)	4,816
Leasehold improvements and make-good	9,053	355	-	-	-	-	(3,246)	6,162
Office machines and equipment	177	(46)	-	-	-	-	(77)	54
Furniture and fittings	21	-	-	-	-	-	(4)	17
Computer hardware	4,065	473	(793)	792	-	-	(1,476)	3,061
Scientific and technical equipment	2,254	15	(24)	18	-	-	(479)	1,784
Motor vehicles	71	-	-	-	-	-	(54)	17
Capital WIP	4	28	-	-	-	-	-	32
Total property, plant and equipment	33,568	825	(817)	810	-	-	(5,633)	28,753

Movements during financial year for the Authority:

Class of asset	Net carrying amount at 1/7/10	Additions	Disposals	Depn. w/ back on disposal	Net revaln. movements	Recoverable amount w/ downs	Depn expense	Net carrying amount at 30/6/11
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Freehold land	12,810	-	-	-	-	-	-	12,810
Buildings	5,113	-	-	-	-	-	(297)	4,816
Leasehold improvements and make-good	8,573	356	-	-	-	-	(3,034)	5,895
Office machines and equipment	177	(47)	-	-	-	-	(77)	53
Furniture and fittings	16	-	-	-	-	-	(3)	13
Computer hardware	4,060	473	(793)	792	-	-	(1,471)	3,061
Scientific and technical equipment	2,254	15	(24)	18	-	-	(479)	1,784
Motor vehicles	71	-	-	-	-	-	(54)	17
Capital WIP	4	28	-	-	-	-	-	32
Total property, plant and equipment	33,078	825	(817)	810	-	-	(5,415)	28,481

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FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 18 Intangibles

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Internally generated				
Computer software				
Gross carrying value	33,128	34,926	31,444	32,564
Accumulated amortisation and impairment	(31,695)	(31,015)	(30,011)	(29,045)
Total computer software at fair value	1,433	3,911	1,433	3,519
Capital works in progress				
Gross carrying value	1,546	1,454	1,546	1,454
Total capital works in progress	1,546	1,454	1,546	1,454
Total internally generated intangibles at fair value	2,979	5,365	2,979	4,973
Computer software purchased				
Gross carrying value	6,312	8,748	6,312	8,642
Accumulated amortisation and impairment	(3,151)	(5,352)	(3,151)	(5,247)
Total intangible computer software purchased	3,161	3,396	3,161	3,395
Total intangibles	6,140	8,761	6,140	8,368

Movements during financial year for the Consolidated reporting entity:

Class of asset	Net carrying amount at 1/7/11	Additions	Disposals	Amort. w/ back on disposal	Net revaln. movements	Recoverable amount w/ downs	Amort. expense	Net carrying amount at 30/6/12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Internally generated	3,911	242	(2,040)	2,040	-	-	(2,720)	1,433
Capital WIP	1,454	92	-	-	-	-	-	1,546
Computer software	3,396	1,474	(3,910)	3,910	-	-	(1,709)	3,161
Total Intangibles	8,761	1,808	(5,950)	5,950	-	-	4,429	6,140

Expenditure during the research and development phase of software development was \$Nil in 2012 (\$2,000–2011).

Movements during financial year for the Authority:

Class of asset	Net carrying amount at 1/7/11	Additions	Disposals	Amort. w/ back on disposal	Net revaln. movements	Recoverable amount w/ downs	Amort. expense	net carrying amount at 30/6/12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Internally generated	3,519	242	(1,363)	1,363	-	-	(2,328)	1,433
Capital WIP	1,454	92	-	-	-	-	-	1,546
Computer software	3,395	1,475	(3,805)	3,805	-	-	(1,709)	3,161
Total intangibles	8,368	1,809	(5,168)	5,168	-	-	4,037	6,140

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WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 18 Intangibles (continued)

	Consolidated		Authority	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Internally generated				
Computer software				
Gross carrying value	34,926	35,354	32,564	33,005
Accumulated amortisation and impairment	(31,015)	(27,546)	(29,045)	(26,028)
Total computer software at fair value	3,911	7,808	3,519	6,977
Capital works in progress				
Gross carrying value	1,454	2,859	1,454	2,859
Total capital works in progress	1,454	2,859	1,454	2,859
Total internally generated intangibles at fair value	5,365	10,667	4,973	9,836
Computer software purchased				
Gross carrying value	8,748	7,976	8,642	7,870
Accumulated amortisation and impairment	(5,352)	(3,993)	(5,247)	(3,889)
Total intangible computer software purchased	3,396	3,983	3,395	3,981
Total intangibles	8,761	14,650	8,368	13,817

Movements during financial year for the consolidated reporting entity:

Class of asset	Net carrying amount at 1/7/10	Additions	Disposals	Amort. w/ back on disposal	Net revaln. movements	Recoverable amount w/ downs	Amort. expense	Net carrying amount at 30/6/11
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Internally generated	7,808	1,339	(1,767)	1,693	-	-	(5,162)	3,911
Capital WIP	2,859	(1,405)	-	-	-	-	-	1,454
Computer software	3,983	2,116	(1,344)	1,343	-	-	(2,702)	3,396
Total Intangibles	14,650	2,050	(3,111)	3,036	-	-	(7,864)	8,761

Movements during financial year for the Authority:

Class of asset	Fair value as at 1/7/10	Additions	Disposals	Amort. w/ back on disposal	Net revaln. movements	Recoverable amount w/ downs	Amort. expense	Fair value as at 30/6/11
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Internally generated	6,977	1,326	(1,767)	1,693	-	-	(4,710)	3,519
Capital WIP	2,859	(1,405)	-	-	-	-	-	1,454
Computer software	3,981	2,116	(1,344)	1,343	-	-	(2,701)	3,395
Total Intangibles	13,817	2,037	(3,111)	3,036	-	-	(7,411)	8,368

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FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 19 Inventory

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Carrying amount as at 1 July	1,441	1,319	1,441	1,319
Purchases	237	835	237	835
Distributions	(292)	(713)	(292)	(713)
Writedowns	(1,386)	-	(1,386)	-
Reversal of previous writedowns	-	-	-	-
Total Inventory	-	1,441	-	1,441

During 2011/12 WorkCover's policy in relation to publications was reviewed. This review has resulted in WorkCover moving to a model where publications are only printed on demand. This means that publications are no longer held for distribution and that WorkCover no longer has any Inventory.

NOTE 20 Current/non-current liabilities – payables

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current				
Accrued salaries, wages and on-costs	4,195	3,470	3,858	3,182
Creditors	11,108	10,579	9,093	9,748
Total current liabilities	15,303	14,049	12,951	12,930
Non-current				
Creditors	19,712	44,371	31,217	50,611
Total non-current liabilities	19,712	44,371	31,217	50,611
Total liabilities	35,015	58,420	44,168	63,541

NOTE 21 Current/non-current liabilities – provisions

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current				
Leave entitlements including on-costs	50,449	44,101	46,279	40,660
Compensation Court Judges pension	1,990	1,980	1,990	1,980
Provision for transfer of surplus funds to WCIF	-	-	-	-
Total current liabilities	52,439	46,081	48,269	42,640
Non-current				
Leave entitlements including oncosts	1,976	-	1,875	-
Superannuation payable to CASD	138,676	65,461	133,806	62,944
Compensation Court Judges pensions	16,490	14,820	16,490	14,820
Make-good – Leased buildings	2,110	-	1,736	-
Total non-current liabilities	159,252	80,281	153,907	77,764
Total liabilities	211,691	126,362	202,176	120,404

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FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 21 Current/non-current liabilities – provisions (continued)

Aggregate employee benefits and related on-costs	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Provisions – current	50,449	44,101	46,279	40,660
Provisions – non-current	1,976	-	1,875	-
Accrued salaries, wages and on-costs (Refer Note 20)	4,195	3,470	3,858	3,182
	56,620	47,571	52,012	43,842

The key economic assumptions used in the valuation of Judges Pensions are:

	2012	2011
Discount Rate	3.0%	5.25%
Future salary growth	4.0%	4.0%

Provisions include amounts due to the Compensation Authorities Staff Division (CASD) for staff entitlements for leave and associated on-costs and superannuation. (Refer Note 3(h)(ii)).

AASB 101 *Presentation of Financial Statements* stipulates that liabilities must be classified as current where the agency does not have an unconditional right to defer the settlement of a liability for at least 12 months after the reporting date. The entitlement to recreation leave and extended leave once 7 years service has been reached for CASD employees is unconditional and accordingly all of this leave and associated on-costs have been classified as current. Extended leave is recognised after 5 years and as the taking of this leave is conditional until seven years service is reached this leave and associated on-costs have been classified as non-current.

It is expected that the leave provisions and on-costs will be settled over the following period:

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Expected to be settled within 12 months				
Recreation and extended leave	14,383	12,707	12,937	11,426
On-costs on leave	2,052	1,831	1,841	1,643
	16,435	14,538	14,778	13,069
Expected to be settled after 12 months				
Extended leave	32,292	26,525	29,947	24,756
On-costs on leave	3,698	3,038	3,429	2,835
	35,990	29,563	33,376	27,591
	52,425	44,101	48,154	40,660

	Authority	
	Provision for Make-good	Judges Pension
	\$'000	\$'000
Carrying amount 1/7/11	-	16,800
Payments made	-	(2,100)
Finance cost	-	900
Change in discount rate	-	2,500
Additional provisions made	1,736	-
Changes in other actuarial assumptions	-	380
Carrying amount 30/06/12	1,736	18,480

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FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 21 Current/non-current liabilities – provisions (continued)

Judges Pensions

The Compensation Court Repeal Act 2002 abolished the Compensation Court from 1 January 2004 and transferred the Court's jurisdiction to the Workers Compensation Commission. Certain matters such as coal miners' workers compensation disputes and Police "hurt on duty" matters were transferred to the residual jurisdiction of the District Court which was funded by the WorkCover Authority until 30 June 2005.

As WorkCover was responsible for funding the costs of the former Compensation Court it became responsible for funding the pension costs of retired judges of the former Compensation Court.

NOTE 22 Current/non-current liabilities – outstanding claims

Details of the nature of outstanding claims are provided in Note 28.

The liability brought to account is the amount recommended by consulting actuaries being their central estimate. Statutory provision provides assurances for the funding of the total liability. The dissection of the total liability for both the Consolidated reporting entity and the Authority by fund is:

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Bush Fire Fighters Compensation Fund	16,219	20,715	16,219	20,715
Emergency and Rescue Workers Compensation Fund	15,717	18,107	15,717	18,107
Insurer's Guarantee Fund comprising:				
- Non HIH	91,132	72,420	91,132	72,420
- HIH Insurance Co Ltd	22,603	16,666	22,603	16,666
Total Insurer's Guarantee Fund	113,735	89,086	113,735	89,086
Total outstanding claims	145,671	127,908	145,671	127,908

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Expected future claims payments	179,424	185,985	179,424	185,985
Claims handling expenses	46,909	48,563	46,909	48,563
Discount to present value	(80,662)	(106,640)	(80,662)	(106,640)
Liability for outstanding claims	145,671	127,908	145,671	127,908
Current	16,814	14,494	16,814	14,494
Non-current	128,857	113,414	128,857	113,414
	145,671	127,908	145,671	127,908

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Claims paid	(9,374)	(11,827)	(9,374)	(11,827)
Finance cost	5,825	4,654	5,825	4,654
Change in discount rate	24,046	1,145	24,046	1,145
Increase/(Decrease) in amounts provided	(2,734)	24,108	(2,734)	24,108
Carrying amount end of year	145,671	127,908	145,671	127,908

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FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 22 Current/non-current liabilities – outstanding claims (continued)

(a) The weighted average expected term to settlement from the reporting date of the outstanding claims is as follows for each fund:

	2012	2011
Bush Fire Fighters Compensation Fund	6.5 years	7.1 years
Emergency and Rescue Workers Compensation Fund	4.1 years	6.1 years
Insurers' Guarantee Fund	11.7 years	10.1 years

(b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims expected to be paid not later than one year:

	2012	2011
	%	%
Inflation rate	4.00	4.00
Discount rate	2.39	4.50

(c) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims expected to be paid later than one year:

	2012	2011
	%	%
Inflation rate	1.90–3.75	3.45–4.00
Discount rate	1.86–4.25	4.80–5.90

(d) There is inherent uncertainty in any estimate of outstanding claims liabilities that limits its accuracy. The areas of uncertainty associated with the outstanding claims liability in these financial statements arise from the following:

- i The actual model and method may not exactly match the claims process
- ii Past claim fluctuations may create uncertainty in the estimated model parameters
- iii Undetected errors in the data may result in errors in the model parameters
- iv Future economic and environmental conditions may be different to those assumed
- v Future claims fluctuations result in uncertainty of the projected liability, even if the model and its parameters were perfect.

The central estimates in these financial statements represent the best estimate of the Outstanding claims liabilities and hence contain no deliberate bias towards over or under estimation.

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WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 23 Reconciliation of net result for the year to net cash flows from operating activities

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Depreciation/asset writeback	(10,334)	13,581	9,484	12,910
(Loss)/gain on sale of asset	(41)	(6)	(41)	(6)
Unrealised investment income	(3,879)	(10,601)	(3,879)	(10,601)
Increase/(Decrease) in provisions				
* Outstanding claims	17,763	18,080	17,763	18,080
* Superannuation	73,215	(3,491)	70,862	(3,436)
* Doubtful debts	(748)	1,378	(748)	1,378
* Leave	7,494	1,205	7,494	1,008
* Provisions	1,680	(997)	1,680	(997)
Decrease in Inventory	2,272	(122)	1,441	(122)
Decrease/(increase) in debtors and prepayments	4,288	(9,025)	9,557	(8,806)
Increase/(decrease) in creditors	(18,488)	(13,377)	(19,723)	(12,795)
Net cash flows from operating activities	13,570	(104)	13,570	(116)

NOTE 24 Reconciliation of cash

For the purposes of the statement of cash flows, cash assets include cash (at bank and on hand), call deposits, investments held in TCorp cash facilities and NSW Treasury special deposits. Cash at the end of the period as shown in the Statement of Cash Flow is also shown as cash assets in the Statement of Financial Position.

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	72,026	55,002	72,025	55,001
	72,026	55,002	72,025	55,001

NOTE 25 Commitments for expenditure

Operating Lease commitments

	Consolidated		Authority	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Future non-cancellable operating lease rentals not provided for and payable				
Not later than one year	11,203	11,546	9,535	9,896
Later than one year but not later than five years	32,349	30,701	27,245	30,701
Later than five years	1,997	8,568	1,997	8,568
Total (including GST)	45,549	50,815	38,777	49,165

Expenditure commitments for the consolidated entity include input tax credits of \$4.127m (\$4.616m – 2011) which are expected to be recoverable from the Australian Taxation Office.

There are no capital expenditure commitments.

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WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 26 Self-Insurers and Specialised Insurers security deposits and bank guarantees

Under sections 182 and 213-215B of the *Workers Compensation Act 1987*, WorkCover administers security deposits and bank guarantees lodged by self-insurers and specialised insurers.

As of 30 June 2012, WorkCover held deposits and bank guarantees to the value of \$1,727m (\$1,624m – 2011). These deposits and guarantees are held for the payment of all accrued, continuing, future and contingent liabilities of self-insurers and specialised insurers under the Act which are not otherwise satisfied.

Money deposited with WorkCover for this purpose is invested in authorised securities, which are issued or guaranteed by State or Commonwealth. The interest on such investments is paid directly to each self-insurer and specialised insurer.

A separate bank account for lodgement of cash deposits has been established and the balance of the account as at 30 June 2012 was \$6.6m (\$2.04m – 2011).

A reconciliation of the movement in deposits and bank guarantees held by Workcover follows:

	2012	2011
	\$m	\$m
Balance at 1 July	1,624	1,574
Deposits and guarantees lodged	1,100	929
Deposits and guarantees returned	(997)	(879)
Interest received	17	16
Interest paid	(17)	(16)
Balance at 30 June	1,727	1,624

NOTE 27 Contingent liabilities and contingent assets

(a) Contingent liabilities

There are no known contingent liabilities

(b) Contingent assets

There are no known contingent assets.

NOTE 28 Restricted assets and liabilities – Funds

The Authority has direction, control and management responsibilities for a number of funds. These funds are mutually exclusive. For this reason these funds are viewed as being "restricted" and the assets and liabilities in each fund can not be utilised by the Authority for any other purpose than that specified in the legislation that created these funds.

These funds are:

(a) WorkCover Authority Fund

This fund is constituted under Section 34 of the *Workplace Injury Management and Workers Compensation Act, 1998*. It is funded from contributions by insurers and self-insurers and it meets WorkCover's operating expenses as well as payments to the Workers' Compensation Commission responsible for the determination of workers compensation disputes.

Funds are also received from the Workers Compensation Insurance Fund which are applied, in part, to support research into occupational health and safety, workers compensation and injury management issues through a WorkCover Grants Scheme.

(b) Insurers' Guarantee Fund

As a consequence of National Employers' Mutual General Insurance Association Limited being placed into provisional liquidation on 1 May 1990, the Insurers' Guarantee Fund was established. Contributions from insurers and distributions by the liquidators are applied to meet the claims costs and administrative expenses of the fund.

The fund also meets the cost of the run-off of remaining claims liabilities of the HIH Insurance Group, the Greatlands General Insurance Co Ltd, Bishopsgate Insurance Australia Ltd, Associated General Contractors Insurance Co Ltd and Rural and General Insurance Limited.

(c) Bush Fire Fighters Compensation Fund

This fund is constituted under Section 19 of the *Workers' Compensation (Bush Fire, Emergency and Rescue Services) Act, 1987*.

The fund is financed by an annual contribution from the NSW Rural Fire Service through the NSW Treasury and is applied to compensate voluntary bush fire fighters for personal injury and damage to their personal effects and equipment.

(d) Emergency and Rescue Workers Compensation Fund

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WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

This fund is constituted under Section 31 of the *Workers Compensation (Bush Fire, Emergency and Rescue Services) Act, 1987*.

NOTE 28 Restricted assets and liabilities – Funds (continued)

The fund is financed through NSW Treasury by an appropriation from Parliament and is applied to compensate emergency service, lifesavers and rescue workers for personal injury.

(e) Terrorism Re-insurance Fund

Section 239AE of the *Workers Compensation Act, 1987* provides for the establishment of a Terrorism Re-insurance Fund on the first occasion (if any) that a declaration is made under Section 239AD of the Act.

The purpose of the fund is to meet the cost of workers compensation liabilities of an insurer and/or a self insurer arising from an act of terrorism.

No declaration has been made under Section 239AD and accordingly, the fund has not been established as at the reporting date.

Details of the operations of these funds are disclosed in the comparative financial statements follow:

Statement of Comprehensive Income for the year ended 30 June 2012

	Funds								Total *	
	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency and Rescue Workers Comp Fund			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Expenses excluding losses										
Operating expenses										
Personnel services	213.3	128.0	-	-	-	-	-	-	213.3	128.0
Other operating expenses	59.5	57	1.4	1.4	0.5	0.5	0.8	0.8	62.2	59.5
Depreciation and amortisation	9.5	12.8	-	-	-	-	-	-	9.5	12.8
Grants and subsidies	3.2	4.5	-	-	-	-	-	-	3.2	4.5
Finance costs	0.9	-	4.2	4.5	0.9	0.7	0.8	0.6	6.7	5.8
Other expenses	34.4	29.5	24.4	9.2	(3.6)	7.8	0.5	7.1	55.8	53.6
Total expenses excluding losses	320.8	231.6	30.0	15.0	(2.2)	9.0	2.1	8.5	350.7	264.2
Revenues										
Sale of goods and services	12.6	7.4	-	-	-	-	-	-	12.6	7.4
Investment revenue	2.7	2.5	4.0	10.7	-	-	-	-	6.7	13.2
Retained taxed, fees and fines	225.6	224.9	24.7	3.0	(2.2)	9.0	2.1	8.5	250.2	245.4
Other revenues	1.6	2.4	1.3	1.4	-	-	-	-	2.9	3.7
Total revenues	242.5	237.1	30.0	15.0	(2.2)	9.0	2.1	8.5	272.4	269.7
Gain/(loss) on disposal	-	(0.1)	-	-	-	-	-	-	-	(0.1)
Other gains/(losses)	(2.0)	(2.2)	-	-	-	-	-	-	(2.0)	(2.2)
Net result	(80.3)	3.2	-	-	-	-	-	-	(80.3)	3.2
Other comprehensive income										
Transfer from asset revaluation reserve	0.5	0.6	-	-	-	-	-	-	0.5	0.6
Net (decrease) in property, plant and equipment asset revaluation reserve	(0.5)	(0.6)	-	-	-	-	-	-	(0.5)	(0.6)
Total other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	(80.3)	3.2	-	-	-	-	-	-	(80.3)	3.2

* certain revenues and expenses have been adjusted to eliminate minor transactions between the funds

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

NOTE 28 Restricted assets and liabilities – Funds (continued)

Statement of Financial Position as at 30 June 2012

	Funds								Total *	
	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency and Rescue Workers Comp Fund			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Assets										
Receivables	16.9	16.3	-	0.6	12.4	17.5	11.7	15.7	41.0	49.8
Other financial assets	-	-	130.7	132.8	-	-	-	-	130.7	132.8
Other	92.6	85.9	3.0	1.2	4.0	3.4	4.4	2.8	104.0	93.4
Total Assets	109.5	102.2	133.7	134.6	16.4	20.9	16.1	18.5	275.7	276.0
Liabilities										
Outstanding Claims	-	-	113.7	89.1	16.2	20.7	15.7	18.1	145.7	127.9
Other	225.8	138.2	20.0	45.5	0.2	0.2	0.4	0.4	246.3	184.0
Total Liabilities	225.8	138.2	133.7	134.6	16.4	20.9	16.1	18.5	392.0	311.9
Equity	(116.3)	(36.0)	-	-	-	-	-	-	(116.3)	(36.0)

* certain revenues and expenses have been adjusted to eliminate minor transactions between the funds

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 28 Restricted assets and liabilities – Funds (continued)

Statement of Cash Flows as at 30 June 2012

	Funds								Total *	
	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency and Rescue Workers Comp Fund			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Cash Flows from Operating Activities										
Payments										
Personnel services	(134.2)	(129.7)	-	-	-	-	-	-	(134.2)	(129.7)
Grants	(3.2)	(4.5)	-	-	-	-	-	-	(3.2)	(4.5)
Other	(95.6)	(107.3)	(6.1)	(6.3)	(2.4)	(3.3)	(4.4)	(4.6)	(108.5)	(121.4)
Total Payments	(233.0)	(241.5)	(6.1)	(6.3)	(2.4)	(3.3)	(4.4)	(4.6)	(245.9)	(255.6)
Receipts										
Sale of goods and services	5.3	6.0	-	-	-	-	-	-	5.3	6.0
Retained taxes, fees and fines	223.9	229.0	2.0	-	3.0	3.0	6.0	5.0	234.9	237.0
Interest received	2.7	2.5	0.1	0.1	-	-	-	-	2.8	2.6
Other receipts	16.4	8.8	-	1.0	-	-	-	-	16.4	9.8
Total Receipts	248.3	246.3	2.1	1.1	3.0	3.0	6.0	5.0	259.4	255.4
Net Cash Flow from Operating Activities	15.3	4.9	(4.0)	(5.2)	0.6	(0.3)	1.6	0.4	13.5	(0.2)
Cash Flows from Investing Activities										
Proceeds on sale of property, plant and equipment	0.8	-	-	-	-	-	-	-	0.8	-
Proceeds from sale of investments	-	-	6.0	5.0	-	-	-	-	6.0	5.0
Purchase of property, plant and equipment and intangibles	(3.3)	(3.4)	-	-	-	-	-	-	(3.3)	(3.4)
Purchase of investments	-	-	-	-	-	-	-	-	-	-
Net Cash flows from investing activities	(2.5)	(3.4)	6.0	5.0	-	-	-	-	3.5	1.6
Net Increase/ (Decrease) in cash	12.8	1.5	2.0	(0.2)	0.6	(0.3)	1.6	0.4	17.0	1.4
Opening cash and cash equivalents	47.8	46.3	1.0	1.2	3.4	3.6	2.8	2.4	55.0	53.5
Closing cash and cash equivalents	60.6	47.8	3.0	1.0	4.0	3.4	4.4	2.8	72.0	55.0

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

WorkCover Authority NSW

Notes to and forming part of financial statements for the year ended 2012

* certain cash inflows and outflows have been adjusted to eliminate minor transactions between the funds

NOTE 29 Budget review for the authority

Net result

The actual net result was lower than budget by \$80.3m, primarily due to:

- Superannuation actuarial losses of \$70.9m caused by a reduction in the discount rate used to calculate these liabilities of 2.22 per cent from 30 June 2011 (5.28 per cent) to 30 June 2012 (3.06 per cent).
- An increase of \$3.1m in current extended leave and associated on-cost provisions due to the reduction in the discount rate used to value extended leave under an actuarial model from 5.25 per cent at 30 June 2011 to 3.0 per cent at 30 June 2012.
- An increase of \$2.6m in annual leave and associated on-cost provisions.

Assets and liabilities

Current assets

Current assets were \$10.5m higher than budget primarily due to an increase of \$11.6m in cash which is explained in the cash flow section below. This increase was offset by a reduction of \$1.4m in inventory due to a change in WorkCover's publication policy in 2011/12 (Refer Note 19).

Current liabilities

Current liabilities were \$6.9m higher than budget primarily due to:

- An increase of \$3.1m in current extended leave and associated on-cost provisions due to the reduction in the discount rate used to value extended leave under an actuarial model from 5.25 per cent at 30 June 2011 to 3.0 per cent at 30 June 2012 and:
- An increase of \$2.6m in annual leave and associated on-cost provisions.
- An increase of \$0.7m in current outstanding claims based on the actuarial valuation of outstanding claims at 30 June 2012.

Non-current liabilities

Non-current liabilities were \$71.1m higher than the budget primarily due to superannuation actuarial losses of \$70.9m caused by a reduction in the discount rate used to calculate these liabilities of 2.22 per cent from 30 June 2011 (5.28 per cent) to 30 June 2012 (3.06 per cent).

Cash flows

Cash flows were \$11.6m higher than budget primarily due to higher cash flows from operating activities of \$10.9m. The operating cash flow was higher due to:

- to lower personnel service payments of \$7.2m due to higher staff vacancies
- lower grant payments of \$3.2m due to delays in finalising the grant program.

NOTE 30 Events after the reporting period

The Safety, Return to Work and Support Board Act 2012 (The Act) was proclaimed effective from 1 August 2012. The Act replaced the WorkCover Authority Board with the Safety, Return to Work and Support Board. The new Board will have oversight of the Workcover Authority, the Motor Accidents Authority and the Lifetime Care and Support Authority.

The Act also abolished the Sporting Injuries Committee and transferred the assets, rights and liabilities of the Sporting Injuries Committee to the WorkCover Authority.

The Act also changes the name of the Compensation Authorities Staff Division to the Safety, Return to Work and Support Division. This renamed Government Service Division will have responsibility for providing personnel services to the WorkCover Authority.

Workers Compensation Commission

Financial Statements

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Statement by Commission

Pursuant to Section 41C of the *Public Finance and Audit Act 1983* I declare on behalf of the Commission that in my opinion:

1. the accompanying financial statements exhibit a true and fair view of the financial position of the Workers Compensation Commission as at 30 June 2012 and transactions for the year then ended; and
2. these statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010*, Australian Accounting Standards and the Treasurer's Directions.

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

Julie Newman

Chief Executive Officer

WorkCover Authority of New South Wales

26 September 2012

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission



INDEPENDENT AUDITOR'S REPORT

Workers Compensation Commission of New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Workers Compensation Commission of New South Wales (the Commission), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Commission as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Chief Executive Officer's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial statements.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A Oyetunji
Director, Financial Audit Services

28 September 2012
SYDNEY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Statement of Comprehensive Income for the year ended 30 June 2012

		Actual 2012	Budget 2012	Actual 2011
	Note	\$'000	\$'000	\$'000
Expenses excluding losses				
Operating expenses				
Personnel Services and Employee Related Costs	3	17,629	16,109	14,243
Other operating expenses	4	15,969	13,532	14,593
Depreciation and amortisation		850	653	671
Total expenses excluding losses		34,448	30,294	29,507
Revenue				
Retained taxes, fees and fines	5	34,448	30,294	29,507
Total revenue		34,448	30,294	29,507
Net result	16	-	-	-
Other comprehensive income				
Other gains/(losses)		-	-	-
Other comprehensive income for the year		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive income		-	-	-

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Statement of Financial Position as at 30 June 2012

		Actual 2012	Budget 2012	Actual 2011
	Note	\$'000	\$'000	\$'000
Assets				
Current assets				
Cash and cash equivalents	12	1	1	1
Receivables	6	172	170	170
Total current assets		173	171	171
Non-current assets				
Receivables	6	11,507	6,979	6,240
Intangible assets	8	-	-	392
Property, plant and equipment	7	188	11	272
Total non-current assets	16	11,695	6,990	6,904
Total assets		11,868	7,161	7,075
Liabilities				
Current liabilities				
Payables	9	2,352	1,117	1,117
Provisions	10	4,170	3,527	3,441
Total current liabilities	16	6,522	4,644	4,558
Non-current liabilities				
Provisions	10	5,346	2,517	2,517
Total non-current liabilities	16	5,346	2,517	2,517
Total liabilities		11,868	7,161	7,075
Net assets		-	-	-
Equity				
Accumulated funds		-	-	-
Total equity		-	-	-

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Statement of Cash Flow for the year ended 30 June 2012

		Actual 2012	Budget 2012	Actual 2011
	Note	\$'000	\$'000	\$'000
Cash flows from operating activities				
Payments				
Personnel services and employee related		(14,396)	(16,023)	(14,001)
Other		(16,001)	(14,764)	(16,386)
Total payments	16	(30,397)	(30,787)	(30,387)
Receipts				
Retained taxes, fees and fines		29,182	29,555	29,201
Other		1,215	1,232	1,198
Total receipts	16	30,397	30,787	30,399
Net cash flows from operating activities	11	-	-	12
Cash flows from investing activities				
Purchase of property, plant and equipment and intangibles		-	-	(12)
Net cash flows from investing activities		-	-	(12)
Net increase/(decrease) in cash		-	-	-
Opening cash and cash equivalents		1	1	1
Closing cash and cash equivalents	12	1	1	1

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Statement of Changes in Equity for the year ended 30 June 2012

	Note	Accumulated funds	
		2012	2011
		\$'000	\$'000
Balance at 1 July			
Net result for the year		-	-
Other comprehensive income		-	-
Other gains/(loss)		-	-
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-
Balance at 30 June		-	-

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 1 Constitution and functions

The Workers Compensation Commission (the Commission) is constituted under the *Workplace Injury Management and Workers Compensation Act 1998*. The Commission is an independent statutory tribunal that resolves workers compensation disputes between injured workers and employers.

The Commission is funded by contributions payable by the WorkCover Authority of New South Wales in accordance with Section 35(2) (e1) of the *Workplace Injury Management and Workers Compensation Act 1998*.

The Commission is a not for profit entity (as profit is not its principal objective) and it has no cash generating units.

These financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive Officer of the Safety, Return to Work and Support Division on 26/09/2012.

NOTE 2 Summary of significant accounting policies

(a) Basis of Financial Statements

These financial statements are general purpose financial statements which 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 the *Public Finance and Audit Regulation 2010* and
- the Financial Reporting Directions published in the Financial reporting code for NSW General Government Sector Entities or issued by the Treasurer.

Property, plant and equipment and financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(b) Statement of compliance

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

(c) Insurance

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

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

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not receivable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis.

(e) Income recognition

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

(i) Retained Taxes (Contribution)

The Commission is fully funded from contributions received from the WorkCover Authority of NSW. Under Section 35(2)(e1) of the *Workplace Injury Management and Workers Compensation Act 1998* the costs of operation of the Commission including the remuneration (and allowances) of the members and of the staff of the Commission, and the remuneration of approved medical specialists and mediators are met from the WorkCover Authority Fund.

(f) Assets

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Commission. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

Where payment for an asset is deferred beyond normal credit terms, the cost is the cash price equivalent, ie deferred payment amount is effectively discounted at an asset-specific rate.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 2012

NOTE 2 Summary of significant accounting policies (continued)

(ii) Capitalisation thresholds

Property, plant and equipment are those assets with a useful life of more than one year and with a unit or network asset value greater than \$5,000.

Intangibles are those assets with a useful life of more than one year and with a unit cost in excess of \$100,000 including direct allocation of personnel service.

(iii) 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 07-1) issued by NSW Treasury. This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the assets fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Commission revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset class does not materially differ from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the asset), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, AASB 136 *Impairment of Assets* effectively is not applicable. AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, where an asset is already measured at fair value, impairment can only arise if selling costs are material. Selling costs for the Commission are regarded as immaterial.

(v) 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 Commission. Land is not a depreciable asset.

The rates applied are:

	2011/12	2010/11
	%	%
Furniture and fittings	10.0	10.0
Office machines and equipment	20.0	20.0
Computer hardware	20.0–33.3	20.0–33.3

Leasehold improvements are depreciated over the unexpired terms of the respective leases or the estimated life of the improvements, whichever is the shorter.

(vi) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the office sites is included in the cost of an asset, to the extent it is recognised as a liability.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 2 Summary of significant accounting policies (continued)

(vii) 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.

(viii) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased asset, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

WorkCover on behalf of the Commission has entered into an operating lease agreement for office accommodation

(ix) Intangible assets

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

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

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

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

Amortisation is provided on a straight line basis for all intangible assets so as to write off the depreciable amount of each asset as it is consumed over this useful life. The rates applied are:

	2011/12	2010/11
	%	%
Computer software	7.70–33.0	14.3–33.0

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 the recoverable amount and the reduction is recognised as an impairment loss.

(x) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(xi) Cash and cash equivalents

Short-term deposits are stated at net fair value. Interest is recognised in the Statement of Comprehensive Income when earned.

(xii) Impairment of financial assets

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

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence.

(xiii) Derecognition of financial assets and financial liabilities

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

- where substantially all the risks and rewards have been transferred or
- where the Commission has not transferred substantially all the risks and rewards, if the Commission has not retained control

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

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 2012

NOTE 2 Summary of significant accounting policies (continued)

(g) Liabilities

(i) Payables

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

(ii) Employee benefits and other provisions

(a) Personnel services – annual leave, sick leave and on-costs

The Commission's staff is mainly supplied by the Compensation Authorities Staff Division (CASD). Liabilities for personnel services (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the period in which the employee's render the service are recognised and measured in respect of the employees service up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on government bonds are used to discount long term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

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

(b) Long service leave and superannuation

The Commission's liabilities for long service leave and defined benefits are actuarially assessed.

Superannuation is actuarially assessed prior to each reporting date and is measured at the present value of the estimated future payments. The amount recognised is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligation is to be settled directly.

The actuarial assessment of superannuation uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market experience for the period over which the obligations are to be settled

Long service leave has been measured as the present value of accrued liabilities at balance date. The present value of the liabilities has been determined by estimating for each future year the amounts of entitlements expected to be paid in service and on termination of employment for each employee based on their current salary, long service leave balance, assumed rates of taking long service leave in service, rates of death, disablement, retirement and resignation and rates of salary escalation. The resulting cash flows have then been converted to a present value by discounting from the expected date of payment to the valuation date at the long term government bond yield rate. The assumed rate of salary escalations applied for this valuation was 2.5 per cent pa for all future years (3.5 per cent p.a. for all future years in 2011) and the discount rate applied was 3.0 per cent (5.25 per cent - 2011).

(c) Make-good provision (building leases)

Make-good provision is recognised for the estimate of future payments for make-good upon termination of the leases of current office premises.

(h) Personnel Services and employee related costs

The Commission's staff is mainly supplied by the Compensation Authorities Staff Division. The President, Deputy President and Registrar are appointed by the Minister. From 1 July 2010 the Commission moved some arbitrators to be in-house rather than external contractors. All arbitrators are appointed by the Attorney General. All of the Ministerial appointees and the in-house arbitrators are considered to be employees of the Commission. Salaries and wages and associated on-costs and annual leave are recognised and measured in respect of employee services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled. Long service leave is recognised in accordance with the methodology referred to in Note 2 (g)(ii)(b).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 2 Summary of significant accounting policies (continued)

(i) New Australian Accounting Standards issued but not effective

In this reporting period, the following recent Australian Accounting Standards that are not yet effective were not used in preparing these financial statements.

AASB amendment	Affected standards	Operative date
AASB 9	Financial instruments	1 January 2015
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 13	Fair value measurement	1 January 2013
AASB 2011-8	Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013
AASB 2011-10	Amendments to Australian Accounting Standards arising from AASB 119	1 January 2013
AASB 2011-11	Amendments to Australian Accounting Standards arising from AASB 119	1 July 2013
AASB 2010-10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time adopters	1 January 2013

The new standards are concerned with disclosures and will have no direct impact on the Commission's financial results. Other accounting standards exist that have not been applied and are not yet effective, they have been excluded from the above table as they are not considered relevant to the Commission.

NOTE 3 Personnel services and employee related costs

	2012	2011
	\$'000	\$'000
(a) Personnel services received from CASD		
Salaries and allowances	7,055	7,176
Annual leave	773	560
Long service leave	542	303
Payroll tax	448	472
Workers compensation insurance	149	119
Fringe benefits tax	45	34
Superannuation – Defined Benefit plan	2,518	95
Superannuation – Defined contribution plan	579	582
	12,109	9,341
(b) Employee related costs for ministerial appointees		
Salaries and allowances	4,338	3,929
Annual leave	441	387
Long service leave	80	11
Payroll tax	270	225
Superannuation – Defined contribution plan	391	350
	5,520	4,902
Total personnel services and employee related costs		
Salaries and allowances	11,393	11,105
Annual leave	1,214	947
Long service leave	622	314
Payroll tax	718	697
Workers compensation insurance	149	119
Fringe benefits tax	45	34
Superannuation – Defined benefit plan	2,518	95
Superannuation – Defined contribution plan	970	932
	17,629	14,243

Ministerial appointees include the President, Deputy Presidents, Registrar and Arbitrators.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 2012

NOTE 4 Other operating expenses

	2012	2011
	\$'000	\$'000
Consultants office accommodation	52	-
Office accommodation	(7)	1
Operating lease rental expenses	1,685	1,837
Bad debts	5	-
Auditors remuneration – audit of financial statements	17	17
Travel	135	110
Advertising	-	6
Payments to Arbitrators	1,574	1,746
Payments to approved medical specialists	6,422	5,704
Payments for medical appeals panels	1,261	1,173
Payments for mediators	1,067	770
ARB and AMS superannuation payments	1,218	681
Contractors	106	66
Fees for services provided by Workcover	788	855
Postage	157	182
Stores	97	117
Interpreters fee	339	377
Other	1,053	951
	15,969	14,593

NOTE 5 Retained taxes, fees and fines

Contributions received by the Commission from WorkCover were:

	2012	2011
Fees	\$'000	\$'000
WorkCover Authority Fund	34,448	29,507
	34,448	29,507

NOTE 6 Current/non-current assets – receivables

	2012	2011
	\$'000	\$'000
Current		
Receivable from ATO for GST	172	170
	172	170
Non-current		
Receivables from WorkCover are required to fund long term liabilities	11,507	6,240
	11,507	6,240
	11,679	6,410

Details regarding liquidity risk and credit risk, including financial assets that are either past due or impaired are disclosed in Note 15.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 7 Property, plant and equipment

	2012	2011
	\$'000	\$'000
Leasehold improvements		
Gross carrying amount	2,310	3,214
Accumulated depreciation and impairment	(2,124)	(2,946)
Total leasehold improvements at fair value	186	268
Furniture and fittings (incl library)		
Gross carrying amount	11	268
Accumulated depreciation and impairment	(9)	(264)
Total furniture and fittings at fair value	2	4
Computer hardware		
Gross carrying amount	-	22
Accumulated depreciation and impairment	-	(22)
Total computer hardware at fair value	-	-
Total property, plant and equipment	188	272

Movements during financial year:

Class of asset	Net carrying amount at start of year	Additions	Disposals	Depn w/back on disposal	Depn expense	Net carrying amount at 30/06/12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leasehold improvements and make-good	268	374	(1,278)	1,278	(456)	186
Furniture and fittings	4	-	(256)	256	(2)	2
Computer hardware	-	-	(22)	22	-	-
Total property, plant and equipment	272	374	(1,556)	1,556	(458)	188

	2011	2010
	\$'000	\$'000
Leasehold improvements		
Gross carrying amount	3,214	3,213
Accumulated depreciation and impairment	(2,946)	(2,733)
Total leasehold improvements at fair value	268	480
Furniture and fittings (incl library)		
Gross carrying amount	268	268
Accumulated depreciation and impairment	(264)	(263)
Total furniture and fittings at fair value	4	5
Computer hardware		
Gross carrying amount	22	22
Accumulated depreciation and impairment	(22)	(17)
Total computer hardware at fair value	-	5
Total property, plant and equipment	272	490

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 2012

NOTE 7 Property, plant and equipment (continued)

Movements during financial year:

Class of asset	Net carrying amount at start of year	Additions	Disposals	Depn w/back on disposal	Depn expense	Net carrying amount at 30/06/11
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leasehold improvements and make-good	480	-	-	-	(212)	268
Furniture and fittings	5	-	-	-	(1)	4
Computer hardware	5	-	-	-	(5)	-
Total property, plant and equipment	490	-	-	-	(218)	272

NOTE 8 Intangibles

	2012	2011
	\$'000	\$'000
Internally generated		
Computer software		
Cost (gross carrying amount)	1,684	2,361
Accumulated amortisation and impairment	(1,684)	(1,969)
Total computer software at fair value	-	392
Capital works in progress		
At Gross carrying value	-	-
Total capital works in progress	-	-
Total internally generated intangibles	-	392
Computer software purchased		
Cost (gross carrying amount)	-	104
Accumulated amortisation and impairment	-	(104)
Total intangible computer software purchased at fair value	-	-
Total intangibles	-	392

Movements in intangibles

Class of asset	Net carrying amount at start of year	Additions	Disposals	Amort. w/back on disposal	Amort. expense	Net carrying amount at 30/06/12
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Internally generated	392	-	(677)	677	(392)	-
Capital WIP	-	-	-	-	-	-
Computer software	-	-	(104)	104	-	-
Total intangibles	392	-	(781)	781	(392)	-

Expenditure during the research and development phase of software development was Nil in 2012 (\$Nil-2011)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 8 Intangibles (continued)

	2011	2010
	\$'000	\$'000
Internally generated		
Computer software		
Cost (gross carrying amount)	2,361	2,349
Accumulated amortisation and impairment	(1,969)	(1,517)
Total computer software at fair value	392	832
Capital works in progress		
At Gross carrying value	-	-
Total capital works in progress	-	-
Total internally generated intangibles	392	832
Computer software purchased		
Cost (gross carrying amount)	104	104
Accumulated amortisation and impairment	(104)	(103)
Total intangible computer software purchased at fair value	-	1
Total intangibles	392	833

Movements in intangibles

Class of asset	Net carrying amount at start of year	Additions	Disposals	Amort. w/back on disposal	Amort. expense	Net carrying amount at 30/06/11
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Internally generated	832	12	-	-	(452)	392
Capital WIP	-	-	-	-	-	-
Computer software	1	-	-	-	(1)	-
Total Intangibles	833	12	-	-	(453)	392

NOTE 9 Payables

	2012	2011
	\$'000	\$'000
Current		
Accrued salaries and wages	337	287
Creditors	2,015	830
	2,352	1,117

Details regarding liquidity risk and credit risk are disclosed in Note 15.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 2012

NOTE 10 Current/non-current liabilities – provisions

	2012	2011
	\$'000	\$'000
Current		
Recreation and extended Leave provided by CASD employees	3,510	2,966
Recreation and extended leave provided by ministerial appointees	660	475
	4,170	3,441
Non-current		
Superannuation	4,870	2,517
Extended Leave provided by CASD employees	63	-
Extended Leave provided by Ministerial Appointees	39	-
Lease make-good	374	-
	5,346	2,517
	9,516	5,958

AASB 101 *Presentation of Financial Statements* stipulates that liabilities must be classified as current where the agency does not have an unconditional right to defer the settlement of a liability for at least 12 months after the reporting date. The entitlement to leave of CASD and Ministerial appointed employees with more than 7 years is unconditional and this leave and associated on-costs have been classified as current.

Where CASD and Ministerial appointed employees have between 5 and 6 years service the taking of extended leave is conditional and this extended leave and associated on-costs have been classified as non-current.

It is expected that the leave provisions and on-costs will be settled over the following period:

	2012	2011
	\$'000	\$'000
Expected to be settled within twelve months		
Recreation and Extended Leave	1,446	1,281
Oncosts on leave	211	188
	1,657	1,469
Expected to be settled after twelve months		
Extended Leave	2,346	1,769
Oncosts on leave	269	203
	2,615	1,972
	4,272	3,441

	2012	2011
	\$'000	\$'000
Aggregate employee benefits and related on-costs	4,170	3,441
Provisions – current	4,972	2,517
Provisions – non-current	337	287
Accrued salaries and wages	18,620	12,203

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 11 Reconciliation of Net result to net cash flows from operating activities

	2012	2011
	\$'000	\$'000
Net result	-	-
Depreciation and amortisation	850	671
Decrease/(increase) in receivables	(5,269)	(219)
Increase/(decrease) in payables	1,235	(582)
Increase/(decrease) in provisions	3,184	142
Net cash flows from operating activities	-	12

NOTE 12 Current assets - cash and cash equivalents

For the purposes of the statement of cash flows, cash assets include cash (at bank and on hand); call deposits and NSW Treasury special deposits. Cash at the end of the period as shown in the statement of cash flows is also shown as cash assets in the balance sheet.

	2012	2011
	\$'000	\$'000
Cash and Cash Equivalents	1	1
	1	1

The Commission does not have its own bank account and all cash flows occur through a WorkCover Authority bank account.

Details regarding liquidity risk and credit risk are disclosed in Note 15.

NOTE 13 Commitments for expenditure

Operating Lease commitments

	2012	2011
	\$'000	\$'000
Future non-cancellable operating lease rentals not provided for and payable		
not later than one year	1,668	1,650
later than one year but not later than five years	5,104	-
later than five years	-	-
	6,772	1,650

Expenditure commitments are for office rentals on the Commission's premises and include input tax credits of \$616,000 (\$150,000 – 2011), which are expected to be recoverable from the Australian Taxation Office.

There are no capital expenditure commitments.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 2012

NOTE 14 Financial instruments

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

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

a) Financial instrument categories

Financial assets	Note	Category	Carrying amount 2012	Carrying amount 2011
			\$'000	\$'000
Class:				
Cash and cash equivalents	12	N/A	1	1
Receivables (1)	6	Loans and receivables (at amortised cost)	0	0
Financial liabilities			Carrying amount 2012	Carrying amount 2011
Class:				
Payables (2)	9	Financial liabilities measured at amortised cost	2,352	1,117

Notes:

1. Excludes statutory receivables and prepayments (ie not within scope of ASSB 7)
2. Excludes statutory payables and unearned revenue (ie not within the scope of AASB 7)

(b) Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its payment obligations when they fall due. During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Commission's exposure to liquidity risk is deemed insignificant based on prior period 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 NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. There were no interest payments made for late payment of accounts in 2012. (2011- Nil).

As discussed in Note 2(e)(i) the Commission is fully funded by the WorkCover Authority and given this statutory obligation the Commission's exposure to liquidity risk is deemed to be insignificant.

(c) Credit risk

Credit risk arises where there is the possibility of the Commission's debtors defaulting on their contractual obligations, resulting in a financial loss to the Commission. The maximum exposure to credit risk at balance date 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 Commission, including cash and receivables. No collateral is held by the Commission. The Commission has not granted any financial guarantees.

Credit risk associated with the Commission's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. All cash and investments are held in Australian banks or T Corp and therefore the credit risk associated with these assets is considered minimal.

Receivables – trade debtors

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Commission will not be able to collect the debt. The Commission does not have any financial assets that are past due or impaired.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Workers Compensation Commission

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 15 Budget review

Assets and liabilities

Non-current assets

Total non-current assets were higher than the budget by \$4.7m due to increases in total current liabilities of \$1.9m and total non-current liabilities of \$2.8m. As explained in Note 2(e)(i) the Commission is fully funded by the WorkCover Authority so the WorkCover Authority assumes funding responsibility for all of the liabilities of the Commission and the Commission raised a receivable to reflect this responsibility. The reasons for the movements in liabilities are explained below.

Current liabilities

Total current liabilities were \$1.9m higher than budget due to increases in accrued expenditure of \$1.2m due to the timing of invoicing of the service fee of \$788,000 for the provision of corporate support to the Commission from the Corporate Shared Service area of WorkCover (refer to Note 14) and \$432,000 for the payment of superannuation arrears to Commission arbitrators.

Non-current liabilities

Total non-current liabilities were \$2.8m higher than budget primarily due to superannuation actual losses of \$2.3m and increases in the extended leave liability and associated on-costs of \$288,000 due to a reduction in the discount rate from 5.25 per cent at 30 June 2011 to 3.0 per cent at 30 June 2012. (Refer Note 2(g)(ii)(b)).

NOTE 16 Events after the reporting period

The *Safety, Return to Work and Support Board Act 2012* was proclaimed effective from 1 August 2012. The Act changed the name of the Compensation Authorities Staff Division to the Safety, Return to Work and Support Division.

This will mean that staff will be provided to the Commission from the Safety, Return to Work and Support Division rather than the Compensation Authorities Staff Division.

End of Audited Financial Statements

Compensation Authorities Staff Division

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Statement by Department Head

Pursuant to Section 45F of the *Public Finance and Audit Act 1983* I declare that in my opinion:

1. the accompanying financial statements exhibits a true and fair view of the financial position of the Compensation Authorities Staff Division as at 30 June 2012 and transactions for the year then ended; and
2. these financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, Australian Accounting Standards and the Treasurer's Directions.

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

Julie Newman

Chief Executive

Safety, Return to Work and Support Division

26 September 2012

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division



INDEPENDENT AUDITOR'S REPORT

Compensation Authorities Staff Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Compensation Authorities Staff Division (the Division), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Division as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Chief Executive Officer's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Division's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A Gyetunji
Director, Financial Audit Services

28 August 2012
SYDNEY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Statement of Comprehensive Income for the year ended 30 June 2012

		Actual 2012	Budget 2012	Actual 2011
	Note	\$'000	\$'000	\$'000
Expenses excluding losses				
Operating expenses				
Employee related	2	166,767	176,623	161,278
Other expenses		15	14	15
Total expenses excluding losses		166,782	176,637	161,293
Revenue				
Sale of goods and services		246,468	176,562	160,637
Investment revenue		93	75	88
Total revenues		246,561	176,637	160,725
Net result		79,779	-	(568)
Other comprehensive income				
Superannuation actuarial gain/(loss)		(79,779)		568
Total other comprehensive income for the year		(79,779)	-	568
Total comprehensive income for the year		-	-	-

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Statement of Financial Position as at 30 June 2012

		Actual 2012	Budget 2012	Actual 2011
	Note	\$'000	\$'000	\$'000
Assets				
Current assets				
Cash and cash equivalents	7	5,409	6,000	6,139
Receivables	3	60,491	53,794	51,583
Total current assets		65,900	59,794	57,722
Non-current assets				
Receivables	3	147,549	68,403	70,515
Total non-current assets		147,549	68,403	70,515
Total assets		213,449	128,197	128,237
Liabilities				
Current liabilities				
Payables	4	9,823	9,818	9,814
Provisions	5	56,077	49,976	47,908
Total current liabilities		65,900	59,794	57,722
Non-current liabilities				
Provisions	5	147,549	68,403	70,515
Total non-current liabilities		147,549	68,403	70,515
Total liabilities		213,449	128,197	128,237
Net assets		-	-	-
Equity				
Accumulated funds		-	-	-
Total equity		-	-	-

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Statement of Cash Flows for the year ended 30 June 2012

		Actual 2012	Budget 2012	Actual 2011
	Note	\$'000	\$'000	\$'000
Cash flows from operating activities				
Payments				
Employee related		(160,800)	(176,655)	(161,554)
Other		(4)	(22)	(25)
Total payments		(160,804)	(176,677)	(161,579)
Receipts				
Sale of goods and services		159,981	176,463	161,348
Interest received		93	75	88
Total receipts		160,074	176,538	161,436
Net cash flows from operating activities	6	(730)	(139)	(143)
Net increase/(decrease) in cash		(730)	(139)	(143)
Opening cash and cash equivalents		6,139	6,139	6,282
Closing cash and cash equivalents	7	5,409	6,000	6,139

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Statement of Changes in Equity for the year ended 30 June 2012

	Accumulated funds	Total
Note	\$'000	\$'000
Balance at 1 July 2011	-	-
Net result for the year	79,779	79,779
Other comprehensive income		
Superannuation actuarial (loss)	(79,779)	(79,779)
Total other comprehensive income for the year	(79,779)	(79,779)
Total comprehensive income for the year	-	-
Balance at 30 June 2012	-	-
Balance at 1 July 2010	-	-
Net result for the year	(568)	(568)
Other comprehensive income		
Superannuation actuarial gain	568	568
Total other comprehensive income for the year	568	568
Total comprehensive income for the year	-	-
Balance at 30 June 2011	-	-

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 2012

NOTE 1 Summary of significant accounting policies

(a) Reporting entity

The Compensation Authorities Staff Division (CASD) is a division of the Government Service, established pursuant to Part 1 of Schedule 1 to the *Public Sector Employment and Management Act 2002*.

Effective from 1 July 2009 and in accordance with Division 10 of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009* (No. 352) the Compensation Authorities Staff Division was established. The Compensation Authorities Staff Division amalgamated the former Office of the WorkCover Authority (OWCA) and Office of the Motor Accidents Authority (OMAA) which were abolished under the same order.

CASD's objective is to provide personnel services to the following entities:

- Lifetime Care and Support Authority of NSW
- Motor Accidents Authority of NSW
- Sporting Injuries Committee
- WorkCover Authority of NSW
- Workers Compensation Commission
- Workers' Compensation Dust Diseases Board of NSW

CASD is a NSW government division. CASD is a not for profit entity (as profit is not its principal objective) and it has no cash generating units.

The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive of the Safety, Return to Work and Support Division on 26 September 2012.

(b) Basis of financial statements

These financial statements are general purpose financial statements which 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 the *Public Finance and Audit Regulation 2010* and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Property, plant and equipment and financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of compliance

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

(d) Insurance

CASD's workers compensation insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

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

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not receivable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis.

(f) Income recognition

Income is measured at the fair value of consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(i) Sale of goods

Revenue from the sale of goods is recognised as revenue when CASD transfers the significant risks and rewards of ownership of the assets.

(ii) Investment revenue

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 1 Summary of significant accounting policies (continued)

(g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest rate method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(h) Cash and cash equivalents

Short-term deposits are stated at net fair value. Interest is recognised in the Statement of Comprehensive Income when earned.

(i) Impairment of financial assets

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

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence.

(j) Derecognition of financial assets and financial liabilities

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

- (a) where substantially all the risks and rewards have been transferred or
- (b) where CASD has not transferred substantially all the risks and rewards, if CASD has not retained control

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

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

(k) Liabilities

(i) Payables

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

(ii) Employee benefits and other provisions

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

Liabilities for salaries and wages (including non-monetary benefits) that are due to be settled within 12 months after the period in which the employees render the service are recognised and measured in respect of the employee's service up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long term annual leave that is not expected to be taken within 12 months is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on government bonds are used to discount long term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

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

(b) Long service leave and superannuation

Superannuation and long service leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

Long service leave has been measured as the present value of accrued liabilities at balance date. The present value of the liabilities has been determined by estimating for each future year the amounts of entitlements expected to be paid in service and on termination of employment for each employee based on their current salary, long service leave balance, assumed rates of taking long service leave in service, rates of death, disablement, retirement and resignation and rates of salary escalation. The resulting cash flows have then been converted to a present value by discounting from the expected date of payment to the valuation date at the long term government bond yield rate. The assumed rate of salary escalations applied for this valuation was 2.5 per cent pa for all future years (3.5 per cent for all future years – 2011) and the discount rate applied was 3.0 per cent (5.25 per cent – 2011).

Superannuation relating to defined benefit schemes is actuarially assessed prior to each reporting date and is measured at the present value of the estimated future payments. The amount recognised is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligation is to be settled directly.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 2012

NOTE 1 Summary of significant accounting policies (continued)

Superannuation in relation to accumulation schemes being the First State Superannuation (FSS) is recognised as the obligation arises, which is usually through the rendering of services.

The amount recognised in the Statement of Comprehensive Income for superannuation is the net total of current service cost, interest cost (the unwinding of the discount rate due to the passage of time), the expected return on any plan assets for defined benefit schemes and the level of expense paid for accumulation schemes. Actuarial gains or losses and adjustments for limits on net assets are recognised separately in the Statement of Comprehensive Income in the year they occur.

The actuarial assessment of superannuation uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market experience for the period over which the obligations are to be settled.

(I) New Australian Accounting Standards issued but not effective

In this reporting period, the following recent Australian Accounting Standards that are not yet effective were not used in these financial statements.

AASB amendment	Affected Standards	Operative Date
AASB 9	Financial instruments	1 January 2015
AASB 2010/7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 13	Fair value measurement	1 January 2013
AASB 2011/8	Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013
AASB 2011/10	Amendments to Australian Accounting Standards arising from AASB 119	1 January 2013
AASB 2011/11	Amendments to Australian Accounting Standards arising from AASB 119	1 July 2013
AASB 2010/10	Further amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time adopters	1 January 2013

The new standards are concerned with disclosures and will have no direct impact on CASD's financial results. Other accounting standards exist that have not been applied and are not yet effective, they have been excluded from the above table as they are not considered relevant to CASD.

NOTE 2 Employee related expenses

	2012	2011
	\$'000	\$'000
Salaries and wages (including recreation leave)	135,630	134,934
Long service leave	9,301	5,393
Superannuation– defined benefit plans *	1,130	1,050
Superannuation– defined contribution plans *	9,749	9,643
Payroll tax and fringe benefits tax	8,947	9,040
Workers compensation insurance	2,010	1,218
	166,767	161,278

* Total superannuation expense recognised in the Statement of Comprehensive Income of \$90.7m includes expenses related to defined benefits superannuation schemes (Refer Note 5(e)), actuarial losses related to defined benefits superannuation scheme (Refer Note 5(f)) and expenses related to defined contribution schemes.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 3 Current/non-current assets – receivables

	2012	2011
	\$'000	\$'000
Current		
Receivable from agencies using employee services for employee provisions and other costs	56,200	47,931
Receivable from agencies using employee services for accrued salaries and oncosts	4,291	3,652
	60,491	51,583
Non-current		
Receivable from agencies using employee services for employee provisions	147,549	70,515
	147,549	70,515
Total receivables	208,040	122,098

NOTE 4 Current liabilities – payables

	2012	2011
	\$'000	\$'000
Current		
Creditors	5,532	6,162
Accrued salaries and wages	4,291	3,652
Total payable	9,823	9,814

NOTE 5 Current/non-current liabilities – provisions

	2012	2011
	\$'000	\$'000
Current		
Recreation leave provisions and oncosts	14,449	12,074
Long service leave provisions and oncosts	41,628	35,834
	56,077	47,908
Non-current		
Long service leave provisions and oncosts	2,238	2,200
Superannuation – defined benefit plans	145,311	68,315
	147,549	70,515
Total provisions	203,626	118,423

Aggregate employee benefits and related on-costs

	2012	2011
	\$'000	\$'000
Provisions – current	56,077	47,908
Provisions – non-current	147,549	70,515
Accrued salaries and wages (Refer Note 4)	4,291	3,652
	207,917	122,075

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 2012

NOTE 5 Current/non-current liabilities – provisions (continued)

AASB 101 *Presentation of Financial Statements* stipulates that liabilities must be classified as current where the agency does not have an unconditional right to defer the settlement of a liability for at least 12 months after the reporting date. The entitlement to recreation leave and extended leave once seven years service has been reached for CASD employees is unconditional and accordingly all of this leave and associated on-costs have been classified as current. Extended leave is recognised after five years and as the taking of this leave is conditional until seven years service is reached this leave and associated on-costs have been classified as non-current.

It is expected that the leave provisions and on-costs will be settled over the following period:

	2012	2011
	\$'000	\$'000
Expected to be settled within 12 months		
Recreation and extended leave	15,726	14,348
Oncosts on leave	2,250	2,095
	17,976	16,443
Expected to be settled after 12 months		
Extended leave	36,192	30,196
Oncosts on leave	4,147	3,469
	40,339	33,665
	58,315	50,108

Superannuation

(a) General description of the type of plan

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Superannuation Scheme (SSS)
- State Authorities Superannuation Scheme (SASS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes as at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are closed to new members.

(b) Reconciliation of the present value of the defined benefit obligation

	SASS		SANCS		SSS		Total	Total
	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of partly funded defined benefit obligations at the beginning of the year	49,822	50,172	11,722	11,726	183,687	182,897	245,231	244,795
Current service cost	1,896	1,957	528	519	909	951	3,333	3,427
Interest cost	2,501	2,480	583	574	9,497	9,280	12,581	12,334
Contributions by fund participants	956	994	-	-	950	1,017	1,906	2,011
Actuarial (gains)/losses	2,906	645	995	256	61,865	(2,332)	65,766	(1,431)
Benefits paid	(4,795)	(6,426)	(1,300)	(1,353)	(8,537)	(8,126)	(14,632)	(15,905)
Past service cost	-	-	-	-	-	-	-	-
Curtailments	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	-	-
Exchange rate changes	-	-	-	-	-	-	-	-
Present value of partly funded defined benefit obligations at the end of the year	53,286	49,822	12,528	11,722	248,371	183,687	314,185	245,231

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 5 Current/non-current liabilities – provisions (continued)

(c) Reconciliation of the fair value of fund assets

	SASS		SANCS		SSS		Total	Total
	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value of fund assets at the beginning of the year	35,580	36,814	6,918	7,177	134,418	129,612	176,916	173,603
Expected return on fund assets	2,929	3,057	559	588	11,297	10,921	14,785	14,566
Actuarial gains/(losses)	(2,441)	(576)	(569)	2	(11,003)	(289)	(14,013)	(863)
Employer contributions	1,856	1,717	523	504	1,533	1,283	3,912	3,504
Contributions by Fund participants	956	994	-	-	950	1,017	1,906	2,011
Benefits paid	(4,795)	(6,426)	(1,300)	(1,353)	(8,537)	(8,126)	(14,632)	(15,905)
Settlements	-	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	-	-
Exchange rate changes	-	-	-	-	-	-	-	-
Fair value of Fund assets at the end of the year	34,085	35,580	6,131	6,918	128,658	134,418	168,874	176,916

(d) Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	SASS		SANCS		SSS		Total	Total
	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of partly funded defined benefit obligation at end of year	53,286	49,822	12,528	11,722	248,371	183,687	314,185	245,231
Fair value of Fund assets at end of year	(34,085)	(35,580)	(6,131)	(6,918)	(128,658)	(134,418)	(168,874)	(176,916)
	19,201	14,242	6,397	4,804	119,713	49,269	145,311	68,315
Adjustment for limitation on net assets	-	-	-	-	-	-	-	-
Unrecognised past service cost	-	-	-	-	-	-	-	-
Net liability to be recognised in the Statement of Financial Position	19,201	14,242	6,397	4,804	119,713	49,269	145,311	68,315

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 2012

NOTE 5 Current/non-current liabilities – provisions (continued)

(e) Expense recognised in the Statement of Comprehensive Income

	SASS		SANCS		SSS		Total	Total
	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current service cost	1,896	1,958	528	520	909	950	3,333	3,428
Interest on obligation	2,501	2,479	583	574	9,497	9,279	12,581	12,332
Expected return on plan assets	(2,929)	(3,057)	(559)	(588)	(11,297)	(10,921)	(14,785)	(14,566)
Past service cost	-	-	-	-	-	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-	-	-	-	-	-
Total included in employee related payments	1,468	1,380	552	506	(891)	(692)	1,129	1,194

The superannuation expense recognised in the Statement of Comprehensive Income is included in the line item "Employee Related". Superannuation actuarial losses of \$79.8m (2010–11 gains of \$0.6m) are separately identified under "Other comprehensive income" in the Statement of Comprehensive Income.

(f) Amounts recognised under Other comprehensive income in the Statement of Comprehensive Income

	SASS		SANCS		SSS		Total	Total
	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Actuarial (gains)/losses	5,347	1,221	1,564	253	72,868	(2,042)	79,779	(568)
Adjustment for limit on net assets	-	-	-	-	-	-	-	-
Expense recognised in the Statement of Comprehensive Income	5,347	1,221	1,564	253	72,868	(2,042)	79,779	(568)

Cumulative amount recognised in Other comprehensive income

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
As at 30th June 2012	8,907	2,574	82,464	93,945
As at 30th June 2011	3,560	1,010	9,596	14,166
As at 30th June 2010	2,339	757	11,638	14,734

(g) Actual return on fund assets

	SASS		SANCS		SSS		Total	Total
	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Actual return on Fund assets	(18)	3,105	(10)	591	20	10,780	(8)	14,476

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 5 Current/non-current liabilities – provisions (continued)

(h) Percentage of super fund assets in each class

The percentage invested in each asset class at the balance sheet date was:

	30 June 2012	30 June 2011
	\$'000	\$'000
Australian equities	28.0%	33.4%
Overseas equities	23.7%	29.5%
Australian fixed interest securities	4.9%	5.7%
Overseas fixed interest securities	2.4%	3.1%
Property	8.6%	9.9%
Cash	19.5%	5.1%
Other	12.9%	13.3%

(i) Fair value of fund assets

All Fund assets are invested by STC at arm's length through independent fund managers.

(j) Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

(k) Valuation method and principal actuarial assumptions at the reporting date

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(l) Economic assumptions

	2012	2011
	\$'000	\$'000
Salary increase rate (excluding promotional increases)	2.5%	3.5%
Rate of CPI increase	2.5%	2.5%
Expected rate of return on fund assets backing current pension liabilities	8.60%	8.60%
Discount rate	3.06%	5.28%

(m) Demographic assumptions

The demographic assumptions at 30 June 2012 are those that were used in the 2009 triennial actuarial valuation plus an additional allowance for staff reductions consistent with the Labour Expense Cap advised in the 2012/13 Budget. The triennial review report is available from the NSW Treasury website.

(n) Historical information

	SASS		
	Financial year to 2012	Financial year to 2011	Financial year to 2010
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	53,286	49,822	52,383
Fair value of fund assets	(34,085)	(35,580)	(39,275)
(Surplus)/deficit in fund	19,201	14,242	13,108
Experience adjustments – Fund liabilities	2,906	645	3,494
Experience adjustments – Fund assets	2,441	576	(1,155)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 2012

NOTE 5 Current/non-current liabilities – provisions (continued)

	SANCS		
	Financial year to 2012	Financial year to 2011	Financial year to 2010
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	12,528	11,722	12,425
Fair value of Fund assets	(6,131)	(6,918)	(7,860)
(Surplus)/Deficit in Fund	6,397	4,804	4,565
Experience adjustments – Fund liabilities	995	256	797
Experience adjustments – Fund assets	569	(2)	(40)

	SSS		
	Financial year to 2012	Financial year to 2011	Financial year to 2010
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	248,371	183,687	196,096
Fair value of Fund assets	(128,658)	(134,418)	(139,978)
(Surplus)/Deficit in Fund	119,713	49,269	56,118
Experience adjustments – Fund liabilities	61,865	(2,331)	12,885
Experience adjustments – Fund assets	11,003	289	(1,247)

(o) Expected contributions

	SASS	SANCS	SSS
	Financial year to 2012	Financial year to 2012	Financial year to 2012
	\$'000	\$'000	\$'000
Expected employer contributions to be paid in the next reporting period	1,817	533	1,481

(p) Funding arrangements for employer contributions

The following is a summary of the 30 June 2012 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS		SANCS		SSS		Total	Total
	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	Financial year to 2012	Financial year to 2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued benefits	46,494	46,709	10,679	10,763	136,130	131,688	193,303	189,160
Net market value of fund assets	(34,085)	(35,580)	(6,161)	(6,918)	(128,658)	(134,418)	(168,904)	(176,916)
Net (surplus)/deficit	12,409	11,129	4,518	3,845	7,472	(2,730)	24,399	12,244

Recommended contribution rates for the entity are:

SASS	multiple of member contributions	1.90
SANCS	percentage of member salary	2.50
SSS	multiple of member contributions	1.60

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 5 Current/non-current liabilities – provisions (continued)

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

NSW Treasury has the responsibility for arranging for the actuarial review of the fund to be performed across the whole government sector. The last triennial actuarial review was conducted in 2009 and the economic assumptions adopted for this review were:

	2012	2011
Expected rate of return on fund assets backing current pension liabilities	8.3%	8.3%
Expected rate of return on fund assets backing other liabilities	7.3%	7.3%
Expected salary increase rate	4.0%	4.0%
Expected rate of CPI increase	2.5%	2.5%

(q) Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

NOTE 6 Reconciliation of net result for the year to net cash flows from operating activities

	2012	2011
	\$'000	\$'000
Net result	79,779	(568)
Decrease/(increase) in trade and other receivables	(85,941)	5,870
Increase in trade and other payables	9	462
Superannuation actuarial gain/(loss)	(79,779)	568
(Decrease)/increase in provisions	85,202	(6,475)
Net cash flows from operating activities	(730)	(143)

NOTE 7 Current assets – cash and cash equivalents

For the purposes of the statement of cash flows, cash assets include cash (at bank and on hand), call deposits and NSW Treasury special deposits. Cash at the end of the period as shown in the statement of cash flows is also shown as cash assets in the Statement of Financial Position.

	2012	2011
	\$'000	\$'000
Cash and cash equivalents	5,409	6,139
	5,409	6,139

NOTE 8 Financial instruments

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

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

The Board 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 CASD, to set risk limits and controls and to monitor risk. Compliance with policies is reviewed by the Audit Committee.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 2012

NOTE 8 Financial instruments (continued)

(a) Financial instruments categories

	Note	Category	Carrying amount 2012	Carrying amount 2011
			\$'000	\$'000
Financial assets				
Class:				
Cash and cash equivalents	7	N/A	5,409	6,139
Receivables *(1)	3	Loans and receivables (at amortised cost)	208,040	122,098
Financial liabilities				
Class:				
Payables *(2)	4	Financial liabilities measured at amortised cost	9,823	9,806

1. Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

2. Excludes statutory payables and unearned revenue (ie not within the scope of AASB 7)

(b) Liquidity risk

Liquidity risk is the risk that CASD will be unable to meet its payment obligations when they fall due. During the current year there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. CASD is fully funded by the entities to which it provides personnel services. Given this, CASD's exposure to liquidity risk is deemed to be insignificant.

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 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 other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. There were no interest payments made for late payment of accounts in 2012 (2011 - Nil).

(c) Credit risk

Credit risk arises where there is the possibility of CASD's debtors defaulting on their contractual obligations, resulting in a financial loss to CASD. The maximum exposure to credit risk at balance date is generally represented by the carrying amount of the financial assets net of any allowance for impairment as indicated in the Statement of Financial Position.

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

Credit risk is minimal as CASD's receivables are from other government entities predominately for leave liabilities (annual and extended leave and associated on-costs) and superannuation liabilities. Cash is held in Australian banks.

Details of CASD's past due trade debtors follows:

	Total	Past due but not impaired	Considered impaired
	\$'000	\$'000	\$'000
2012			
< 3 months overdue	—	—	—
3 months – 6 months overdue	—	—	—
> 6 months overdue	—	—	—
2011			
< 3 months overdue	—	—	—
3 months – 6 months overdue	—	—	—
> 6 months overdue	—	—	—

Note: Excludes statutory receivables as they are not within the scope of AASB 7 so will not reconcile to the balance sheet

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Compensation Authorities Staff Division

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 8 Financial instruments (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. CASD has no exposure to foreign currency risk and does not enter into commodity contracts.

CASD is exposed to market risk through its liability to defined benefit superannuation funds. Should the earnings on these funds underlying assets differ from the funds, actuarial projections due to, for example, changes in the market values of those underlying assets, then CASD's liability to these funds will vary from the amount included in these accounts.

Given the nature of CASD's funding arrangements whereby all of its obligations are met by the entities to which it provides personnel services to, any movements in these liabilities will be funded by these entities. As a result there will be no impact on CASD's net result or equity.

(e) Fair value

Financial instruments are generally recognised at cost.

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.

NOTE 9 Commitments for expenditure

There were no expenditure commitments.

NOTE 10 Budget review

Net result

The actual net result was higher than budget by \$79.8m, due to superannuation actuarial losses mainly caused by the reduction in the discount rate from 5.28 per cent at 30 June 2011 to 3.06 per cent at 30 June 2012.

Assets and liabilities

Current assets and current liabilities

Current assets were \$6.1m higher than budget primarily due to increases in leave liabilities as a result of a reduction in the discount rate used to value non-current extended leave from 5.25 per cent at 30 June 2011 to 3.0 per cent at 30 June 2012.

As CASD is funded by the agencies that it provides personnel services to then its liabilities are ultimately the liability of those agencies and so a receivable is recognised representing that these agencies owe these liabilities to CASD.

Non-current assets and non-current liabilities

Non-current assets were \$79.1m higher than the budget primarily due to superannuation actuarial losses.

Cash flows

Net cash flows from operating activities were \$0.6m lower than the budget primarily due to reductions in employee related payments of \$15.9m offset by decreases in personnel services income of \$16.5m.

NOTE 11 Events after the reporting date

The *Safety, Return to Work and Support Board Act 2012* (the Act) was proclaimed effective from 1 August 2012. The Act renamed the Compensation Authorities Staff Division to the Safety, Return to Work and Support Division.

The Act also abolished the Sporting Injuries Committee and transferred their assets, rights and liabilities to the WorkCover Authority. Consequently no personnel services will be provided to the Sporting Injuries Committee from that time.

End of audited Financial Statements

NSW WorkCover Scheme

Financial Statements

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Overview of the NSW WorkCover Scheme Financial Performance

The Workers Compensation Nominal Insurer is a not for profit entity that operates as a licensed workers compensation insurer which trades as "The NSW Workcover Scheme". These accounts include Workers Compensation Insurance Fund (Insurance Fund) into which the Nominal Insurer deposits all premiums and from which it meets Scheme costs.

The WorkCover Authority acts for the Nominal Insurer. The Nominal Insurer is not and does not represent the State of New South Wales or any authority of the State. The insurance claim liabilities of the Nominal Insurer can only be satisfied from the Insurance Fund and are not liabilities of the State, WorkCover Authority or any other authority of the State.

The results of the Scheme's underwriting operations and the Scheme's financial position are shown in the following table

	2011/12	2010/11
	\$m	\$m
Operating result		
Net earned premiums	2,509	2,495
Expected investment credit	547	621
Other income	9	13
Claims incurred (excluding external factors)	121	(3,533)
Operating expenses	(723)	(652)
Premium Deficiency Reserve	24	(41)
Surplus (Deficit) from underwriting operations	2,487	(1,097)
Impact on result from external factors		
Difference between actual and expected long term investment returns	394	301
Change in inflation assumptions and discount rates	(1,193)	(112)
Change in claims handling expense	(295)	127
Risk Margin	(527)	-
Surplus (Deficit) from ordinary activities	866	(780)
Financial position		
Total assets	14,565	13,327
Total liabilities	(16,062)	(15,690)
Accumulated surplus (deficit)	(1,497)	(2,363)

The above table has not been audited

The table is based on PricewaterhouseCoopers Actuarial Pty Ltd's calculations of the surplus from underwriting operations as set out in their actuarial report on the Scheme dated 24 October 2012

Deficit from ordinary activities

The surplus from ordinary activities of the NSW WorkCover Scheme for the year ended 30 June 2012 was \$866 million. The result can be attributed the legislative reforms significantly reducing projected claims costs which has resulted in a significant one off surplus from underwriting operations. This surplus has been reduced by the fall in estimated future risk free investment returns causing actuarially assessed claim liabilities to increase and an increase in the risk margin to ensure that the impact of the fall in claim liabilities is sustainable. These items were partially offset by investment returns in the current year being above the amount assumed in the prior actuarial valuation and a reduction in claims handling expenses reflecting the reduced claims duration.

WorkCover in its capacity as acting for the Nominal Insurer, decided to adopt a risk margin for the Scheme as at 30 June 2012 based on a probability of adequacy of 80 per cent equating to a risk margin for claim liabilities of 16 per cent.

Accumulated deficit

The Scheme has an accumulated deficit of \$1,497 million. WorkCover based on advice from the Scheme's consulting actuaries have estimated without allowing for a risk margin the Scheme is able to meet its debts as they fall due.

As the workers compensation reforms are still being implemented, it will take several years until their impact on Scheme finances can be accurately determined. In view of this WorkCover has taken a cautious approach to ensure that the Schemes finances are stable and have adopted an increased probability of adequacy in determining the Scheme's claims liabilities which reduces the funding level to 91 per cent.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme



NSW WORKERS COMPENSATION NOMINAL INSURER

Actuarial Certificate Outstanding claims liabilities at 30 June 2012

PricewaterhouseCoopers (PwC) has been contracted by the WorkCover Authority of NSW (WorkCover Authority), acting for the NSW Workers Compensation Nominal Insurer (Nominal Insurer), to make estimates of the outstanding claims liabilities as at 30 June 2012 of the NSW WorkCover Scheme.

Data

PwC has relied on historical data and other quantitative and qualitative information supplied by the WorkCover Authority acting for the Nominal Insurer, and other parties without audit or independent verification. We did, however, review this information for reasonableness and internal consistency, where possible. The accuracy of our results is dependent upon the accuracy and completeness of the underlying data.

Basis of Our Estimates

We have made central estimates of the outstanding claims liabilities – this means that our assumptions have been selected to yield estimates that are not knowingly above or below the ultimate liabilities. Our estimates include allowances for:

- Future inflation and investment return;
- Future expected recoveries; and
- A risk margin of 16.2% of the net outstanding claims liability. This is intended to provide a probability of adequacy of 80%.

Allowance for expected impact of June 2012 legislative changes

Legislation was passed on the 22 June 2012 which results in significant changes to the benefits provided by the NSW WorkCover Scheme. Allowance has been made in the valuation for the impact of these reforms to the extent to which this can be reliability estimated, balancing the range of plausible outcomes and risks in deriving an appropriate central estimate result.

Valuation Results

The PwC estimated liability for the NSW WorkCover Scheme as at 30 June 2012, net of recoveries, is \$14,134 million. This amount is made up as follows:

PricewaterhouseCoopers, Actuarial Pty Limited, ACN 003 562 696, ABN 29 003 562 696,
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme



Table 1 - NSW WorkCover Scheme

Outstanding Claims Liability at 30 June 2012	\$m
Gross Outstanding Claims	14,615
Less Anticipated Recoveries	481
Net Outstanding Claims	14,134

The gross outstanding claims liability for the NSW WorkCover Scheme also includes an allowance for expenses of \$1,141 million to meet the cost of management of claims outstanding (including claims incurred but yet to be reported) as at 30 June 2012.

The allowance for claim handling expenses included in the WorkCover NSW Scheme liability equates to 10.0% of the gross outstanding claims liability.

It is a decision for the WorkCover Authority acting for the Nominal Insurer as to the amount adopted in the accounts.

Uncertainty

There is a limitation upon the accuracy of the estimates in this certificate in that there is an inherent uncertainty in any estimate of outstanding claim liabilities. This is due to the fact that the ultimate liability for claims is subject to the outcome of events yet to occur. These include, but are not limited to, the likelihood of injured workers lodging claims under the Scheme, the amount of compensation paid and the attitudes of claimants towards settlement of their claims and uncertainty surrounding the impact of the various reforms to Scheme design and operation which have occurred.

In our judgement, we have employed techniques and assumptions that are appropriate, and we believe the conclusions presented herein are reasonable, given the information currently available. However, it should be recognised that future claim development is likely to deviate, perhaps materially, from our estimates.

Reports

Full details of data, method, assumptions and results for the NSW WorkCover Scheme are set out in our report dated 24 October 2012.

Relevant Standards

Our estimates and reports for the NSW WorkCover Scheme are prepared in accordance with the Australian Accounting Standard AASB1023, the Institute of Actuaries of Australia's Professional Standard 300, which relates to estimation of outstanding claims liabilities, and Accounting Guidance Release AAG13.

Michael Playford
FIAA
24 October 2012

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Statement by Chief Executive Officer

I state that in my opinion in my capacity as Chief Executive Officer of the WorkCover Authority of NSW acting for the Workers Compensation Nominal Insurer, whose registered business name is 'The NSW WorkCover Scheme' that:

- (a) the attached financial statements and notes thereto comply with accounting standards;
- (b) give a true and fair view of the financial position as at 30 June 2012 and the performance of the NSW WorkCover Scheme for the year ended on that date.

Julie Newman

Chief Executive Officer

Safety, Return to Work and Support

Acting for the Workers Compensation Nominal Insurer

29 October 2012

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Independent auditors report



INDEPENDENT AUDITOR'S REPORT

Workers Compensation Nominal Insurer (trading as the NSW WorkCover Scheme)

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Workers Compensation Nominal Insurer, trading as the NSW WorkCover Scheme (the Scheme), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Scheme as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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

Emphasis of matter

I draw attention to the outstanding claims' liability in Note 15. The note describes the significant inherent uncertainty associated with estimating the Scheme's outstanding claims' liability as a result of the reforms to the Scheme. Whilst the liability is calculated using the standard actuarial approach, there is significant uncertainty regarding the estimate of the claims' liability because of limited experience available. This uncertainty is likely to remain until sufficient post reform claims experience for the Scheme is available. My opinion was not qualified in respect of this matter.

The Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer of the WorkCover Authority of New South Wales, acting for the Scheme, is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Independent auditors report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A Oyetunji
Director, Financial Audit Services

29 October 2012
SYDNEY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Statement of Comprehensive Income for the year ended 30 June 2012

		2012	2011
	Note	\$'000	\$'000
Revenues			
Earned premiums	4	2,509,027	2,494,540
Recoveries	4	122,984	79,050
Investment income	5	939,368	921,877
Other income		8,755	13,012
		3,580,134	3,508,479
Expenses			
Actuarial fees		5,821	5,146
Auditor remuneration	7	1,747	1,776
Bad debts written-off		52,896	27,708
Claims incurred	4	2,016,319	3,597,398
Debt collection fees		15,119	11,418
Fund manager remuneration		14,784	14,673
Impairment of trade and other receivables	10	(23,303)	7,178
Scheme agent remuneration		389,256	318,046
Statutory levies			
Workcover Authority		150,511	159,123
Dust diseases		72,107	68,798
Mine safety		5,994	5,157
Increase (decrease) in unexpired risk provision		(24,600)	40,600
Wage audit fees		15,193	14,040
Other operating expenses		22,347	17,558
		2,714,191	4,288,619
Surplus/(Deficit)		865,943	(780,140)
Other Comprehensive Income			
Other comprehensive income for the year		-	-
Total Comprehensive Income		865,943	(780,140)
Surplus/(Deficit) attributable to:			
Owners of the Scheme		865,943	(780,140)
		865,943	(780,140)
Total Comprehensive Income		865,943	(780,140)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Statement of Financial Position as at 30 June 2012

		2012	2011
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents	8	518,415	747,581
Recoveries receivable	9	135,203	126,388
Trade and other receivables	10	713,254	662,613
Prepayments		67,127	64,545
Financial assets	11	12,784,387	11,381,422
Total current assets		14,218,386	12,982,549
Non-current assets			
Recoveries receivable	9	346,124	343,408
Trade and other receivables	10	348	742
Total Non-current assets		346,472	344,150
Total assets		14,564,858	13,326,699
Current liabilities			
Trade and other payables	13	812,197	354,090
Borrowings	8	14,196	11,791
Unearned premiums	14	397,959	377,244
Outstanding claims	15	2,376,739	2,137,471
Unexpired risk premium	17	16,000	40,600
Security deposits	19	42,041	44,338
Financial liabilities	11	164,817	124,599
Total current liabilities		3,823,949	3,090,133
Non-current liabilities			
Outstanding claims	15	12,238,251	12,599,851
Total non-current liabilities		12,238,251	12,599,851
Total liabilities		16,062,200	15,689,984
Net assets/(liabilities)		(1,497,342)	(2,363,285)
Equity			
Accumulated (deficiency)/surplus		(1,497,342)	(2,363,285)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Statement of Changes in Equity for the year ended 30 June 2012

		2012	2011
	Note	\$'000	\$'000
Accumulated (deficiency)/surplus			
Balance at the beginning of financial year		(2,363,285)	(1,583,145)
Surplus/(Deficit) for the year		865,943	(780,140)
Other Comprehensive Income		-	-
Total Comprehensive Income		865,943	(780,140)
Transactions with owners in their capacity as owners		-	-
Balance at the end of the financial year		(1,497,342)	(2,363,285)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
	Note	\$'000 Inflows (Outflows)	\$'000 Inflows (Outflows)
Cash flows from operating activities			
Premiums received		2,722,991	2,710,979
Claims paid		(2,163,973)	(2,029,591)
		559,018	681,388
Scheme agent management fees paid		(347,736)	(405,478)
Dividends received		99,246	77,897
Fund manager fees paid		(20,431)	(17,704)
GST paid		(182,810)	(192,667)
Interest received		385,829	346,912
Proceeds from sale of financial assets		21,720,864	13,678,159
Payments for financial assets		(22,295,980)	(13,798,228)
Recoveries received		109,185	97,532
Security deposits received		22,447	42,711
Security deposits paid		(24,944)	(23,309)
Statutory levies paid		(227,500)	(225,469)
Transfer of surplus cash from WorkCover		-	10,536
Other payments		(58,916)	(49,666)
Other receipts		30,157	19,750
Net cash provided by/ (used in) operating activities	16	(231,571)	242,364
Cash and cash equivalents at the beginning of the financial year		735,790	493,426
Cash and cash equivalents at the end of the financial year	8	504,219	735,790

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 1 Constitution and functions

The Nominal Insurer is established under the *Workers Compensation Act 1987* and was created on 18 February 2005 by the *Workers Compensation Amendment (Insurance Reform) Act 2003*. It commenced operation on 1 July 2005. The Nominal Insurer is a not for profit entity that operates as a licensed workers compensation insurer and trades under the registered business name of "The NSW WorkCover Scheme". The Scheme's financial statements include the Workers Compensation Insurance Fund (Insurance Fund) that holds premiums and all other funds received and is used to meet the scheme's liabilities.

The WorkCover Authority of NSW (WorkCover) acts for the Nominal Insurer.

The Act states that the Nominal Insurer is not and does not represent the state or any authority of the state. The insurance claim liabilities of the Nominal Insurer can only be satisfied from the Insurance Fund and are not liabilities of the State, WorkCover or any other authority of the state. The Scheme is not consolidated as part of the NSW Total State Sector Accounts or WorkCover.

The financial statements for the year ended 30 June 2012 were authorised for issue by the Chief Executive Officer of WorkCover acting for the Nominal Insurer on 29 October 2012.

NOTE 2 Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with authoritative pronouncements of the Australian Accounting Standards Board including Australian Accounting Standards and interpretations.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and the measurement of the outstanding claims liability and recoveries at fair value.

Deficiency in Net Assets

The Financial Statements have been prepared on a going concern basis on advice from the Scheme's consulting actuaries, without allowing for a risk margin, the Scheme is fully funded and accordingly has sufficient financial assets to meet net claim and other operating costs. In arriving at the going concern decision WorkCover took into account the special circumstances of the Scheme such as the legislative provisions to set and retrospectively adjust premiums and employers being required to fund any deficit as part of future premiums.

(b) Accounting standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 30 June 2012. These are outlined in the table below.

AASB amendment	Affected standards	Operative date
AASB 9*	Financial Instruments (December 2010) (includes financial assets and financial liability requirements)	1 Jan 2013
AASB 2010-7*	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 Jan 2013
AASB 9*	Financial Instruments (December 2009) (Financial asset requirements only)	1 Jan 2013
AASB 13	Fair Value Measurement	1 Jan 2013
AASB 2011-8	Amendments to Australian Accounting Standards arising from AASB 13	1 Jan 2013
AASB 2012-2	Amendments to Australian Accounting Standards (AASB 7) – Disclosures – Offsetting Financial Assets and Financial Liabilities (June 2012)	1 Jan 2013
AASB 2010-2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (AASB 132)	1 Jan 2014

*The IASB has deferred the application date of IFRS 15 until 1 January 2015, however, the AASB has yet to issue a corresponding amendment to AASB 9 (2010) and AASB 9 (2009).

These Standards are concerned with disclosures and will have no direct impact on the Scheme's financial results.

(c) Functional and presentation currency and rounding

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 2 Summary of significant accounting policies (continued)

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 12 – Financial instruments
- Note 15 – Outstanding claims

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Where receivables are outstanding beyond the normal trading terms, management assesses the likelihood of the recovery of these receivables. An appropriate allowance for impairment is made. (Refer Note 10).

(e) Revenue/expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

- (i) The earned portion of premiums received and receivable, excluding unclosed business, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. The pattern of recognition over the policy periods is based on time, which is considered to approximate the pattern of risks underwritten. Unclosed business has not been included as revenue as the amount involved is not considered to be material.
- (ii) The outstanding claims (Note 15) and recoveries receivable (Note 9) are based on estimates provided by WorkCover's consulting actuary, PricewaterhouseCoopers Actuarial Pty Ltd. Taylor Fry consulting actuaries, have peer reviewed these estimates and support the conclusions of PricewaterhouseCoopers. In 2011 the peer review was conducted by Ernst and Young.

The outstanding claims are the amount, which the consulting actuary has estimated as at 30 June 2012 as being the amount required to meet the cost of claims reported but not yet paid, claims incurred which are yet to be reported and the escalation in reported and reopened claims. The liability for the outstanding claims is estimated as the inflated and discounted values of the expected future payments, reflecting the fact that these payments will be spread over future years. The expected future payments are estimated on the basis of the ultimate cost of settling claims (including claims handling allowances), which is affected by factors arising during the period to settlement. The provision includes an allowance for claims handling expenses and a risk margin.

The majority of claims payments under the WorkCover Scheme benefit structure were linked to movements in award wages in NSW. The *Workers Compensation Legislation Amendment Act 2012* has resulted in claim payments now being more closely aligned to pre injury average weekly earnings of injured workers. Projected inflation factors take into account these and other relevant factors relating to future claims levels. The expected future payments are then discounted to a value at the end of the reporting period using rates of interest, which use appropriate risk free discount rates, consistent with Australian Accounting Standard AASB 1023 General Insurance Contracts. Details of inflation and discount rates applied are included in Note 15.

Recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not yet reported are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are estimated at the inflated and discounted values of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

- (iii) Investment revenue is brought to account on an accruals basis. Dividends on quoted shares are deemed to accrue when the relevant shareholding becomes ex-dividend. Differences between the net market values of investments at the end of the reporting period and their net market values at the end of the previous reporting period (or cost of acquisition, if acquired during the reporting period) are recognised as revenue in the Statement of Comprehensive Income.

(f) Provisions

Provisions for claims are recognised when the Scheme has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. The discount rate represents a risk free rate derived from market yields on government bonds.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 2 Summary of significant accounting policies (continued)

(g) Taxation

The Australian Taxation Office has issued Private Rulings that the income of the Workers Compensation Nominal Insurer is not assessable income and that the Workers Compensation Insurance Fund is exempt from income tax from when these entities were established in 2005 to June 2014.

(h) Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts that are repayable on demand.

The Scheme includes as operating cash flows the purchase and sale of financial assets as premiums less claims cost paid to date and are invested to meet future workers compensation claim costs.

(i) Investments and other financial assets

Investments are initially recognised at fair value. Investments are subsequently measured "at fair value through profit or loss" as they are acquired principally for the purpose of trading. Gains or losses on these assets are recognised in the Statement of Comprehensive Income.

Purchases and sales of investments are recognised on trade date – the date on which the Scheme commits to purchase or sell the asset.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Scheme establishes fair value by using various valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Investments and other financial assets are held primarily for the purpose of being traded and are classified as current assets. Accordingly all of the Scheme's financial assets and financial liabilities are at fair value through profit or loss – classified as held for trading.

(j) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Scheme designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Scheme documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Scheme also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of any derivative financial instruments used for hedging purposes, if any, are disclosed in Note 12.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of Comprehensive Income within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk.

(k) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the Scheme is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price without any deduction for transaction costs.

The fair value of financial instruments that are not traded in an active market (eg, over-the-counter derivatives) is determined using valuation techniques. The Scheme uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the Statement of Financial Position date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Scheme for similar financial instruments.

(i) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 2 Summary of significant accounting policies (continued)

(ii) Derivatives recorded at fair value through profit or loss

Derivatives include interest rate swaps and futures, credit default swaps, cross currency swaps and forward foreign currency contracts, and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative financial instruments are subsequently re-measured at fair value.

(iii) Financial assets or financial liabilities designated at fair value through profit and loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;

or,

- The asset and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;

or,

- The financial instrument contains an embedded derivative that would otherwise need to be separately recorded.

(iv) Investments in unlisted property trusts

The fair value of units in unlisted property trusts is the price at which the unit could be exchanged between knowledgeable, willing parties in an arms length transaction. A "willing seller" is not a forced seller prepared to sell at any price.

The fair values of investments in unlisted property trusts are based on valuations of the underlying properties in each Trust. The properties are valued in accordance with the valuation policies of the relevant managers.

These financial statements set out the fair value as at the end of the reporting period.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Scheme prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis.

(n) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured making an allowance for impairment.

Where a legally enforceable debt exists, claims costs recoverable from uninsured employers are classified as Trade and Other Receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off directly to the Statement of Comprehensive Income when identified. An impairment allowance is recognised when there is objective evidence that the Scheme will not be able to collect the receivable. In particular evidence of it becoming probable that the employer will be placed into receivership, administration, liquidation or bankruptcy and potential recovery receivable from these proceedings are the major factors used.

Where credit terms have been renegotiated, the date that the premium debt was incurred remains unchanged. Consequently, ageing of premium debts applies from the date that the debt was incurred and not from the date of renegotiation.

(o) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Scheme has a legal right to offset the amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under Australian Accounting Standards.

(p) Recoveries

Recoveries relate principally to amounts that the Scheme Actuaries estimate can be recovered from other insurers for workers compensation injuries. These recoveries relate to amounts already incurred on a claim or amounts estimated to be recovered from the estimated claim liabilities.

Accordingly, they are not regarded as a financial instrument under Australian Accounting Standards and are not included in financial assets.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 2 Summary of significant accounting policies (continued)

(q) Repurchase and reverse repurchase transactions

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of the sale are reported as liabilities and are carried at amortised cost and the underlying asset continues to be recognised in the Scheme's financial statements.

Securities purchased under agreements to resell (reverse repurchase agreements) are reported not as purchases of the securities, but as receivables and are carried in the Statement of Financial Position at amortised cost and the underlying asset is not recognised in the Scheme's financial statements.

Securities lent by the Scheme are not derecognised from the Scheme's Statement of Financial Position. When the counterparty has the rights to sell or repledge the securities, the Scheme reclassifies them in the Statement of Financial Position as pledged financial assets at fair value through profit or loss.

NOTE 3 Financial risk management objectives and policies

The principal financial instruments are detailed in Note 11.

The main purpose of these financial instruments is to meet the liabilities of the Nominal Insurer. Investment policies are put in place with the intention for the net financial assets to outperform the growth in these liabilities.

The Scheme also has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

NOTE 4 Underwriting result

	2012	2011
	\$'000	\$'000
Earned premiums	2,509,027	2,494,540
Less:		
Claims incurred	(2,016,319)	(3,597,398)
Recoveries revenue	122,984	79,050
Net claims incurred (Note 6)	(1,893,335)	(3,518,348)
Underwriting result	615,692	(1,023,808)

NOTE 5 Investment income

	2012	2011
	\$'000	\$'000
Dividends	154,847	153,958
Interest	367,487	372,503
Other income	3,133	2,079
Realised gain on sale of investments	270,746	337,125
Unrealised gain	143,155	56,212
Investment income	939,368	921,877

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 6 Net claims incurred

Direct business	Current year	Prior year	2012 Total	2011 Total
	\$m	\$m	\$m	\$m
Gross claims incurred and related expenses – undiscounted	3,991	(7,968)	(3,977)	4,640
Reinsurance and other recoveries – undiscounted	(163)	91	(72)	(75)
Net claims incurred – undiscounted	3,828	(7,877)	(4,049)	4,565
Discount and discount movement – gross claims incurred	(877)	6,870	5,993	(1,042)
Discount and discount movement – reinsurance and other recoveries	12	(63)	(51)	(5)
Net discount movement	(865)	6,807	5,942	(1,047)
Net claims incurred (Note 4)	2,963	(1,070)	1,893	3,518

Explanation of material variances – prior years

Undiscounted gross claims incurred has reduced due to anticipated savings of the recent workers compensation legislative reforms.

Undiscounted recoveries are expected to be lower due to a reduction in anticipated recoveries.

The increase in prior year claims incurred is due to reduced government bond yields. As a result, lower discounting has been applied to the gross outstanding claims. The legislative reforms have also reduced the duration of future liabilities of the Scheme, which has resulted in a reduction in the impact of discount movements.

The reduction in the yield curve resulted in a lower discounting applied to the outstanding recoveries.

NOTE 7 Remuneration of auditors

	2012	2011
	\$'000	\$'000
The Auditor General of NSW		
Audit of the financial report	122	112
External audit of scheme agents and master custodian		
Audit or review of reports	1,324	1,250
Other non-audit services	301	414
Total	1,625	1,664
Total audit remuneration	1,747	1,776

The auditor for the NSW WorkCover Scheme is the Auditor General of NSW.

NOTE 8 Cash and cash equivalents

	2012	2011
	\$'000	\$'000
Cash at bank	518,415	747,581

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 8 Cash and cash equivalents (continued)

	2012	2011
	\$'000	\$'000
Cash	154,441	131,126
Money market deposits	363,974	616,455
Total cash at bank	518,415	747,581
Bank overdraft	(14,196)	(11,791)
Balances as per statement of cash flows	504,219	735,790

(a) Interest rate risk exposure

Details of the Scheme's exposure to interest rate changes on borrowings are set out in Note 12.

(b) Fair value disclosures

The carrying amount of the Scheme's borrowings approximates their fair value.

(c) Bank overdrafts

The bank overdraft may be drawn at any time and is non interest bearing.

NOTE 9 Recoveries receivable

	2012	2011
	\$'000	\$'000
Current		
Actuarially assessed recoveries	135,203	126,388
Non-current		
Actuarially assessed recoveries	346,124	343,408
Total recoveries receivable	481,327	469,796

Recoveries arise principally where a worker is injured in a motor vehicle accident and is not at fault. The majority of the costs of these claims are recovered from the third party motor vehicle insurers. The credit quality of these recoveries is considered high as these insurers are licensed by the Australian Prudential Regulation Authority, which imposes strict limits on capital adequacy of these insurers. The Scheme's consulting actuaries assess the amount of recovery potential for the Scheme.

NOTE 10 Trade and other receivables

	2012	2011
	\$'000	\$'000
Current		
Premiums receivable	473,300	476,530
Interest, dividends and other investment income receivable	77,031	85,000
Trade proceeds yet to be settled	112,068	53,742
Deposits held with brokers/counter parties:		
Margin calls	79,408	74,284
Over the counter securities	-	6,640
Amounts legally recoverable from uninsured employers	1,715	1,965
Other receivables	6,225	17,960
GST receivable	7,038	13,808
	756,785	729,929
Less : Allowance for impairment loss	(43,531)	(67,316)
Total trade and other receivables	713,254	662,613

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 10 Trade and other receivables (continued)

	2012	2011
	\$'000	\$'000
Non-current		
Amounts legally recoverable from uninsured employers	3,596	3,507
Less : Allowance for impairment loss	(3,248)	(2,765)
Total trade and other receivables	348	742

(a) Status of trade receivables

	2012	2011
	\$'000	\$'000
Class of financial asset		
Maximum exposure within normal terms	623,151	567,670
Past due	90,451	95,685
Impaired	46,779	70,081
Renegotiated terms	-	-
	760,381	733,436

Employers are able to pay premiums on a lump sum, quarterly instalment basis or a monthly instalment basis, dependant on the size of the employer's premium.

Security deposits are held by the scheme for future potential premiums for those employers that participate in the Retro-Paid Loss Premium Method (Refer Note 19).

Apart from a limited number of industries covered by specialised insurance arrangements all employers in NSW are able to take out a workers compensation insurance policy with the Scheme. Accordingly, the credit quality of these debts is viewed as the average of the credit quality of employers in the state.

(b) Allowance for impairment status of receivables

An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired (refer Note 2(n) to the Financial Statements). As outlined in that Note, the Scheme writes off bad debts direct to expenses. Where a bad debt is subsequently recovered the amount is included in other income. The impairment account is adjusted based on an assessment of the individual debts due and is increased or decreased accordingly.

Reconciliation of impairment account – receivables

	2012	2011
	\$'000	\$'000
Class of financial asset		
Opening impairment account balance	70,081	62,903
Current period impairment charge (income)	(23,303)	7,178
Closing impairment account balance	46,779	70,081

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 10 Trade and other receivables (continued)

Ageing of receivables	2012		
	Total	Past due but not impaired	Considered Impaired
	\$'000	\$'000	\$'000
Within normal terms	623,151	-	-
Less than three months overdue	41,226	36,026	5,200
three months to six months overdue	26,208	21,509	4,699
Greater than six months overdue	69,796	32,916	36,880
	760,381	90,451	46,779

	2011		
	Total	Past due but not impaired	Considered Impaired
	\$'000	\$'000	\$'000
Within normal terms	567,670	-	-
Less than three months overdue	49,986	41,569	8,417
three months to six months overdue	27,298	20,353	6,945
Greater than six months overdue	88,482	33,763	54,719
	733,436	95,685	70,081

NOTE 11 Financial assets and liabilities

	2012	2011
	\$'000	\$'000
Financial assets – current		
Indexed and interest bearing securities	8,338,018	7,596,529
Australian equities	1,204,647	702,459
International equities	1,547,003	1,473,117
Unit trusts	1,535,912	1,464,727
Derivatives	158,807	144,590
	12,784,387	11,381,422
Financial liabilities – current		
Derivatives	164,817	124,599
Net financial assets	12,619,570	11,256,823

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 12 Financial instruments

The Nominal Insurer is ultimately responsible for identifying and controlling financial risks including the establishment of an overall financial risk management strategy and policy.

Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Market price risk arises as a result of the Scheme holding and trading investments as part of its asset allocation.

The Scheme seeks to manage exposure to market price risk so that it can generate sufficient returns to meet the Scheme's current and future liabilities and mitigate the risk that the Scheme's investments will be insufficient to meet such liabilities. The asset allocation aims to achieve a return in excess of the liability discount rate, including changes in the discount rate used in valuing the Scheme's liabilities over a rolling five year period.

Due to cash flow and market fluctuations, actual asset allocations can deviate from the benchmark asset allocation at any point in time. The deviations in actual versus benchmark asset allocation at the end of the reporting period were within the agreed tolerance limits for all asset classes.

A risk budgeting framework is used to help determine the optimal strategic asset allocation for the Scheme. This framework takes into consideration not only the risk and return characteristics of the different classes of investments in the portfolio, but also some of the economic factors (eg inflation and interest rates) that affect the value of the liabilities. Within this framework, a dollar Value-at-Risk (VaR) methodology is the Scheme's preferred measure of the sensitivity of the entire Insurance Fund, including both assets and liabilities to market price risks.

The VaR risk measure seeks to estimate the potential loss relative to liabilities over a given holding period due to investment markets, for a specified confidence level. The VaR methodology is a statistically-defined, probability-based approach to risk assessment that takes into account market volatilities as well as risk diversification by identifying offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

The 95th percentile dollar VaR is the measure used; this is the minimum expected reduction in the Insurance Fund's surplus (or the increase in the Insurance Fund's deficit), which has a 5 per cent chance of occurring in any one year, expressed in dollar terms over a one year period.

In addition to a VaR measure, the risk budgeting framework can also be used to produce the following risk and return measures:

- Expected return on the investment portfolio relative to the growth in the Scheme's liabilities.
- Investment contribution to the Scheme's surplus.
- Tracking error relative to the liabilities.

The Scheme's asset consultant conducts the risk budgeting analysis, using:

- Assumptions for the expected level of return, risk and correlations between price and wage inflation, bond yields and returns from different asset classes (eg equities, bonds, property, alternative assets).
- Assumptions regarding the duration of inflation-linked and other liabilities consistent with those used by the Scheme actuary.

The analysis uses a Monte-Carlo simulation based on these assumptions to determine the risk and return of different investment strategies relative to the change in the liabilities over a period. The analysis is primarily used to compare different investment strategies, and then to determine the investment strategy that has the appropriate level of risk, given the risk and return objectives set by the Board. Whilst VaR is used as the primary measure of risk, other measures are also considered. Risk budgeting analysis is also used in the ongoing monitoring of the asset allocation, including analysis of medium term asset allocation adjustments based on investment market outlook.

The risk budgeting analysis is based on certain simplifying assumptions. (For example it assumes certain statistical characteristics of investment returns, volatilities and correlations that may not represent actual outcomes). It is also important to note that the analysis only allows for some economic factors (such as inflation and bond yields), which affect the value of the liabilities. It does not allow for other factors (such as the claims loss ratio, claims incidence and recovery rates), which also affect the value of the liabilities. As such, the analysis may understate liabilities.

Based on the asset allocation, a selection committee, typically with advice from the Insurance Fund's asset consultants, determines the investment managers to be appointed in each asset class. Management of the Insurance Fund's assets is allocated to the appointed investment managers. Each investment manager is subject to restrictions in relation to the types of assets in which it may invest, and in relation to the composition of investments within certain asset types. These restrictions are expressed in formalised mandates contained typically in individually negotiated Investment Management Agreements, or, as described in Information Memoranda issued by the relevant investment manager where the investment is via a pooled fund. The investment mandates are monitored on a regular basis to ensure that investment managers are compliant with their mandates and relevant agreements.

Each investment manager is responsible for managing security specific risk using its particular management style. Essentially each portfolio is diversified through trading various assets within mandate guidelines.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 12 Financial instruments (continued)

Market price risk (continued)

The most recent VaR analysis performed by asset consultant Mercer Investments (Australia) limited was conducted in October 2012 based on the June 2012 Scheme valuation and showed expected VaR of \$1,088 million based on a confidence interval of 95 per cent. The VaR analysis performed by the same consultants in September 2011 based on the June 2011 Scheme valuation showed an expected VaR of \$1,063 million based on a confidence interval of 95 per cent.

Interest rate risk

Interest rate risk is the risk that the (fair) value of a financial instrument will fluctuate because of changes in market interest rates. The value of the Scheme's liabilities is also affected by interest rate fluctuations.

(i) Exposure

Interest rate risk arises as a result of the Scheme holding interest earning investments, all of which are subject directly or indirectly to changes in value as a result of interest rate fluctuations. Scheme liabilities are similarly subject directly or indirectly to changes in value as a result of interest rate fluctuations.

(ii) Risk management objective, policies and processes

WorkCover manages the interest rate and inflation risk of the Insurance Fund by means of the asset allocation, which at 30 June 2012 had a 15 per cent allocation to government debt to hedge interest rate risk and 37 per cent allocation to government inflation linked debt to hedge inflation risk. Where possible, the average duration of the Insurance Fund's indexed and interest bearing securities are managed to be approximately in-line with the duration of the liabilities, as calculated by the Scheme actuary.

(iii) Quantitative analysis of exposure

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's indexed and interest-bearing financial assets and liabilities at fair values, categorised by the earlier of their contractual re-pricing or maturity dates.

The table does not show all assets and liabilities of the Scheme. Assets and liabilities NOT shown in the table below are NOT indexed and interest bearing and are therefore not directly exposed to interest rate risk.

	2012					
	Floating interest rate	Fixed interest rate maturing in				Total
		3 months or less	4 to 12 months	1 to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Class						
Cash	154,441	-	-	-	-	154,441
Money market deposits	363,974	-	-	-	-	363,974
Indexed and interest bearing securities	-	476,759	457,279	2,468,596	4,935,384	8,338,018
Interest rate swaps	-	-	6,924	-	10,311	17,235
Options on fixed income	-	8,643	16,152	-	-	24,795
Interest rate futures	-	395	-	-	-	395
Assets	518,415	485,797	480,355	2,468,596	4,945,695	8,898,858
Interest rate swap	-	-	(6,864)	(3,291)	(31,002)	(41,157)
Interest rate futures	-	(992)	(514)	-	-	(1,506)
Liabilities	-	(992)	(7,378)	(3,291)	(31,002)	(42,663)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 12 Financial instruments (continued)

Interest rate risk (continued)

	Floating interest rate	2011				Total
		Fixed interest rate maturing in				
		3 months or less	4 to 12 months	1 to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Class						
Cash	131,126	-	-	-	-	131,126
Money market deposits	616,455	-	-	-	-	616,455
Indexed and interest bearing securities	-	529,973	428,831	2,580,082	4,057,643	7,596,529
Interest rate swaps	-	-	697	4	171	872
Assets	747,581	529,973	429,528	2,580,086	4,057,814	8,344,982
Interest rate swap	-	-	(541)	(1,128)	-	(1,669)
Liabilities	-	-	(541)	(1,128)	-	(1,669)

The Scheme's exposure to interest rate price risk is considered a component of market price risk and is quantified as part of the VaR analysis discussed under Market Price Risk.

The Scheme is exposed to interest rate cash flow risk on its floating rate interest bearing securities as interest income earned varies according to prevailing market interest rates.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

(i) Exposure

The Scheme is exposed to foreign exchange risk as a result of the foreign currency denominated investments held as part of its asset allocation.

(ii) Risk management objective, policies and processes

Independent investment managers authorised by WorkCover manage foreign exchange risk. The investment grade credit (developed markets), commodities and property managers fully hedge their exposures. An independent investment manager has been appointed to implement a currency hedge strategy for the developed markets' equity exposure. No hedging is undertaken on the value of assets invested in emerging markets.

The primary instruments used to achieve the foreign currency overlay are forward foreign exchange contracts.

The positions are reported on an ongoing basis by the Scheme's custodian, State Street Bank and Trust Company, under a Service Level Agreement and reporting is provided both daily and monthly by the custodian to management for monitoring.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 12 Financial instruments (continued)

Foreign exchange risk (continued)

(iii) Quantitative analysis of exposure

A summary of the scheme's exposure to foreign exchange risk, including of foreign currency derivatives is shown in the table below:

	2012				
	US Dollars	Euro	British Pounds	Other currencies	Total
	AUD \$'000	AUD \$'000	AUD \$'000	AUD \$'000	AUD \$'000
International equities	750,571	155,549	83,880	557,003	1,547,003
International trusts	23,495	-	-	7,691	31,186
International listed property trusts	8,224	451	-	6,144	14,819
International discounted securities	5,759	-	-	-	5,759
International floating rate securities	-	-	4,637	-	4,637
International bonds	143,366	32,536	1,531	-	177,433
Foreign currency derivatives (Assets)	1,798	86	84	189	2,157
Foreign currency derivatives (Liabilities)	(996)	-	-	(1,060)	(2,056)
Swap derivative (Asset)	521	217	-	178	916
Swap derivative (Liability)	(82,745)	(23,711)	-	(246)	(106,702)
Foreign exchange exposure position	849,993	165,128	90,132	569,899	1,675,152

	2011				
	US Dollars	Euro	British Pounds	Other currencies	Total
	AUD \$'000	AUD \$'000	AUD \$'000	AUD \$'000	AUD \$'000
International equities	654,295	216,884	128,144	473,794	1,473,117
International trusts	59,513	-	-	3,138	62,651
International listed property trusts	6,971	501	-	540	8,012
International discounted securities	4,178	-	-	-	4,178
International bonds	106,659	44,678	-	-	151,337
Foreign currency derivatives (Assets)	3,828	72	715	312	4,927
Foreign currency derivatives (Liabilities)	(354)	(234)	(13)	(550)	(1,151)
Swap derivatives (Asset)	4	-	-	-	4
Swap derivative (Liability)	(66,201)	(32,383)	-	-	(98,584)
Foreign exchange exposure position	768,893	229,518	128,846	477,234	1,604,491

Liquidity risk

The Scheme is exposed to liquidity risk from holding financial assets that may not be readily convertible to cash to meet financial liabilities and claims costs.

(i) Exposure

The financial assets of the Scheme that may not be readily convertible to cash are largely receivables (refer Note 10) and investments in over-the-counter or thinly traded investments.

(ii) Risk management objective, policies and processes

The Scheme's overall objective is to maintain adequate liquidity to meet the daily cash requirements for claims payments and other operating costs while investing remaining funds to earn a return of at least equal the growth in existing claims liabilities from benefit rate growth and emerging claims.

To assist in meeting its liquidity risk management objectives, the Scheme maintains a cash balance and invests most of its assets in investments that are traded in active markets that can be readily disposed of. The Scheme also has the ability to borrow in the short term to ensure settlement of amounts due if required.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 12 Financial instruments (continued)

Liquidity risk (continued)

The Scheme invests only a small proportion of its assets in less liquid listed investments or investments that are not traded on active markets and this is strictly controlled in accordance with the asset allocation together with a Board policy which limits exposure to illiquid investments.

Each investment manager is responsible for cashflow management of the assets that have been mandated to them. That is, each investment manager is responsible for managing settlement liquidity risk. The custodian supplies daily reporting to each investment manager to assist them in this process.

(iii) Quantitative analysis of exposure

The financial liabilities of the Scheme comprise cash due to brokers, derivative positions, interest and other payables. The types of financial liabilities of the Scheme were similar at 30 June 2011.

Cash due to brokers is payable on demand. Interest and other payables are typically settled within 30 days. If the derivative positions are closed out prior to maturity by entering into offsetting transactions, the Scheme settles its derivative obligations in cash rather than physical delivery.

Liability maturity

All of the Scheme's financial liabilities relate to derivatives whose maturity is listed below:

	2012			Total
	Less than 1 month	2 to 12 months	Greater than 12 months	
	\$'000	\$'000	\$'000	
Derivatives	1,426	11,096	152,295	164,817

	2011			Total
	Less than 1 month	2 to 12 months	Greater than 12 months	
	\$'000	\$'000	\$'000	
Derivatives	3,239	16,015	105,345	124,599

The other Scheme liabilities are either claims related whose maturity is disclosed in Note 15 or are related to insurance operations and have a maturity of less than 12 months.

Credit risk

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

(i) Exposure

Credit risk arises from the Scheme's investments as a result of the investment managers trading with various counterparties; this could result in the Scheme not being able to receive obligations as a result of a failing counterparty. The Scheme's main credit risk concentration is spread between cash, indexed and interest bearing investments and over-the-counter, in-the-money derivatives.

Credit risk also arises from the Scheme's receivables. Disclosures relating to the Scheme's receivables are included in Note 10.

(ii) Risk management objective, policies and processes

Credit Guidelines have been determined to ensure the Scheme has controlled levels of credit concentration. These guidelines are at a total Insurance Fund level, with further asset class specific restrictions in investment manager's mandates where applicable. In addition, where possible collateral arrangements may be implemented to reduce the Scheme's exposure.

The exposure is reported against set guidelines on a daily basis both from an individual managers' compliance and at a total Insurance Fund level with reporting provided by the Scheme for the Scheme's custodian and delivered to management for monitoring.

Credit risk arising on financial instruments is mitigated by investing primarily in rated instruments as determined by Standard's and Poor's, Moody's or Fitch. The Fund minimises its credit risk by monitoring counterparty creditworthiness. The Fund receives a monthly rating update which is reviewed accordingly.

(iii) Quantitative analysis of exposure

The Scheme's maximum credit risk exposure at balance date in relation to each class of recognised financial asset, other than derivative financial instruments, is the carrying amount of those assets as indicated in the Statement of Financial Position.

In relation to over the counter derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 12 Financial instruments (continued)

Derivatives

The use of derivative financial instruments is governed by the Scheme's policies. The Scheme enters into derivative contracts for the purpose of gaining market and/or duration exposure or hedging.

The table below shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of a derivative is measured. The notional amounts are indicative of the exposure of the Scheme to movements in the instrument underlying the derivatives. The notional amounts do not represent the credit risk of the derivative positions that is equal to the fair value.

The fair value amounts reported in the Statement of Financial Position, and the amounts reported in the following tables are the nett value of individual swap positions where there is the ability to settle the swaps on a nett basis and the Nominal Insurer intends to settle on this basis.

	2012		
	Assets	Liabilities	Notional amount
	\$'000	\$'000	\$'000
Futures:			
Share price index futures	8	1,134	211,126
Commodity futures	1,126	732	39,911
Interest rate futures	395	1,506	1,242,984
Options:			
Options on bonds	24,795	-	300,000
Options on foreign currency	37	15	12,922
Options on futures	16	-	63
Forwards:			
Forward foreign exchange contracts	2,156	2,056	177,228
Swaps:			
Interest rate swaps	17,235	41,157	721,219
Inflation swaps	1,240	11,553	700,100
Cross currency swaps	110,883	105,461	199,897
Credit default swaps	738	997	47,022
Non-deliverable forward swaps	178	206	21,635
	158,807	164,817	3,674,107

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 12 Financial instruments (continued)

Derivatives (continued)

	2011		
	Assets	Liabilities	Notional amount
	\$'000	\$'000	\$'000
Futures:			
Share price index futures	7,068	-	539,182
Commodity futures	4,290	7,224	211,420
Interest rate futures	1,011	2,137	2,194,200
Options:			
Options on bonds	8,733	34	1,055,224
Forwards:			
Forward foreign exchange contracts	4,927	1,151	355,119
Swaps:			
Interest rate swaps	872	1,669	190,376
Inflation swaps	3,411	13,886	1,017,200
Cross currency swaps	114,278	98,366	187,479
Credit default swaps	-	132	31,196
	144,590	124,599	5,781,396

Credit risk

Indexed and interest bearing investments

The majority of indexed and interest bearing investments held by the Scheme are held with investment grade counterparties rated by Standard and Poor's, Moody's or Fitch. The ratings assigned to the Scheme's indexed and interest bearing investments at the end of the reporting period were as follows:

	2012	2011
	%	%
Rating		
AAA/aaa	73%	83%
AA/Aa	14%	9%
A/A	5%	5%
BBB	4%	3%
No Rating	4%	-
Total	100%	100%

Transfer of financial assets: repurchase agreements

During the year, the Scheme transferred \$ 596,095 thousand of securities to counterparties of the Scheme under repurchase agreements, but has retained substantially all the credit risk associated with the transferred assets.

Due to retention of substantially all the risks and rewards of these assets, the Scheme continues to recognise these assets in the Scheme's financial statements, and the proceeds of sale are reported as liabilities and are carried at amortised cost. The counterparties have an obligation to return the securities to the Scheme.

The following table sets out carrying amounts of transferred financial assets and the related liability at the reporting date.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 12 Financial instruments (continued)

Credit risk (continued)

	2012	2011
	\$'000	\$'000
Carrying amount of transferred assets	596,095	-
Carrying amount of associated secured bank facility	(571,784)	-
Fair Value of transferred assets	596,095	-
Carrying amount of associated secured bank facility	(571,784)	-
Net Position	24,311	-

Fair value estimation

The carrying amounts of the Scheme's financial assets and liabilities at the end of the reporting period approximated their fair values as all financial assets and liabilities held were either at fair value at the end of the reporting period ('marked to market') or were short term in nature.

The financial assets and liabilities are classified in accordance with the following fair value measurement hierarchy:

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

	2012			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Indexed and interest bearing securities	244,917	7,917,403	175,698	8,338,018
Australian equities	1,204,647	-	-	1,204,647
International equities	1,547,003	-	-	1,547,003
Unit Trusts	393,132	339,664	803,116	1,535,912
Derivatives	26,378	132,429	-	158,807
	3,416,077	8,369,496	978,814	12,784,387

Financial liabilities

Derivatives	3,389	161,428	-	164,817
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	2011			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Indexed and interest bearing securities	590,337	6,976,679	29,513	7,596,529
Australian equities	702,459	-	-	702,459
International equities	1,472,691	426	-	1,473,117
Unit trusts	156,479	553,217	755,031	1,464,727
Derivatives	21,100	123,490	-	144,590
	2,943,066	7,653,812	784,544	11,381,422
Financial liabilities				
Derivatives	9,395	115,204	-	124,599

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 12 Financial instruments (continued)

Fair value estimation (continued)

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets of the Scheme is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. A variety of methods are used which include assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for debt securities for disclosure purposes. Evaluations of such securities are based on market data. Vendors utilise evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and when available loan performance data. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt instruments and derivative financial instruments.

The following tables present the changes in level 3 instruments for the year ended 30 June 2012.

	2012	2011
	\$'000	\$'000
Opening balance	784,544	692,698
Transfers into level 3	-	-
Purchases of securities	181,329	78,685
Other increases	-	-
Sale of securities	(7,182)	(20,845)
Transfers out of level 3	-	-
Gain/(loss) recognised in Profit and Loss (investment Income)	20,123	34,006
Closing Balance	978,814	784,544
Total gains/(losses) for the period included in profit or loss that relate to assets held at the end of the reporting period (shown in investment income)	20,123	33,942

An analysis of the fair value measurements for level 3 securities has indicated that amending the assumptions used in the valuation to reasonably possible alternate assumptions would have an immaterial impact on the values of these securities or the Scheme's position.

Financial assets pledged as collateral

The Scheme's financial assets pledged as collateral are \$nil (2011: \$nil), apart from cash held in margin accounts with the brokers/counter parties across various markets for exchange traded derivatives (refer Note 10) and for over the counter securities.

Margin accounts for exchange traded derivatives are held by the relevant exchange to keep the derivative position open and are adjusted daily based on the underlying derivatives marked to market. For over the counter securities the Scheme pays cash to the counter party where the trade documents stipulated that collateral is required to be paid. This collateral is adjusted as stipulated by the terms of the trade document based on underlying derivatives marked to market.

Where the Scheme holds collateral, this is held only in cash.

As outlined previously, the Scheme closes out its positions prior to maturity or settles positions in cash rather than physical delivery.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 13 Trade and other payables

	2012	2011
	\$'000	\$'000
Agent remuneration	129,312	65,356
Investment purchases	28,139	241,894
Goods and Services Tax	35,507	32,833
Repurchase agreements	571,784	-
Other	47,455	14,007
Total payables	812,197	354,090

NOTE 14 Unearned premiums

	2012	2011
	\$'000	\$'000
Unearned premiums	397,959	377,244

Unearned premium represents the amount of premium that has been received relating to periods of coverage in the next financial year. Unearned premium is determined using the pro-rata method.

NOTE 15 Outstanding claims

The Nominal Insurer only provides Workers Compensation Insurance to those NSW employers who are not covered by self or specialised insurance arrangements. The wide geographic area, number of employers provided with insurance and variety of industries provided with insurance, reduces the Scheme's risk volatility. Managing the remaining insurance risk is part of the Scheme's governance and management philosophy with risk being reduced through:

- detailed review of consulting actuaries, bi-annual actuarial valuation projections and cost drivers to enable early detection of emerging issues and cost pressures
- actively monitoring claims and expense patterns to detect increasing expenditure and ensure it is facilitating return to work strategies
- designing premium formulas that reflect the cost of injuries in particular industries and for larger employers related to their actual claims costs to encourage employers to reduce injuries and facilitate injured workers to return to work
- design of benefits that provide incentives to injured workers to work with the Scheme and employers to encourage a return to work
- partnering with regulators including WorkCover to reduce injury rates and detect any fraudulent activities
- designing remuneration for Scheme Agents that encourages them to achieve Scheme objectives
- investment allocation strategies that manage investment risks (refer Note 12)
- actively monitoring and projecting the Scheme's cashflow to ensure premiums are paid and injured worker entitlements are provided in a timely manner.

The nature of the Scheme's insurance operations including the requirement of all employers in NSW to have a policy, the wide geographic/industry spread of risks, the level of Scheme Assets and the ability to amend future premiums, has resulted in the Scheme concluding that reinsurance of Scheme liabilities is not appropriate.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 15 Outstanding claims (continued)

	2012	2011
	\$'000	\$'000
(a) Expected future gross claims payments (undiscounted)	20,020,501	26,135,572
Discount to present value	(5,405,511)	(11,398,250)
Liability for outstanding claims	14,614,990	14,737,322
Current	2,376,739	2,137,471
Non-current	12,238,251	12,599,851
	14,614,990	14,737,322
(b) Expected future actuarial assessment of recoveries (undiscounted)	528,768	567,422
Discount to present value	(47,441)	(97,626)
Discounted actuarial assessment of recoveries	481,327	469,796
(c) Net outstanding claims per actuarial report	14,133,663	14,267,526

The overall outstanding claims liability of the Nominal Insurer is calculated by the consulting actuaries using a range of recognised, aggregate actuarial methods, appropriate for the characteristics of the various types of claim liability under scrutiny. The liability for the outstanding claims is estimated as the inflated and discounted values of the expected future payments, reflecting the fact that these payments will be spread over future years. The expected future payments are estimated on the basis of the ultimate cost of settling claims (including claims handling expenses) which is affected by factors arising during the period to settlement.

The provision for claims handling expenses is calculated as a percentage of the gross outstanding claims central estimate to recognise the ultimate expense of managing outstanding claims until they are finalised and closed. The percentage for claims handling expenses is 10 per cent (2011 7.5 per cent).

Significant reforms to workers compensation legislation gained assent on 27 June 2012 with some reforms being effective from when the Bill was tabled while other are effective from later dates. Many of the reforms are still in the process of being implemented. Estimating the financial impact of the reforms requires significant actuarial assumptions to be made, which with the passage of time may prove to differ perhaps materially from actual outcomes. This is especially the case as some of these changes will significantly impact claimant and provider behaviour which will take several years to be able to be accurately assessed. As a result at this point in time, there is significant uncertainty in estimating the Financial impact of the reforms.

Accordingly WorkCover in its capacity as acting for the Nominal Insurer decided to adopt a higher probability of adequacy for the Scheme for 2012 of 80 per cent. The consulting actuary has assessed this requires a risk margin of 16 per cent or \$2.0 billion. In 2011 a probability of adequacy of 75 per cent was adopted which the consulting actuary assessed required a risk margin of 12 per cent or \$1.5 billion.

In arriving at this decision on the probability of adequacy required, WorkCover also took into account the special circumstances of the Scheme such as the legislative provisions to set and retrospectively adjust premiums and employers being required to fund any deficit as part of future premiums.

The consulting actuaries state in their certificate that there is inherent uncertainty in any estimate of outstanding claims liabilities. Whilst in their judgement they have employed techniques and assumptions that are appropriate, it should be recognised that future claim development is likely to deviate, perhaps materially, from their estimates. They state that examples of this uncertainty include but are not limited to the likelihood of injured workers lodging claims under the Scheme, the amount of compensation paid and the attitudes of claimants towards settlement of their claims and uncertainty surrounding the impact of the various reforms to Scheme design and operation which have occurred.

Based on the consulting actuaries assessment of the Scheme's exposure to asbestos claims, an explicit provision of \$169 million (2011: \$129 million) for such claims has been included in the overall outstanding claims liability.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 15 Outstanding claims (continued)

Movement in claim liabilities and recoveries

	2012	2011
	\$'000	\$'000
Claims liabilities		
Opening balance	14,737,322	13,152,072
Adjustment arising from changes in:		
• actuarial assumptions	(2,313,277)	829,096
• discount/inflation rates	1,818,698	521,159
• risk margins	458,547	169,848
Expected expenses on 2011/12 claim payments	(175,660)	(174,379)
Claims incurred in current year	2,242,877	2,263,210
Claims payments	(2,153,517)	(2,023,684)
Claims liabilities 30 June 2012	14,614,990	14,737,322

	2012	2011
	\$'000	\$'000
Recoveries		
Opening balance	469,796	490,181
Adjustment arising from changes in:		
• actuarial assumptions	(30,300)	(36,499)
• discount/inflation rates	39,851	21,731
• risk margin	16,769	(2,184)
Recoveries incurred in current year	117,724	106,661
Recoveries received (excluding GST recoveries)	(103,385)	(93,166)
GST recoveries	(29,128)	(16,928)
Recoveries receivable 30 June 2012	481,327	469,796

Claims development

The Scheme provides ongoing weekly benefits to injured workers who are unable to return to pre-injury levels of work up to retirement age, (or if injured after retirement age one year after the date of claim). This results in a significant portion of Scheme liabilities relating to injuries many years in the past that may not be settled for many years.

Under the 2012 reforms the maximum number of years an injured worker who is not seriously injured can remain in weekly benefits is 5 years, with medical benefits to continue for a year after the weekly benefits end. This has resulted in a significant reduction in claims development between years 2 and 9 for 2012.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 15 Outstanding claims (continued)

	2012	2011
	\$'000	\$'000
Outstanding claims liabilities		
• Prior to 10 years ago	6,274,458	6,906,907
• 9 years ago	670,629	1,362,715
• 8 years ago	805,448	1,298,282
• 7 years ago	1,005,629	1,485,350
• 6 years ago	1,066,256	1,751,537
• 5 years ago	1,358,274	1,835,277
• 4 years ago	1,562,707	2,244,526
• 3 years ago	1,755,882	2,517,710
• 2 years ago	2,255,309	2,757,814
• up to 1 year ago	3,265,909	3,975,453
	20,020,501	26,135,571

Core claims liability variables

Claims liability maturity

The maturity profile of the Scheme's claim liabilities are estimated by the consulting actuaries to mature in the following periods

	2012	2011
	\$'000	\$'000
Outstanding claims net of recoveries maturing:		
• within 1 year	2,241,536	2,011,082
• 2 to 5 years	5,655,747	4,919,714
• more than 5 years	6,236,380	7,336,730
	14,133,663	14,267,526

Core claims liability variables

Actuarial analysis performed by the Scheme's consulting actuaries have determined that as the Scheme's benefit structure provides ongoing weekly benefits support to injured workers the core variables that drive the Schemes liabilities are inflation rate for benefits and the discount rate of these liabilities to reflect the earnings on Scheme investments. Income support benefits to injured workers are indexed half yearly while other payments such as medical costs are considered to increase at least in line with inflation.

Under the reforms to workers compensation legislation, weekly benefits are now based on a workers average weekly earnings as opposed to the rate payable under the applicable industrial agreement. Accordingly weekly benefits which were previously indexed in accordance with the Labour Price Index (LPI) are now indexed to the Consumer Price Index (CPI). Other Scheme costs continue to align with movements in LPI.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 15 Outstanding claims (continued)

The following average inflation and discount rates were used in the measurement of outstanding claims:

	2012	2011
	% pa	% pa
For the first succeeding year		
Inflation rate		
– LPI	3.50	4.00
– CPI	2.50	-
Discount rate	2.79	4.76
For subsequent years		
Inflation rate		
– LPI	3.50 – 2.39	4.00 – 3.47
– CPI	2.50 – 1.39	-
Discount rate	2.79 – 4.39	4.8 – 5.72

The weighted average discounted expected term from the balance date to settlement of the outstanding claims is estimated to be 7.4 years (2011: 8.1 years).

Sensitivity analysis

The impact of changes in key variables is summarised in the table below. Sensitivity analysis is conducted by the consulting actuaries on each variable whilst holding all other variables constant.

Variable	Movement in variable	2012 Impact on		2011 Impact on	
		profit/(loss) \$'000	liabilities \$'000	profit/(loss) \$'000	liabilities \$'000
Inflation rate	+1%	(375,023)	375,023	(472,730)	472,730
	-1%	357,631	(357,631)	449,063	(449,063)
Discount rate	+1%	366,389	(366,389)	446,418	(446,418)
	-1%	(391,659)	391,659	(479,992)	479,992

The significant reduction in the impact of a movement in the variable for 2012 is a result of weekly benefit being capped at a maximum of 5 years with a further year of medical benefits from the date of last weekly benefit processed for all claims with a whole person impairment under 20 per cent. However, seriously injured workers and those workers with a whole person impairment of 21 per cent or greater will be exempt from this provision.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 2012

NOTE 16 Reconciliation of surplus/(deficit) for the year to net cash provided by operating activities

	2012	2011
	\$'000	\$'000
Surplus/ (Deficit) from operating activities:	865,943	(780,140)
Expenses/Revenues not involving cash inflows/outflows:		
Bad Debts written off	52,896	27,708
Impairment of trade receivables	(23,303)	7,178
Increase in actuarially assessed claim liabilities	(122,331)	1,585,249
Decrease/(increase) in actuarially assessed recoveries receivable	(11,531)	20,385
Increase/(reduction) in unearned premiums	20,715	15,250
Increase/(decrease) in unexpired risk provision	(24,600)	40,600
Unrealised loss/(gain) on investments	(143,155)	(56,212)
Decrease/(Increase) in operating assets:		
Financial assets	(1,491,673)	(581,231)
Interest and dividends receivable	9,485	43,396
Premiums receivable	(49,504)	(43,588)
Trade debtors and prepayments	15,923	(10,961)
(Decrease)/Increase in operating liabilities:		
Trade and other payables	646,012	(24,523)
Security deposits received	(2,298)	19,403
Collateral from brokers	25,850	(20,150)
Net cash provided by/(used in) operating activities	(231,571)	242,364

NOTE 17 Liability adequacy test

At 30 June 2012 the Scheme has an unearned premium provision of \$398 million (2011: \$377 million). This unearned premium was based on policies on risk during 2011/12 but where the period of coverage extends into 2012/13.

The present value of expected future cash flows for future claims relating to the unearned premium estimated to be \$399 million (2011: \$420 million), with this increasing to \$471 million (2011: \$478 million) once a risk margin of 18 per cent to give a 80 per cent probability of adequacy is added. This is the same probability of adequacy that is used for the Scheme valuation.

Accordingly, the Scheme's consulting actuaries after allowing for unearned premium related to expected future premium adjustments of \$57 million (2011: \$60 million) have advised that the unearned premium provision is not adequate to meet the anticipated claims. Accordingly, they have advised that an additional unexpired risk provision of \$16 million is required to be made by the Scheme. This provision has been made in the financial statements. In 2011 the actuaries determined that an unexpired risk provision of \$41 million was required.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NSW WorkCover Scheme

Notes to and forming part of financial statements for the year ended 30 June 2012

NOTE 18 Commitments

At 30 June 2012 the Scheme has a lease commitment with the State Property Authority.

	2012	2011
	\$'000	\$'000
Within 1 year	613	-
1 to 5 years	1,599	-
more than 5 years	-	-
	2,212	-

As at 30 June 2012 the Scheme was required to contribute \$162 million (2011: \$173 million) to the WorkCover Authority Fund in monthly instalments by 30 June 2013.

As at 30 June 2012 the Scheme was required to contribute \$76 million (2011: \$71 million) to the Workers Compensation Dust Diseases Fund in 12 equal monthly instalments by 30 June 2013.

As at 30 June 2012 the Scheme was required to contribute \$6.8 million (2011: \$5.9 million) to the Mine Safety Levy in four equal quarterly instalments by 30 June 2013.

NOTE 19 Security deposits and bank guarantees

Since 30 June 2009 large employers may apply to have their workers compensation premium calculated under an alternative premium method, called the Retro-Paid Loss Premium Method, provided they meet specified work health and safety, injury management and financial criteria. Under this methodology employers pay a deposit premium for the insured period, with subsequent adjustments made over the next four years to reflect the actual costs of claims incurred plus a contribution to those costs such as very high value claims that are shared across all employers. As the premium is not finalised till five years post the commencement of risk under the policy, the employers are required to lodge a security for the difference between the premium paid to date and the maximum amount of premium the employer may need to pay under the Retro-Paid Loss Premium Method.

Under section 172A of the *Workers Compensation Act 1987*, the Scheme administers security deposits, bank guarantees and securities lodged by employers who elect to participate in the Retro-Paid Loss Premium Method.

As at 30 June, 2012, the Scheme held deposits of \$42 million (2011: \$44 million) and bank guarantees of \$536 million (2011: \$450 million). These deposits are held on trust for the payment of employers potential liability to pay workers compensation premium.

Earnings on funds deposited with the Scheme for this purpose are paid directly to the entity that lodged the Security Deposit.

NOTE 20 Subsequent events

The *Safety, Return to Work and Support Bill 2012* was passed by the NSW Parliament on 22 June 2012 and commenced on the 1 August 2012. The legislation established the Safety, Return to Work and Support Board and abolished the Board of Directors of the WorkCover Authority.

This **Act** also abolished the Workers Compensation Insurance Fund Investment Board which previously determined investment policies of assets within custody of the Insurance Fund and reported to the Minister on the performance of the Insurance Fund. The Safety, Return to Work and Support Board is responsible for determining the investment policies for assets within custody of the Insurance Fund and reporting to the Minister on the investment performance of the Insurance Fund.

End of Audited Financial Statements

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► Appendix 1: Legislation and statutory amendments

Principal legislation administered

Acts

Constitution of WorkCover

Workplace Injury Management and Workers Compensation Act 1998

Work health and safety

Occupational Health and Safety Act 2000 (also administered by the Department of Primary Industries in relation to mines) (repeal effective on 1 January 2012)

Work Health and Safety Act 2011 (the Department of Trade and Investment administers the Act in respect of mining workplaces)

Explosives Act 2003

Rural Workers Accommodation Act 1969

Dangerous Goods (Road and Rail Transport) Act 2008 (jointly administered with the Office of Environment and Heritage).

Workers compensation

Workplace Injury Management and Workers Compensation Act 1998

Workers Compensation Act 1987

Workers' Compensation (Brucellosis) Act 1979 (repeal effective on 8 July 2011)

Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987

Workers' Compensation (Dust Diseases) Act 1942

Workmen's Compensation (Lead Poisoning – Broken Hill) Act 1922 (repeal effective on 6 January 2012)

Associated General Contractors Insurance Company Limited Act 1980

Bishopsgate Insurance Australia Limited Act 1983

The Standard Insurance Company Limited and Certain Other Insurance Companies Act 1963 (repeal effective on 6 July 2012)

Other

Sporting Injuries Insurance Act 1978

Regulations

Occupational Health and Safety Act 2000

Occupational Health and Safety Regulation 2001 (repeal effective on 1 January 2012)

Work Health and Safety Act 2011

Work Health and Safety Regulation 2011

Explosives Act 2003

Explosives Regulation 2005

Workplace Injury Management and Workers Compensation Act 1998 and Workers Compensation Act 1987

Workers Compensation Regulation 2010

Workers Compensation Commission Rules 2011

Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987

Workers Compensation (Bush Fire, Emergency and Rescue Services) Regulation 2007

Workers' Compensation (Dust Diseases) Act 1942

Workers' Compensation (Dust Diseases) Regulation 2008

Sporting Injuries Insurance Act 1978

Sporting Injuries Insurance Regulation 2009

Sporting Injuries Insurance Rule 1997

Changes to acts

Workers Compensation Legislation Amendment Act 2012

The Act received assent on 27 June 2012. Not all provisions have commenced.

Safety, Return to Work and Support Board Act 2012

The Act commenced on 1 August 2012.

Work Health and Safety Legislation Amendment Act 2011

Amended Work Health and Safety Act commenced on 1 January 2012.

Changes to regulations

Work Health and Safety Amendment (Savings) Regulation 2012

Amendments to provide transitional provisions in connection with the *Occupational Health and Safety Act 2000*.

The amendments commenced on 13 January 2012.

New and amending subordinate legislation under the Workers Compensation Act 1987 and the Workplace Injury Management And Workers Compensation Act 1998

Workers Compensation Commission Rules 2011

The rules provide rules for the Workers Compensation Commission.

The Rules commenced on 1 July 2011.

► **Appendix 2: Chief and senior executive performance statements SES5 and above**

Name	Julie Newman
Position and level	A/Chief Executive Officer SES Level 7
Total remuneration package	\$320,651
Performance pay	Nil
Period in position	3 January 2012 to 30 June 2012

Position previously held by Lisa Hunt for period up to 2/2/2012 (TRP: \$377,250)

Highlights

- Oversaw WorkCover's response to Parliamentary Inquiry in to the NSW Workers Compensation Scheme in respect of the Scheme's financial sustainability and performance.
- Provided expert advice to the Minister for Finances and Services on a range of issues across areas within the responsibility of the Compensation Authorities Staff Division.
- Continued to support the implementation of corporate and shared services reform in the Department of Finance and Services and other agencies.
- Strengthened planning, budget, recruitment and audit processes within the Compensation Authorities Staff Division.
- Ensured the delivery of savings targets for the Compensation Authorities Staff Division.

Oversaw the development of strategies for staff engagement and capability development across the Compensation Authorities Staff Division with a focus on improved customer service and performance.

Name	Chris Grogan
Position and level	A/General Manager Investment Division SES Level 5
Total remuneration package	\$231,526
Performance pay	Nil
Period in position	4 July 2011 to 30 June 2012

Highlights

- Investments provided a return of approximately 8 per cent over the financial year.
- Implemented a new team structure to position the Investment Division for the future needs of the organisation.
- Improved exposure to assets to improve the probability that the investment strategy of the Workers Compensation Insurance Fund outperforms the liabilities of the WorkCover Scheme over the longer term.
- Implemented a number of medium term asset allocation decisions that contributed positively to the Workers Compensation Insurance Fund performance.
- Provided investment assistance to the Lifetime Care and Support Authority of NSW and Workers' Compensation (Dust Diseases) Board to improve investment risk and ongoing investment management.
- Nine operational reviews of new and existing WCIF fund manager back and middle office operations to assess capabilities of providers to ensure funds are managed by professional and capable organisations.

Julie Newman
A/Chief Executive Officer

Hon Greg Pearce MLC
Minister for Finance and Services

Name	Carmel Donnelly
Position and level	General Manager Strategy and Performance Division SES Level 5
Total remuneration package	\$285,300
Performance pay	Nil
Period in position	23 May 2011 to 30 June 2012

Highlights

- Ensured high quality and timely advice to the Minister, Parliament and other Government bodies on regulatory and service delivery priorities including the new work health and safety legislation, the Joint Select Parliamentary Committee Inquiry into Workers Compensation, the legislative reform of the Workers Compensation Scheme and national initiatives such as the proposed National Injury Insurance Scheme.
- Provided analytical and communication services to enable identification and communication of the top 10 industries, top five injuries and top five illnesses for NSW and NSW regions and the new Occupational Disease Strategy, as part of the WorkCover strategy to focus on highest risk work health and safety and return to work priorities.
- Successfully delivered the 2011 WorkCover Safety Awards and Safety Show event program and a range of digital and traditional communication channels for WorkCover.
- Delivered business intelligence tools to enable intranet access to key WorkCover data for all staff, analysis tools to provide a single view of employers across a variety of data sources and a prototype performance feedback tool for employers to inform safety and return to work strategies and activities.
- Established the consolidated Customer Service Centre and a strategy to improve complaints and feedback management and the customer experience. Oversaw successful implementation in the Customer Service Centre of the Government Licensing System for WorkCover licences and progressed improvement of the workplace culture within the Customer Service Centre.
- Reviewed and re-aligned the analysis, strategy and innovation capability within WorkCover and established cross-agency strategic planning with the Executive and Senior Management Group of the agencies within the Compensation Authorities Staff Division.

Name	John Watson PSM
Position and level	General Manager Work Health and Safety Division SES Level 5
Total remuneration package	\$285,300
Performance pay	Nil
Period in position	1 April 2004 to 30 June 2012

Highlights

- Managed the delivery of workplace injury prevention strategies designed to maintain a reduction in injury and fatality incident rates in NSW.
- Developed and commenced implementation of risk based targeted work health and safety prevention programs including: 10/5/5, occupational disease, high quality investigation, high consequence low frequency verification programs.
- Realigned the resource allocation and distribution to ensure that WorkCover Work Health and Safety services are delivered efficiently by an agile, flexible and responsive organisation.
- Continued to build the capability of the Work Health and Safety Division to evaluate the impact the prevention programs have on health and safety outcomes in NSW workplaces.
- Represented NSW as a member of Safe Work Australia, providing input and oversight of the national workers compensation and workplace health and safety agendas.
- Chaired the Safe Work Australia Strategic Issues Group – WHS, providing national leadership in the field of work health and safety.
- Chaired of the Heads of Workplace Safety Authorities and driving the development of a harmonised approach to regulating work health and safety across Australia.
- Led the successful the implementation of the national workplace legislation in NSW to ensure WorkCover and its stakeholders were ready to operate under the new national legislative framework upon implementation in January 2012.
- Contributed to the national legislative reform program in relation to explosives, major hazard facilities and mining.
- Managed NSW input in the development of the Australian Work Health and Safety Strategy to ensure that, in consultation with business, NSW input was considered.

Julie Newman
A/Chief Executive Officer

Julie Newman
A/Chief Executive Officer

Name	Geniere Aplin
Position and level	General Manager Workers Compensation Insurance Division SES Level 7
Total remuneration package	\$445,150
Performance pay	Nil
Period in position	8 August 2011 to 30 June 2012
	It should be noted this position was regraded effective 13 February 2012.

- Introduced a new operating model for the Workers Compensation Insurance Division to facilitate the delivery of customer focused services, optimal claims and return to work outcomes for injured workers and competitive insurance pricing for employers in the NSW system.
- Conducted the Injury Management Seminars pilot for a 12 month period to May 2012, as part of WorkCover's Professional Pathways Program to develop the case management capability of NSW workers compensation industry professionals.

Highlights

- Provided submissions and evidence to the Parliamentary Inquiry into the NSW Workers Compensation Scheme in respect of the Scheme's financial sustainability and performance, culminating in the development and passing of workers compensation legislative reforms to address the Scheme's poor performance.
- Implemented initiatives aimed at determining effective, outcomes-based claims management practices across work injury damages claims, severe injury claims and claims greater than three years to facilitate improved injury management and return to employment opportunities for injured workers.
- Funded the placement of 40 specialist resources and technical experts in Scheme Agents for the effective management of severe injury claims and work injury damages claims to facilitate improved claims outcomes for workers and address the increasing liabilities in lump sum damages and medical costs.
- Launched the Premium Estimator Tool to help employers plan for their future by allowing them to test what happens to their workers compensation premiums if they add or change business activities, change staffing levels or have a claim. The Tool recorded over 10,000 users and upwards of 50,000 views as at 30 June 2012.
- Established the Workers Compensation Regulatory Framework Taskforce from February 2012 to review all WorkCover claims management and insurance policy guidelines and instructional material to reduce red tape and deliver optimal practices that are focused on the delivery of improved services and outcomes for employers and injured workers.

Julie Newman
A/Chief Executive Officer

Name	Wayne Weatherbee
Position and level	General Manager Workers Compensation Division – Health Care Strategy SES Level 6
Total remuneration package	\$307,500
Performance pay	Nil
Period in position	8 August 2011 to 30 June 2012

Highlights

- Commenced development of a Health Care strategy with a focus on the management of quality care emphasising evidence based practices linked to outcomes.
- Identified key stakeholder groups and developed stakeholder management plan.
- Represented WorkCover NSW at key national bodies including Heads of Workers Compensation Authorities and SafeWork Australia Strategic Issues Group.
- Reviewed and designed organisational structure to establish a Health Care Strategy Division in line with the new scheme operating model.

Julie Newman
A/Chief Executive Officer

Name	Megan Hancock
Position and level	A/Chief Financial Officer SES Level 6
Total remuneration package	\$268,831
Performance pay	Nil
Period in position	6 February 2012 to 30 June 2012 Position substantively held by Julie Newman, who is A/Chief Executive Officer

Highlights

- Oversaw the implementation of the Government Licensing System within WorkCover.
- Led a strategic review of the information services architecture across all CASD agencies.
- Implemented the recommendations from the Strategic Performance Review undertaken by NSW Treasury as part of the Better Services and Value Plan.
- Commenced the implementation of the recommendations from the TestSafe Australia capability and business review.
- Consolidated and strengthened the provision of financial and information services across all CASD agencies.
- Led a review of business continuity and disaster recovery frameworks and procedures to ensure continuity of service delivery.
- Reviewed and realigned the organisational structure of the information technology and data services branches to improve effectiveness and meet future delivery needs.
- Commenced internal reviews of tool of trade equipment policies to better manage costs and productivity.
- Established shared service customer committee and governance framework.
- Conducted a review of security for all worksites to mediate business risk and enhance personal security of all staff.

Julie Newman
A/Chief Executive Officer

► Appendix 3: Government information (public access)

Government Information (Public Access) Act 2009

WorkCover's Right to Information Unit administers and fulfils WorkCover's obligations under the *Government Information (Public Access) Act 2009* (GIPA Act). In 2011/12 WorkCover reviewed its policy for fees and charges. As of 1 June 2012, WorkCover commenced charging an application fee and, where applicable, processing fees. The change in the policy brings WorkCover into line with most other agencies.

GIPA proactive release program

Under section 7(3) of the GIPA Act, at least every 12 months WorkCover must review its program for the proactive release of government information that is considered to be in the public interest without imposing unreasonable costs to the agency.

During the 2011/12 financial year WorkCover reviewed various documents, including any new information created or received, to identify whether they could be proactively released. The type of information released included work health and safety alerts, management of workers compensation, licensing and legislation.

Many of WorkCover's publications are publicly available and easily accessible on its website. These include forms, publications, codes, guides, manuals, policies and reports, as well as the Insurance Premium Order, Annual Report and Workers Compensation Benefits Guide. These documents can also be accessed by contacting the WorkCover Assistance Service on **13 10 50**. In addition, WorkCover uses its website to provide ready access to current safety alerts, media releases, fact sheets and FAQs. In 2011/12 the site was also used to freely and accessibly release up to date information on the new work health and safety legislation, changes to workers compensation arrangements and updates for high-risk workers.

WorkCover also uses social media outlets, including Facebook and Twitter, to direct members of the public to appropriate links on its website in relation to a range of current work health and safety topics, and in particular new media releases.

In the 2011/12 financial year the majority of access applications related to workplace incidents. Throughout the year the Right to Information Team also looked at which information was repeatedly released and determined whether there was a public interest in making that information publicly available.

As part of its review, WorkCover has identified that during the 2012/13 financial year, it will review all new records created as a result of new work health safety and workers compensation legislation to determine which can be made publicly available. It aims to update its GIPA page on the website to increase the amount of information available, review its Policy Document Register and review its policy for information recorded in its Disclosure Log.

Reporting on formal access applications – GIPA statistics (2011/12)

A total of 910 access applications were received during the 2011/12 reporting period. This includes withdrawn applications but not invalid applications. This total includes formal applications received but not decided during the 2011/12 reporting period.

A total of 18 access applications received during the reporting period were refused – 3 refused in full and 15 refused in part – by WorkCover because the information requested was information referred to in Schedule 1 to the GIPA Act (that is, information for which there is a conclusive presumption of an overriding public interest against disclosure).

Privacy and Personal Information

Privacy and Personal Information Protection Act 1998 (PIPP Act) And

Health Records and Information Privacy Act 2002 (HRIP Act)

In the course of carrying out its functions WorkCover collects, holds, uses and discloses personal and health information about individuals on a daily basis.

The PPIP Act and the HRIP Act deal with how all NSW public sector agencies, including WorkCover, must manage personal and health information.

All personal information held by WorkCover is managed in accordance with NSW privacy legislation. This includes all types of records in any format such as documents (paper and electronic), data in business information systems, verbal decisions and objects (eg photographs, maps, evidence and samples).

Examples of the personal details of individuals with whom WorkCover has contact includes names, dates of birth, residential addresses, contact details, drivers licence details, financial details, bank account details, wage records, work history, medical certificates and health details.

WorkCover staff are guided in the management of personal and health information by its Privacy Management Plan. The Plan can be accessed on WorkCover's web site at workcover.nsw.gov.au. In addition, WorkCover has adopted the Privacy Code of Practice for the NSW Public Sector Workforce Profile that has been prepared by the Office of the Privacy Commissioner.

During the 2011/12 financial year, WorkCover received eight applications under the provisions of Part 5, section 53 of the PIPP Act and five under the provisions of section 21 of the HRIP Act. Of these reviews, four applicants sought further review by the Administrative Decisions Tribunal pursuant to section 55 of the PIPP Act.

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	Total
Media	1	1	0	1	0	0	0	0	3
Members of Parliament	0	0	0	0	0	0	0	0	0
Private sector business	10	84	6	12	1	0	0	4	117
Not for profit organisations or community groups	1	2	0	0	0	0	0	0	3
Members of the public (application by legal representative)	36	177	56	142	1	0	0	13	425
Members of the public (other)	25	93	19	15	3	0	0	8	163
Total	73	357	81	170	5	0	0	25	711

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

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	TOTAL
Personal information applications*	0	2	1	6	0	0	0	0	9
Access applications (other than personal information applications)	29	87	12	22	5	0	0	3	158
Access applications that are partly personal information applications and partly other	44	268	68	142	0	0	0	22	544
Total	73	357	81	170	5	0	0	25	711

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

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	114
Application is for excluded information of the agency (section 43 of the Act)	10
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	124
Invalid applications that subsequently became valid applications	70

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

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	3
Executive Council information	0
Contempt	0
Legal professional privilege	20
Excluded information	10
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

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

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

	Number of occasions when application not successful
Responsible and effective government	71
Law enforcement and security	105
Individual rights, judicial processes and natural justice	300
Business interests of agencies and other persons	128
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0
Total	604

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	279
Decided after 35 days (by agreement with applicant)	35
Not decided within time (deemed refusal)	397
Total	711

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

	Decision varied	Decision upheld	Total
Internal review	7	10	17
Review by Information Commissioner*	1	0	1
Internal review following recommendation under section 93 of Act	1	0	1
Review by ADT	0	0	0
Total	9	10	19

Table H: Applications for review under part 5 of the act (by type of applicant)

	Number of applications for review
Applications by access applicants	19
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

► Appendix 4: Credit card

For the 2011/12 financial year credit card use within workcover was in accordance with premier's memoranda and treasurer's directions.

Credit card use

Credit card use with WorkCover is limited to:

- expenses incurred in connection with travel on official business
- purchases in line with approved WorkCover purchasing policy
- meeting the cost of official out-of-pocket expenses (including certain approved entertainment/hospitality costs) as per the Premier's policy guidelines.

Documenting credit card use

WorkCovers credit card policy is documented, and requires monthly reconciliation of invoices by the cardholder's manager.

► Appendix 5: Response to significant matters raised in the outgoing audit report

To be completed

2011/12	September qtr \$	December qtr \$	March qtr \$	June qtr \$
Current	638,638	182,414	655,199	1,196,828
<30 days overdue	10,339	959,097	130,627	6,833
>30 days and				
<60 days overdue	18,672	0	13,624	34,380
>60 days and				
<90 days	-1,581	-896	-27	-239
90 days and over	-13	-24	-427	0
Total value of accounts paid				
on time	17,467,032	11,283,688	11,960,811	13,791,299
Percentage paid				
on time	97.65%	93.12%	95.41%	92.85%
Total value of accounts paid	17,887,113	12,117,650	12,535,963	14,852,622

► Appendix 6: Account payment performance

Amounts outstanding to suppliers at the end of each quarter of the year

During 2011/12, WorkCover paid \$57.4 million in accounts of which \$54.5 million or 94.96 per cent of the invoices were paid within the vendor's terms. The performance compared favourably to a target of 90 per cent.

During 2011/12 there were no instances of late payments that resulted in interest being applied in accordance with NSW Government policy relating to the payment of small business suppliers.

► Appendix 7: Investment management performance

Reporting period	2011/12	2010/11	2009/10
Workers Compensation:			
Number of employees	1162	1306	1316
Number of claims		75	45
Number of claims per employee		0.06	0.03
Total cost of claims		\$1,121,730	\$618,531
Average claim cost		\$14,956	\$13,745
Average cost per employee		\$859	\$470
Motor vehicles:			
Vehicles(1)	340	340	341
Number of claims	105	121	142
Number of claims per vehicle	0.31	0.36	0.42
Total cost of claims	\$230,575	\$295,319	\$357,980
Average cost per claim	\$2,196	\$2,441	\$2,520
Average cost per vehicle	\$678	\$869	\$1,049
Property:			
Number of claims	11	3	5
Number of claims per employee	0.009	0.002	0.004
Total cost of claims	\$61,338	\$13,450	\$19,637
Average cost per claim	\$5,576	\$4,483	\$3,927
Average cost per employee	\$53	\$11	\$15
Liability:			
Number of claims	Nil	Nil	Nil
Total cost of claims	Nil	Nil	Nil
Average claim	Nil	Nil	Nil
Miscellaneous:			
Number of claims	Nil		Nil
Total cost of claims	Nil		Nil
Average claim	Nil		Nil

WorkCover's investment portfolio is held with the NSW Treasury Corporation. It is invested in medium term growth, long-term growth and cash facilities. At 30 June 2012, the allocation between the facilities was as follows:

Investment type	\$ Million	Percentage of total
Long term growth	32.6	17.21
Medium term growth	98.0	51.74
Cash	58.8	31.05
Total	189.4	100.0

The total investment portfolio value at 30 June 2012 was \$189.4 million, with \$32.6 million allocated to the Long Term Growth Facility, \$98.0 million in the Medium Term Growth Facility and \$58.8 million held as cash. The return for the financial year for each of the facilities was (0.73) per cent for Long Term, 4.28 per cent for Medium Term and 4.90 per cent for cash.

► Appendix 8: Liability management performance

WorkCover NSW also has outstanding workers compensation claims liabilities that arise under, the Insurers' Guarantee Fund, the Bush Fire Fighters and Emergency and Rescue Workers Compensation Funds.

These liabilities are assessed by actuaries and for the last five years were:

Year	Insurers' guarantee fund	Bush fire fighters compensation fund	Emergency and rescue workers compensation fund
	\$m	\$m	\$m
2007/08	80.0	12.5	9.0
2008/09	85.0	14.7	10.4
2009/10	80.9	14.9	14.0
2010/11	89.1	20.7	18.1
2011/12	113.7	16.2	15.7

Funding of the largest liabilities is by insurers' contributions and details of all liabilities are reported in the financial statements each year.

WorkCover NSW does not have any borrowings.

► Appendix 9: Major assets/land – disposals and acquisitions

Disposals					
		2011/12	2010/11	2009/10	2008/09
		\$'000	\$'000	\$'000	\$'000
Location	Item				
Londonderry	Land	700	Nil	Nil	Nil
Acquisitions					
		2011/12	2010/11	2009/10	2008/09
		\$'000	\$'000	\$'000	\$'000
Location	Item				
Gosford head office	Systems to support WHS implementation	955	629		
Londonderry	Office accommodation upgrade		334		
Gosford head office	Upgrade business system technology		650	1,662	
Gosford head office	Information technology hardware upgrade	915	383	1,091	
Oxford street office	Fit out of office			702	
Gosford head office	CDR Metadata workbench			425	
West Gosford	Air-conditioning			201	
Gosford head office	Relocation of reception facilities				1,412
Gosford head office	WorkCover Licensing				1,325
Gosford head office	Internet Redevelopment				970
Wollongong office	Fit out of new office				773
Londonderry	Dynamometer				673
Gosford head office	Pivotal program of works				606
Total		1,870	1,996	4,081	5,759

► Appendix 10: Works in progress

Major computer hardware and software projects	Total cost 30/6/2012 \$m	Cost overrun \$m	Estimated date of completion	Reason for significant delay	Asset/work in progress
Digital Records	0.8		30/09/12		WIP
Gosford Head Office accommodation alterations	0.4		30/04/13		WIP
WCC website redevelopment	0.3		30/09/12		WIP
Total	1.5				

► Appendix 11: Price determination method

As at the reporting date

WorkCover NSW is primarily funded from statutory contributions by the Nominal Insurer and self-insurers. The contribution from the nominal insurer is fixed and the contributions from the self and specialised insurers are based on their premium income and deemed premiums respectively. The amount of contributions is determined annually by the Compensation Authorities Staff Division Finance and Information Services Governance Committee after having regard to the net operating expenses, licensing fees, investment income and other miscellaneous sources of income.

► Appendix 12: Consultants

Consultants equal to or greater than \$50,000

Consultant	Cost \$	Title and Purpose
Mercer (Australia) Pty Ltd	289,293	Asset consultant for the Workers Compensation Insurance Fund
SMS Consulting Group	220,500	CASD Information Technology Strategic Enterprise Architecture Plan
KPMG	176,875	Review TestSafe's commercial market
Evans and Peck Pty Ltd	174,877	CASD Information Technology and Information Management Review
Mercer Investments (Aus) Ltd	96,250	Asset consultant for the Workers Compensation Insurance Fund
Fellows Medlock and Assoc P/L	79,618	TestSafe Capability Review
KPMG Tax Lawyers P/L	60,280	Taxation affairs for WorkCover
Total	1,097,693	

Consultants less than \$50,000

During 2011/12, there were 20 consultancies with individual engagements of less than \$50,000. These engagements were in the following areas:

Consultancy area	Number of engagements	Cost \$
Legal	8	81,853
Accounting Services	3	36,050
Management Services	5	78,666
Information Services	1	9,175
Miscellaneous	3	5,420
Total	20	211,163

► Appendix 13: Overseas travel

OVERSEAS TRAVEL					
July 2011 to June 2012					
Person	Date	Purpose	Cost \$	Recovery \$	Net cost \$
Adrian Rietdijk	August 2011	New Zealand – Quality Audit – Compac Industries, FM Petronics, FM Tait	1,762	0	
Ajay Maira					
	September 2011	India – Audit Govan	316	316	0
John Watson	September 2011	XIX World Congress on Safety and Health at Work, Turkey	9,705	0	9,705
Russell Ashley	November 2011	Brazil – Audit WEG	584	584	0
Kim Boyd	November 2011	Recruitment General Manager Medical Strategy in accordance with SOORT guidelines	5,255	0	5,255
Wayne Weatherbee	November 2011	Recruitment General Manager Medical Strategy in accordance with SOORT guidelines	5,575	0	5,575
Adrian Rietdijk	November 2011	Sth Africa/Singapore/Malaysia – Audits Transvaal Electric Motors, CMG, Novaris	5,049	5,049	0
Adrian Rietdijk	November 2011	New Zealand – Audits – FM Tait, FM Petronics, FM IDP, FM Papinz, FM Metalcraft	2,823	2,823	0
Creagh Moore	January 2012	Final module of the 2010 ANZSOG Executive Masters in Public Administration, New Zealand	1,140	0	1,140
Russell Ashley	February 2012	New Zealand – Audit FM Petronics, FM Tait	995	995	0
James Jing Yi Zhao	March 2012	China/Japan – Audits Elflare, Matsushima	3,865	3,865	0
Adrian Rietdijk	May 2012	New Zealand – Audits FM Bondor Christchurch, FM Petronics, PEC, FM Bondor Auckland	2,285	2,285	0
Ajay Maira	June 2012	Singapore – Audits IECEX Testing Laboratory, Singapore	1,469	1,469	0
Total overseas travel			40,823	19,148	21,675

► Appendix 14: Events that have a significant effect on the succeeding year after the balance date

When the Safety, Return to Work and Support Board Bill was proclaimed the WorkCover Authority Board was replaced by the Safety, Return to Work and Support Board. In addition to the WorkCover Authority this new Board also has oversight of the Motor Accidents Authority and the Lifetime Care and Support Authority.

This Bill also abolished the Sporting Injuries Committee and transferred the assets, rights and liabilities of the Sporting Injuries Committee to the WorkCover Authority.

It also changed the name of the Compensation Authorities Staff Division to the Safety, Return to Work and Support Division. This renamed Government Service Division has responsibility for providing personnel services to the WorkCover Authority.

► Appendix 15: Grants to non government organisations

Small Business Assistance Grants

Organisation	\$ Allocated
Armidale and District BEC Program is specifically targeted at small and micro businesses located in the New England North West region of NSW. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	15,940
Association of Wall and Ceiling Industries Deliver an industry specific WHS training program to wall and ceiling contractors in NSW.	21,800
Australian Industry Group Deliver interactive workshops to small businesses in collaboration with WorkCover across metropolitan and regional NSW.	35,416
Bellingen Chamber of Commerce Deliver training sessions for small businesses in Dorrigo, Urunga, Sawtell, Coffs Harbour and Bellingen.	9,760
Border Division of GPS Deliver training on the WHS laws to GP practices, Allied Health Practices and Specialist Practices in the Albury Wodonga area.	10,200
Broken Hill Enterprise Development Centre Program is specifically targeted at small and micro businesses located Far West NSW. The Program consists of two workshops delivered in partnership with WorkCover.	4,449
Business Growth Centre Program is specifically targeted at small and micro businesses located in the Lake Macquarie area including Charlestown, Belmont, Swansea, Morisset, Cooranbong, Toronto, Glendale, Cardiff and Warners Bay. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover	16,640
Caravan and Camping Touring Industry Association Deliver on site WHS training workshops to owners and operators of tourist parks, manufactured home villages and trade members including manufacturers and service industry.	30,413
Carbonne Orange BEC Program is specifically targeted at small and micro businesses located throughout the Central West of NSW. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover	28,318
Central Coast Business Mentor Program is specifically targeted at small and micro businesses located on the Central Coast of NSW. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	15,924
Child Care NSW Provide online training to members on the WHS legislation.	4,500
Civil Contractors Federation Deliver 13 training sessions across metropolitan and regional NSW to small businesses involved in all aspects of civil construction activities. Program will address WHS legislation and workers compensation laws and obligations.	49,200
Eastern Suburbs BEC Program is specifically targeted at small and micro businesses located in the inner west Eastern Suburbs district. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	17,989
Greater Western Sydney BEC Program is specifically targeted at small and micro businesses located in the Greater Western Sydney area. Program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	17,989
Human Factors and Ergonomics Society of Australia Provide training to ergonomist members who consult in ergonomics and provide WHS advice to NSW small businesses.	13,520
Hunter Business Centre Program is specifically targeted at small and micro businesses located in Newcastle, Port Stephens and Great Lakes Regions. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	20,068

Organisation	\$ Allocated
Hunter Business Chamber Deliver a number of workshops in partnership with WorkCover to a diverse mix of service and product based small business within the Hunter region.	3,139
Hunter Region BEC Program is specifically targeted at small and micro businesses located in the Hunter Valley. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	22,144
Illawarra BEC Program is specifically targeted at small and micro businesses located throughout the Illawarra, Shoalhaven, Far South Coast and Southern Highlands Program consists of a keynote breakfast event and a number of workshops delivered in partnership with WorkCover.	35,207
Liverpool BEC Program is specifically targeted at small and micro businesses located in the Liverpool area of south western Sydney. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	15,940
Macarthur BEC Program is specifically targeted at small and micro businesses located in the Macarthur region of south west Sydney. Program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	15,940
Mandura Hunter Indigenous Business Chamber Working in partnership with the NSW Indigenous Chamber of Commerce to deliver a WHS training program to the NSW Indigenous Business and not for profit sector in regional NSW.	59,200
Master Painters Association Provide training for small business contractors in the painting and decorating industry across metropolitan and regional NSW. Delivery method will be tailored to suit audience and resources will be made available on website for industry.	28,914
Mid North Coast BEC Program is specifically targeted at small and micro businesses located between Coffs Harbour and Taree. Program consists of two keynote breakfast events and a number of three hour workshops delivered in partnership with WorkCover.	30,314
Murray Hume BEC Program is specifically targeted at small and micro businesses located in the Central Murray region of NSW. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover	20,076
National Institute of Painting and Decorating Target group of this program are painting contractors, painters and trainers in the painting industry. Resources that are animations and videos that demonstrate practical ways to implement the WHS legislation will be developed and made available on the industry website.	26,500
National Retail Association Deliver WHS training sessions to small businesses in the general retail and fast food industries in regional NSW.	27,200
Northern Rivers BEC Program is specifically targeted at small and micro businesses located on the Far North Coast of NSW. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	18,008
Northside BEC Program is specifically targeted at small and micro businesses located in the northern suburbs of Sydney. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover..	19,400
Parkes Forbes BEC Program is specifically targeted at small and micro businesses located in the Parkes, Forbes and Orana regions. Program consists of a number of three hour workshops delivered in partnership with WorkCover in Dubbo, Forbes, Parkes, Condobolin, Warren and Coonamble. The project will also target Aboriginal business operators who will be recruited through personal approaches from on staff Aboriginal Enterprise Development Officers.	8,960
Penrith City and District BEC Program is specifically targeted at small and micro businesses located in the Penrith, Blue Mountains and Hawkesbury areas. Program consists of a keynote breakfast event and a number of workshops delivered in partnership with WorkCover.	20,076

Organisation	\$ Allocated
Printing Industries Association Deliver briefings to printing and related industry companies and their employees from small businesses on the implementation of the WHS legislation.	19,070
Queanbeyan BEC Program is specifically targeted at small and micro businesses located in the Southern Inland region of NSW. The program will consist of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	19,042
Regional Safety Health and Environment Group Deliver WHS training as part of the monthly business meetings to small businesses in the Albury Wodonga area, Wagga and other small regional areas.	6,300
Southern Highlands Business Chamber Deliver a series of seminars based on the WHS Act and its implications for Small Business. Training to be delivered in partnership with WorkCover. The seminars will include a generic overview of the Act, and specific seminars focusing on sub contractors/construction; retail, hospitality, manufacturing/non retail small business.	30,000
St George and Sutherland BEC Program is specifically targeted at small and micro businesses located in the St George region, Sutherland Shire and Bankstown. The program consists of a keynote breakfast event and a number of three hour workshops delivered in partnership with WorkCover.	18,008
Timber Trade Industrial Association 110 onsite training sessions with managers, supervisors and WHS personnel in small businesses in the timber industry in Northeast and Central NSW, mid North Coast, Sydney metropolitan, South Coast and Bathurst regions.	49,228
Toronto Chamber of Commerce Deliver a series of WHS seminars in partnership with WorkCover to a wide range of small businesses in the West Lake Macquarie area from Teralba to Wyee and including the Toronto CBD.	5,550
Wagga Wagga BEC Program is specifically targeted at small and micro businesses located in the Riverina region of NSW. Program consists of two keynote breakfast events and a number of workshops delivered in partnership with WorkCover.	28,246
Yfoundations Deliver WHS training to small business/NGO members involved in crisis accommodation and/or social work/case management for at risk young people. Conduct a survey of members regarding typical WorkCover claims and develop a quick reference guide for the industry.	16,980

► Appendix 16: Licensed and self-insurers

Self-insurers

Ausgrid (formerly Energy Australia)	Government of New South Wales (State Transit Authority Division)
Bankstown City Council	Hawkesbury City Council
BOC Limited	Idameneo (No. 789) Ltd**
Campbelltown City Council	Inghams Enterprises Pty Limited
Council of the City of Blacktown	ISS Property Services Pty Limited
Council of the City of Lake Macquarie	Johnson & Johnson Pty Limited *
Council of the City of Newcastle	Liverpool City Council
Council of the City of Sydney	Mars Australia Pty Limited
Council of the City of Wollongong	Pacific National (NSW) Pty Ltd
Delta Electricity	Qantas Airways Limited
Electrolux Home Products Pty Ltd	Rail Corporation New South Wales
Endeavour Energy (formerly Integral Energy Australia)	Rocla Pty Limited
Eraring Energy	Shoalhaven City Council
Fairfield City Council	Southern Meats Pty Limited
Fletcher International Exports Pty Limited	The Star Pty Limited
Gosford City Council	Sutherland Shire Council
Government of New South Wales (Forestry Commission Division)	3M Australia Pty Limited
Toll Pty Limited	University of Wollongong
Transfield Services (Australia) Pty Limited	Veolia Environmental Services (Australia) Pty Limited
TransGrid*	Warringah Council
UGL Rail Services Limited	Westpac Banking Corporation
University of New South Wales	Wyong Shire Council

Group self-insurers

Australia and New Zealand Banking Group Limited	Primary Health Care Ltd
Brambles Industries Limited	McDonald's Australia Holdings Limited
BHP Billiton Limited	Myer Holdings Limited
BlueScope Steel Limited	Northern Co-operative Meat Company Limited
Brickworks Limited	The NSW Self Insurance Corporation
Coles Group Limited	OneSteel Limited
Colin Joss & Co Pty Ltd (INSURER ADDED)	Skilled Group Limited
CSR Limited	Unilever Australia (Holdings) Pty Limited
Holcim (Australia) Holdings Pty Ltd	Woolworths Limited

Specialised insurers

Catholic Church Insurances Limited	North Insurances Pty Ltd
Coal Mines Insurance Pty Ltd	StateCover Mutual Limited
Guild Insurance Limited	Racing NSW
Hotel Employers Mutual Limited	

* Ceased to be a self-insurer at 4pm on 30 June 2012

** Ceased to be a self-insurer at 4pm on 15 December 2011

► Appendix 17: Workcover fast facts

Workcover fast facts

Work health and safety	Results
Number of work related fatalities 2010/11	117
Number of major workplace injuries 2010/11	28,179
Total number of occupational illness claims 2010/2011	8,981
Total number of notices issued by WorkCover Inspectors	11,661
Total number of workplace visits conducted	19,545
Total number of successful work health and safety prosecutions	98
Total amount of fines awarded by the courts for WHS breaches	\$7,922,000
Workers compensation insurance	Results
Number of scheme Agents	7
Number of Self and Specialised Insurers	66
Specialist severe injury claims managers	21
Premiums collected	\$2.5 billion
Premium Estimator users	10,000
Number of new claims 12 months to March 2012	83,321
Number of active claims over three years old at 31 March 2012	32,084
Number of new disputes at Workers Compensation Commission 2011/12	10,618
WCC finalised disputes 2011/12	9,717
Number of employers provided workers compensation protection 2011/12	Approx 267,000
Funds management	Results
Investment fund performance	7.77%
Scheme Funding ratio	78%
People and culture	Results
Number of Aboriginal and Torres Strait Islanders	36
Number of people whose first language was not English	171
Number of people with a disability	87
Number of people with a disability requiring work related adjustment	49
Customer service centre	Results
Information Centre – total number of customer requests	223,027
Claims Assistance Service number of new cases	6,469
Claims Assistance Service resolution rate	86%
Government Information (Public Access) – total number of applications	711

► **Appendix 18: Production notes**

The WorkCover NSW Annual Report 2011/12 is a publicly available document and can be accessed on the WorkCover website workcover.nsw.gov.au.

In accordance with statutory requirements, WorkCover notes that the estimated total external production cost for the 2011/12 Annual Report was \$17,083.00 incl. GST

Project management by WorkCover NSW – Analysis, Strategy and Innovation Branch, Strategy and Performance Division.

Design by Proactive Graphics.

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