



Finance,  
Services &  
Innovation

# **Mine Subsidence Board**

Annual Report

2015-16

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The Hon Dominic Perrottet, MP  
Minister for Finance, Services and Property  
GPO Box 5341  
SYDNEY NSW 2001

Dear Minister

**Mine Subsidence Board Annual Report 2015-2016**

We are pleased to submit the annual report for the Mine Subsidence Board for the year ended 30 June 2016, for presentation to Parliament.

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

Yours sincerely

24.10.2016

**Laura Christie  
Chairperson, MSB**

**Rick Still  
Board Member, MSB**

24.10.2016

# Our Agency

## What we do

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The Mine Subsidence Board (MSB) is responsible for administering the *Mine Subsidence Compensation Act 1961* (the Act). It has three primary functions:

- a) To provide compensation where surface developments are damaged by mine subsidence following extraction of coal or shale in New South Wales
- b) To control surface development within Mine Subsidence Districts (Districts) to minimise liabilities arising from mine subsidence
- c) To manage risk associated with mine subsidence including public awareness of mine subsidence.

## Mission statement

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The MSB seeks to provide compensation for surface improvements adversely impacted by mine subsidence. The MSB also aims to reasonably mitigate damages caused by mine subsidence through regulation of development.

## Access

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The MSB has two public offices, located in Newcastle and Picton. These offices service surrounding areas where there is active or abandoned mining in close proximity to development. Both offices are open to the public between 8:30am and 4:30pm, Monday to Friday.

### MSB office locations

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#### Newcastle

**Address:** 117 Bull Street  
Newcastle West NSW 2302

**Telephone:** (02) 4908 4300

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#### Picton

**Address:** 99 Menangle Street  
Picton NSW 2571

**Telephone:** (02) 4677 1967

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**Website:** [www.subsidence.nsw.gov.au](http://www.subsidence.nsw.gov.au)

**Email:** [mail@minesub.nsw.gov.au](mailto:mail@minesub.nsw.gov.au)

The MSB also provides a 24 hour, free call service for emergency mine subsidence matters.  
**Emergency telephone: 1800 248 083**

# Management and Structure

## Structure of the Board

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The Mine Subsidence Board (The Board) consists of six members:

- the Chairperson who is the Secretary of the Department of Finance, Services and Innovation (DFSI) or a nominee of the Secretary
- a person nominated with appropriate expertise in coal mine operations
- a Colliery Proprietors' nominee
- a representative of Local Government
- a representative of owners of improvements (the community)
- an officer of NSW Public Works who is eligible to be a corporate member of the Institution of Engineers, Australia.

In the exercise of its duties and functions, the Board is subject to the provisions of the NSW Government Boards and Committees Guidelines. Certain duties and functions are delegated to MSB employees through the Act.

## Board members and attendance

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There were notable changes to the Board membership throughout the 2015-16 financial year (the year). On 1 July 2015, Mr Brian Baker, Deputy Secretary of NSW Public Works, was nominated as interim Chairperson. This was followed by the appointment of Ms Laura Christie, Executive Director of the Central Policy Office, on 1 June 2016.

Mr Gary Parker, Chief Inspector of Mines – NSW Department of Industry, was appointed to the Board as the Minister's nominee with expertise in coal mine operations on 28 April 2016.

Mr John Brannon was appointed to the Board as the Colliery Proprietors' nominee on 4 May 2016.

The new appointments to the Board have brought different perspectives to the operations for the MSB. This, together with the knowledge and experience of continuing Board members, positioned the agency well to improve service delivery and drive productivity improvement.

All Board positions were filled as at 30 June 2016.

Board members	Meetings	
	Eligible	Attended
<b>Brian Baker.</b> Chairperson. BE (Civil) (Hons), CPEng July 2015. Term expired May 2016.	10	10
<b>Laura Christie.</b> Chairperson. June 2016. Open term.	1	1
<b>Margaret MacDonald-Hill.</b> Appointed November 2007. Term expires June 2017.	11	10
<b>Peter Hayes.</b> BE (Min), ME (Min), MBA Appointed 2002. Term expired January 2016.	7	7
<b>Daniel Thompson.</b> BAppSc, PHS Appointed October 2014. Term expires October 2017.	11	10
<b>Rick Still.</b> BE (Civil). Appointed November 2014. Term expires November 2017.	11	10
<b>Gary Parker.</b> Appointed April 2016. Term expires April 2017.	2	2
<b>John Brannon.</b> BCom (Econ), MBA Appointed May 2016. Term expires April 2017.	2	2

## Board meetings

The Board met formally on 11 occasions during the year with all meetings held in Newcastle. The Chief Executive Officer (CEO), Manager Finance and Administration, and Executive Assistant also attended the meetings.

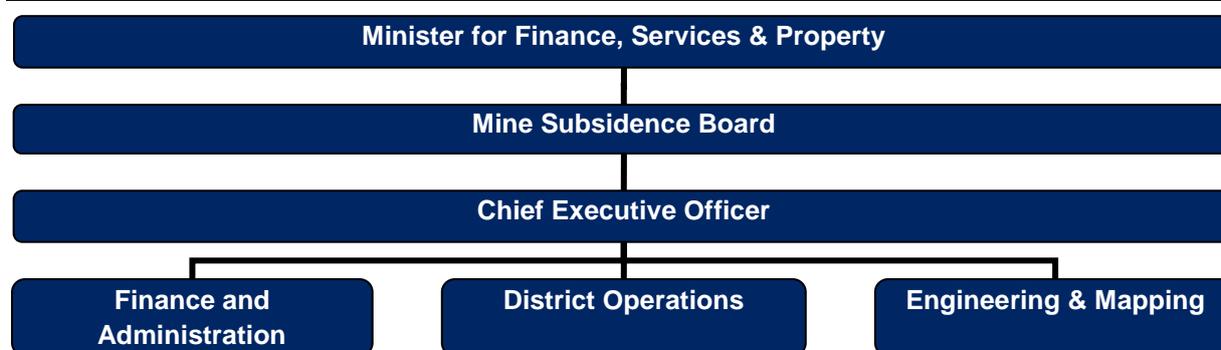
## Senior officers

Name	Role
James Walker (departed May 2016)	Acting Chief Executive Officer
Katherine McInnes (from May 2016)	Chief Executive Officer

On 1 July 2016, Mr James Walker, former Regional Manager NSW Public Works, was appointed as CEO.

In May 2016, Ms Katherine McInnes assumed the role of CEO ahead of Mr Walker's retirement.

## Organisation chart



## Summary review of operations

The year brought significant challenges, change and productivity improvement for the MSB. The need for immediate and significant change was highlighted by ICAC's findings of corruption against a former MSB employee as well as feedback from claimants and developers.

The year commenced with the agency being transferred from the Department of Industry to the Department of Finance, Services & Innovation (DFSI) on 1 July 2015 as part of Machinery of Government changes.

Following MSB's transfer to DFSI, the Secretary of DFSI announced a Review of the Act and the Board's operations (the Review). The Review was still in progress as at 30 June 2016. The Terms of Reference for the review are to ensure that the regulatory framework for mine subsidence in NSW is fair, sustainable and efficiently administered. The Review identified a number of preliminary operational reforms which were implemented during the year. These included a comprehensive review of policies and procedures; delegations; the MSB's operating model; operating offices; and Mine Subsidence Districts.

Changes to the leadership team during the year contributed to improved governance arrangements within the MSB. Mr Baker and Mr Walker's experience within NSW Public Works was instrumental as the MSB commissioned reviews of its procurement and financial

systems following the ICAC inquiry. Other developments included the establishment of an independent Audit and Risk Committee and a comprehensive internal audit. Together, these activities improved processes and governance.

The MSB received a total of 19,783 applications during the year including:

- 268 new claims for compensation;
- 5,988 development applications; and
- 11,544 requests for certificates.

The MSB also responded to 97 emergency mine subsidence calls. These emergencies were all responded to within twenty four hours and safely remediated by the MSB.

## Management and activities

### ICAC Inquiry

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On 23 March 2016, ICAC released its findings following an investigation into the corrupt conduct of a former Picton Office District Manager. This report followed an extensive investigation that commenced in October 2014.

ICAC found that the former employee along with two contractors engaged by the MSB, had engaged in serious corrupt conduct. The employee ceased employment with the MSB in late 2014 shortly after the investigation commenced. The MSB has subsequently lodged a claim with its insurer, Treasury Managed Fund, for the recovery of lost funds.

ICAC made seven corruption prevention recommendations to reduce the risk of recurrent corrupt conduct in the MSB. The MSB fully accepted the corruption prevention recommendations. The MSB has developed an action plan to implement the recommendations.

The action plan was submitted to ICAC on 24 May 2016 and is available on the ICAC website. Significant progress has been made to implement ICAC's recommendations. Actions taken during the year included:

- An independent review of procurement processes.
- A review of procurement procedures to ensure no single employee has end-to-end control of the process.
- Introduction of two new leadership roles to oversee procurement activities and district operations.
- Improved reporting on key metrics to the Board.
- A forensic audit of financial and claims processes carried out by Ernst & Young Pty Ltd.
- Filling of key organisational capability gaps.

## **Procurement Review**

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During the ICAC inquiry, the MSB commissioned NSW Public Works to conduct a review of its procurement processes for construction related works and services. NSW Public Works completed the review on 14 July 2015 making a number of recommendations for the MSB to improve its procurement processes to reduce corruption risks and meet best practice models for service delivery.

A significant aspect of the procurement review was to assess how closely the MSB's procurement procedures aligned with NSW Government procurement policies and procedures. While it was found that the MSB's procurement processes generally aligned with NSW Government policy, some aspects of the system did not conform. The Procurement Review made ten key recommendations for the MSB to improve its processes. The themes of the recommendations were consistent with those made by ICAC in its final report.

In response to the recommendations made by ICAC and NSW Public Works, the MSB made significant changes to its procurement processes. Key improvements included:

- Establishing a procedure for construction tendering and revising the procedure for commissioning urgent work.
- Using the NSW Government eQuote system for lists of prequalified contractors for construction work valued at up to \$1M.
- Creating new management roles to oversee operations and procurement activities.
- Separating the employee evaluating the delivery of works from the employee managing the tender process.
- Requiring scopes of work and associated estimates to be reviewed by an alternate employee before work can proceed.
- Centralising the tenderer selection process to identify trends and ensure consistency.
- Using Request for Tender forms; Tender Evaluation Plans; Procurement Plans; and Code of Conduct for a Tender Process forms for Procurement activities.

These improvements have reduced corruption risks and improved service delivery.

## **Forensic audit of financial processes**

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During the year, the MSB commissioned a forensic audit of its accounts payable, claims and expense systems. The audit followed ICAC's investigation into allegations of corruption against a former MSB employee and sought to identify any further fraud or corruption risks not already identified by ICAC.

Ernst & Young (EY) was engaged to undertake the audit in December 2015, following a competitive tender process. EY completed the audit and provided a final report on its findings in May 2016. The report included 21 recommendations to the MSB for further investigation and improvement.

To ensure the implementation of the recommendations could be effectively tracked, the MSB developed a Forensic Audit Action Plan. The plan identified all actions necessary for the MSB to implement the audit recommendations.

As at 30 June 2016, the MSB had completed three of the 21 recommendations made in the report. These included:

- A review of vendor details
- A review of vendors regularly winning/losing contracts to each other
- A review of high risk vendors and directors.

No further concerns relating to fraud or corruption were identified through these reviews.

## Review of Policies and Procedures

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The MSB undertook a comprehensive review of all policies and procedures during the year to ensure they were relevant, fit for purpose and user-friendly. The need for this activity was highlighted during the Review but was deemed an operational matter that required immediate attention.

A project team, comprising of representatives from both MSB and DFSI, was established to manage this policy review. The project team found that many of the MSB's policies and procedures unnecessarily replicated those of DFSI. As such, the policy review replaced 33 MSB specific policies with DFSI policies.

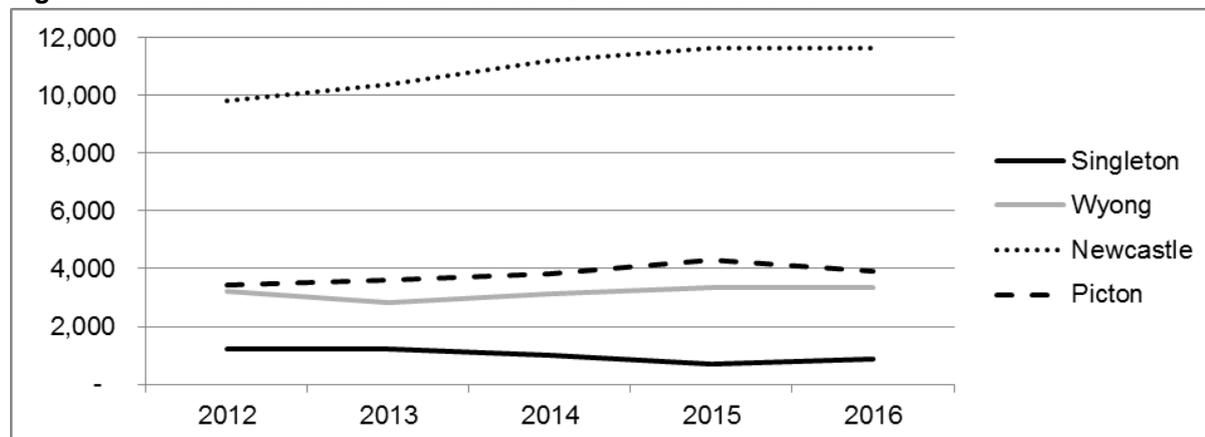
A further 29 policies were identified for review. Updates to these policies were ongoing as at 30 June 2016.

## Office closures

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On 30 June 2016, the MSB permanently closed the Wyong and Singleton offices. The closures followed an assessment of the workflow of each office. This included a review of the volume and complexity of building applications, claims, and construction certificates; as well as the volume of general enquires. A snapshot of the numbers of formal transactions received at MSB offices over time is provided in Figure 1.

**Figure 1. Formal transactions received at MSB offices over time**



It was found that there was increased accessibility to the MSB's principal office in Newcastle following the development of the new Hunter Expressway.

The office closures, with Newcastle based employees continuing to service the Wyong and Singleton regions, will result in administrative savings of over \$300,000 per annum.

## **Review of Mine Subsidence Districts**

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There were 21 Districts proclaimed over 13 Local Government areas in New South Wales as at 30 June 2016. Districts are proclaimed over largely developed areas where there is the potential for mine subsidence to cause damage to buildings and other structures, due to the presence of historical or current mining activity in the area. Districts enable the MSB to mitigate potential mine subsidence damages by regulating development to ensure buildings and other structures are constructed in an appropriate way.

The MSB commenced a complete review of Districts during 2015-16 for the first time in two decades.

The first phase of the review involved developing a set of criteria to assess the requirements for a District. Due to the different risks arising from active and abandoned mining, the MSB developed different criteria for assessing District requirements in these areas.

After applying the criteria, the MSB identified a number of necessary changes to Districts to ensure they were fit for purpose. The MSB consulted with the Department of Industry and the Department of Planning and Environment on the proposed changes and intends to place them on public exhibition.

The review of Districts was still in progress as at 30 June 2016. There were no changes to Districts during the year.

## **Building and Subdivision Applications – Surface Development**

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The MSB assesses surface development and subdivision proposals within Districts to reduce risks arising from mine subsidence damage.

Development on properties within Districts must be approved by the MSB prior to work commencing. The MSB may require applicants to meet a number of conditions as a requirement of any development approval. Approval conditions vary depending on a number of factors including the cost and complexity of the development and the risk of mine subsidence.

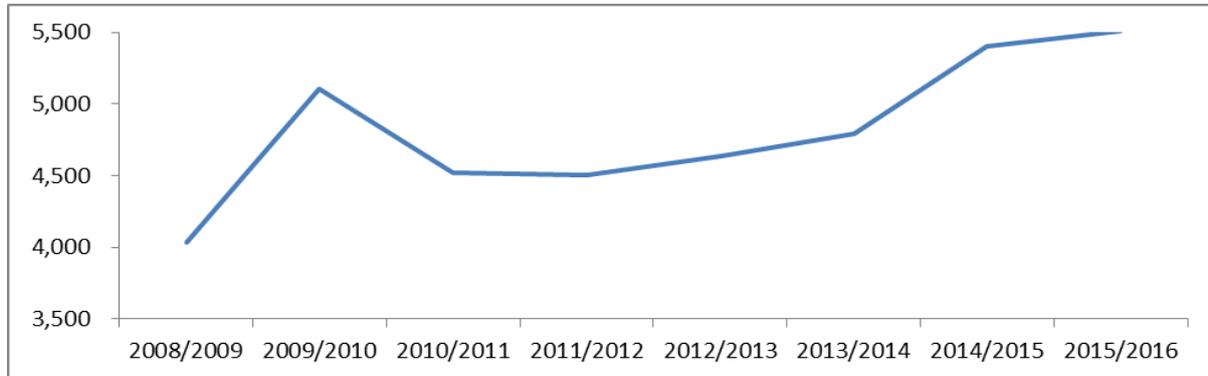
Conditions imposed on major and complex developments can include the need to remove the risk of subsidence or confirm, through geotechnical investigations, that the mine workings are stable over the long-term.

The MSB is an approval authority under the Environmental Planning and Assessment Act. Councils are required to seek general terms of approval from the MSB for development applications submitted under Integrated Development process. The MSB also gives consideration to Draft Local Environmental Plans for concurrence or objection as required by the Environmental Planning and Assessment Act.

## Overview of building applications received during 2015-16

The volume of applications received has steadily increased since 2012. During the year, the number of applications received increased by 102, just over 2% from the previous period. This increase is consistent with previous years and is not considered significant. Refer to Figure 2.

**Figure 2 Number of building applications received over time**



## Certificates

The MSB provides protection for home buyers within Districts by providing certificates under Section 15 of the Act.

A Section 15B Certificate certifies that the requirements of the Act relating to the improvements or subdivisions have been complied with. The certificate is effectively an assurance that compensation will be paid in the event of mine subsidence damage to a property.

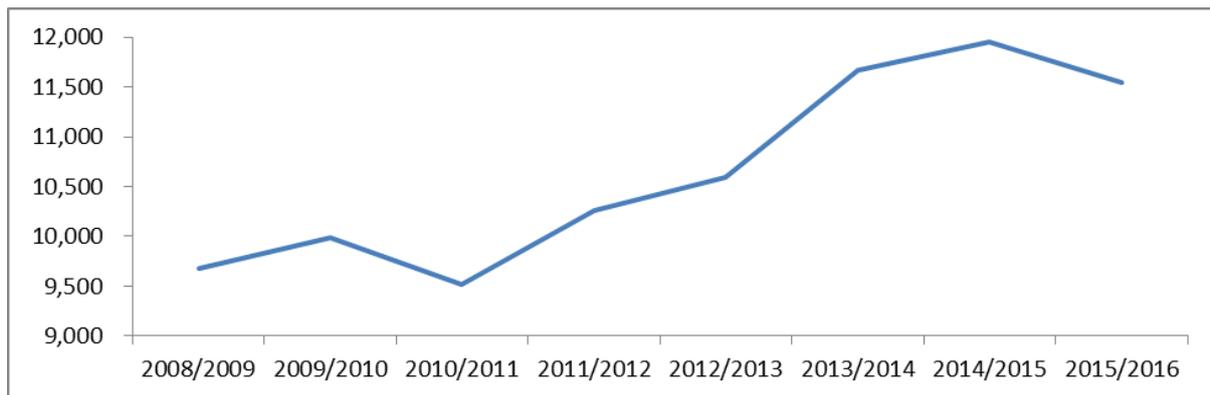
A Section 15C Certificate certifies whether or not a mine subsidence damages claim has been approved.

The MSB encourages prospective purchasers within Districts to apply for a certificate to better understand the property's history in relation to mine subsidence. Many financial institutions will require a Section 15B Certificate as a condition of providing mortgage funds.

## Overview of certificate applications during 2015-16

The MSB received a total of 11,544 certificate applications during the year. This is a slight decrease from 2014-15 which was preceded by four years of steady increases in the number of certificate applications received. Despite this, the fall in applications represented a decrease of 248, less than 3%. Refer to Figure 3.

**Figure 3 Number of certificate applications received over time**



## Compensation

The MSB provides compensation where surface developments are damaged by mine subsidence following the extraction of coal or shale. Properties are eligible for compensation provided that, if located within a District, the improvements have been constructed in accordance with the MSB's approval, or existed prior to proclamation of the District.

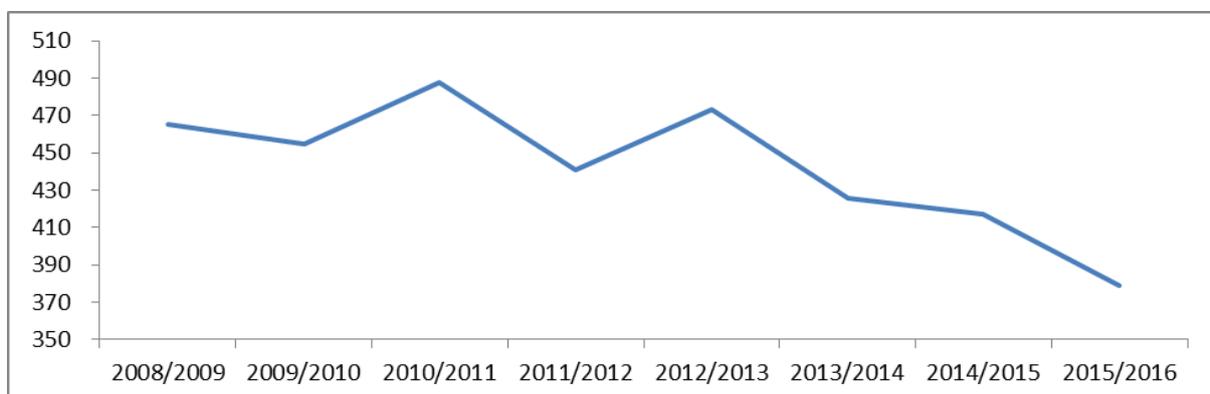
The owners of buildings and other structures that are damaged by mine subsidence can lodge claims for compensation with the MSB. The MSB then assesses the damage to determine appropriate compensation.

### Overview of claims during 2015-16

There was a steady fall in the number of new claims received following a peak during the 2012-13 period. There was a decrease of 148 (35.73%) new claims received during the year. Refer Figure 4.

The MSB identified that approximately 200 longstanding claims remained unresolved during the year. The Board deemed this finding to be unacceptable and a review of the MSB's operating model and resources was underway as at 30 June 2016 to ensure there were sufficient resources in place to address this backlog.

**Figure 4 Number of claims received over time**



Major infrastructure claims managed during the year included:

- Australian Rail Tack Corporation assets including the Main Southern Rail line, culverts and over-bridges.
- M1 Motorway, near Killingworth (F3 Freeway)
- M31 Freeway (Hume Highway)
- Roberts Circuit & McCubbin Way, Lambton
- Brooks Point Road, near Appin
- John Renshaw Drive & Blackhill Road, Blackhill

The MSB provided approximately \$8m in compensation to remediate mine subsidence damages to the above infrastructure during the year.

## **Emergency subsidence potholes**

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Safety is the highest priority for the MSB. A 24 hour emergency hotline is available for to the public to report danger arising from mine subsidence. All reports made to this hotline must be responded to within twenty four hours.

These emergency events generally involve potholes caused by abandoned shallow mine workings. These potholes can present a significant safety risk to the community.

The MSB attended to 97 elimination of danger reports during 2015-16. Most reports were safely remediated by securing the site and filling the pothole with low-strength concrete.

## **Public Awareness**

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One of the MSB's core functions is to manage mine subsidence risks through public awareness.

Throughout the year, a number of platforms were used to increase public awareness of mine subsidence and the role and services of the MSB including advertising through local television, radio, and newspapers.

The MSB also participated in interactive displays at the Newcastle Home Show and the Home Ideas Open Day. These forums provided the MSB with the opportunity to increase awareness of both mine subsidence risks and the functions of the Board, including its elimination of danger service.

Safety awareness of mine subsidence is promoted amongst children through the MSB's mascot 'Maurie Mole'. Maurie Mole made public appearances at the Newcastle Home Show and the Hunter Region Botanic Gardens during the year.

Complementary publications that were available to the public via the MSB website during the year, included:

- Mine Subsidence: A Community Guide
- Buying Property and Building in a Mine Subsidence District
- Guide to Designing for Mine Subsidence
- Designing for 'Pothole' Subsidence
- Claiming for Mine Subsidence Damage
- Mine Subsidence Claims: Appeal Rights and Review Procedures
- Guarantee of Service
- A Guide for Council Staff
- Residential Pavement repairs

## Corporate Performance

MSB's Key Performance Indicators (KPIs) relate to its core service areas of surface development, claims, elimination of danger, and the issuing of Section 15 Certificates.

### Performance Indicators 2015 / 2016

Services	Number Processed	Performance Measure	Target	2015 / 2016	2014 / 2015	2013 / 2014
<b>Subdivisions</b>	481		95%	81%*	92%	95%
<b>15B Certificates</b>	9,561	Processed within 5 working days	95%	95%	97%	97%
<b>15C Certificates</b>	1,983		95%	93%	96%	99%
<b>Building Applications</b>	5,507		95%	94%	96%	96%
<b>Claims</b>	268	Claims determined within 30 working days	85%	-**	91%	94%
<b>Elimination of Danger</b>	97	Danger eliminated within 24 hours	100%	100%	99%	100%

\*The MSB revised its approach to subdivision applications during the year to include greater analysis of impacts and consultation with collieries. The new process extends the time required to process subdivision applications. Therefore, the performance measure target is to be reviewed.

\*\*The MSB identified issues with the integrity of claims data during the year and is unable to accurately report on the number of claims determined within 30 days.

### Number of Transactions per Office 2015 / 2016

Transaction Type	Newcastle	Picton	Singleton	Wyong	Total
<b>Building Applications</b>					
2015/2016	2,901	1,473	99	1,034	<b>5,507</b>
2014/2015	2,873	1,651	103	778	<b>5,405</b>
<b>Subdivisions</b>					
2015/2016	310	100	12	59	<b>481</b>
2014/2015	263	120	11	34	<b>428</b>
<b>Certificates 15B</b>					
2015/2016	6,095	1,316	384	1,766	<b>9,561</b>
2014/2015	6,244	1,466	140	1,944	<b>9,794</b>
<b>Certificates 15C</b>					
2015/2016	1,039	474	186	284	<b>1,983</b>
2014/2015	1,036	466	140	356	<b>1,998</b>
<b>Claims</b>					
2015/2016	164	74	14	16	<b>268</b>
2014/2015	281	84	37	15	<b>417</b>
<b>Elimination of Danger</b>					
2015/2016	78	0	18	1	<b>97</b>
2014/2015	65	0	31	0	<b>96</b>

## Research and Development

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The MSB participates in research and development programs to increase knowledge relating to mine subsidence to meet the future needs of both the community and industry.

### Completed activities

MSB employees completed two case studies on major mine subsidence events as part of their regular work activities during the reporting period. Detail on these activities is provided below.

#### 1. Case Study: Non-systematic mine subsidence impacts to the M1 Freeway

This event is an example of non-systematic mine subsidence impacting a critical piece of infrastructure. It was considered important to understand the mechanisms of non-systematic subsidence including failure of the motorway, characteristic impacts to roadways, and a comparison of the expected and observed ground movements.

#### Background

On 3 July 2003, cracking and buckling occurred on the M1 Pacific Motorway due to mine subsidence caused by the coal extraction at the West Wallsend Colliery. Approximately 260mm of uplift was recorded on the southbound carriageway with extensive damage to pavement, drainage and batter structures.

#### Findings

The event occurred after approximately 20% of LW28 had been extracted, allowing sufficient modification to the lateral regional stress field to occur, and a stress concentration to develop within the motorway cutting leading to the compressive uplift of the pavement. The notch-effect associated with valley related movements is also expected to contribute substantially to the magnitude of the induced stress concentration.

The MSB found that the damage to the road was exacerbated by the use of continuously reinforced pavement construction which does not accommodate ground movements as well as flexible pavements such as asphalt. Rigid pavements are susceptible to buckling and stepping failure under excessive compressive strains and cracking under tensile strains. Furthermore, the movement of the rigid pavement was susceptible to creating voids within the pavement structure, giving rise to increased deformation and deterioration of the pavement materials.

The subsidence modelling provided unreliable predictions compared with the observed movement. The modelling had provided accurate results for previous longwalls where only systematic movements were present. However, for the cutting and motorway, non-systematic subsidence and movements were expected to be minimal, and consequently were not modelled. In retrospect, the cutting represents a significant risk for non-systematic subsidence such as valley related movements and the notch-effect. Further analysis and appropriate modelling should have been applied.

Ultimately, caution should be emphasized when managing coal extraction in the vicinity of infrastructure cuttings, with a similar event occurring on the F6 Freeway at Coalcliff in the 1970's due to severe lateral compressive thrust.

## **2. Case Study: Mine subsidence pothole at Pelaw Main**

Pothole subsidence can present significant safety risks for the public. MSB employees undertook a case study of a significant mine subsidence pothole event.

### **Background**

On 3 May 2015, a large mine subsidence pothole was identified on bushland in Pelaw Main and reported to the MSB's emergency hotline. The pothole measured 15 metres in diameter and 32 metres in depth. It was identified after an East Coast Low pressure system wet weather event with a recorded 275 mm of rainfall.

The pothole was located on crown land adjacent to the Richmond Vale Railway line and a remnant colliery dam associated with the old Pelaw Main Colliery, at an intersection of a colliery access heading and a significant dyke.

### **Findings**

The MSB found that the pothole occurred due to surface water leaking into the mine workings through existing erosion holes in the land surface. These leaks were exacerbated by recent flooding and inadequately sized drainage culverts which were blocked with debris. The leaks caused the erosion of the existing holes to rapidly continue until there was a complete collapse of the mine workings resulting in the pothole.

The aim of the remediation works was to safely fill the pothole void with the requirements that the fill material would not erode or wash away into the headings below. It was also necessary to maintain drainage in the base of the void to prevent the potential for water pooling on the up-dip side of the plug.

To meet the remediation work requirements, the MSB plugged the exposed mine workings with approximately 1,200 tons of large rock allowing drainage to be maintained in the base of the void. Following this, 100m<sup>3</sup> of concrete was pumped onto the rock material to cover and seal the area. The remainder of the hole was then filled with approximately 5,000 tons of unprocessed fill which was compacted and mounded over the subsidence area. The MSB successfully completed rectification works to the pothole in February 2016.

## **Projects underway at 30 June 2016**

### **Case Study: Lambton Gardens mine subsidence**

A case study on a significant mine subsidence event at Lambton Gardens was also underway as at 30 June 2016. This case study was developed in consultation with Douglas Partners and Tandem Consulting Engineers. The case study is comprised of two parts being a Geotechnical Study of the Mine Subsidence Event and a Forensic Study of Building Damage. The objectives of this research project are to:

- Document the mine subsidence event and behaviour of building damage
- Analyse and comment on the likely structural cause of building damage
- Compare the performance of building types due to mine subsidence.

The findings of this study will be the subject of future Annual Reports.

Detailed findings of these research and development activities will be published in the future.

## Risk management and insurance activities

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The MSB is insured with the NSW Treasury Managed Fund. This insurance covers public liability, motor vehicles, property, workers compensation, fidelity guarantee, burglary, fire and miscellaneous.

## Internal audit and risk management policy attestation

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### Internal Audit and Risk Management Attestation Statement for the 2015-2016 Financial Year for Mine Subsidence Board

I, Laura Christie, Chairperson, am of the opinion that the Mine Subsidence Board has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

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

## **Membership**

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

- Carol Holley, Independent Chair, from 2 December 2015 to 1 December 2020;
- Dianne Hill, Independent Member, from 1 February 2016 to 31 January 2019;
- Mark O'Sullivan, Independent Member, from 25 January 2016 to 24 January 2018;
- Bruce Turner AM, Independent Member, from 22 January 2016 to 21 January 2019.

The previous Audit and Risk Committee was disbanded with effect from 20 November 2015.

This Audit and Risk Committee has been established under a Treasury approved shared arrangement with the following departments/statutory bodies:

- Department of Finance, Services and Innovation
- Rental Bond Board
- Fair Trading Administration Corporation
- NSW Government Telecommunications Authority
- State Records Authority



Laura Christie  
Chairperson  
Mine Subsidence Board

Date: 24/10/16

## **Digital information security policy attestation**

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### **Digital Information Security Annual Attestation Statement for the 2015-2016 Financial Year for the Mine Subsidence Board**

I, Laura Christie, am of the opinion that the Mine Subsidence Board had an Information Security Management System in place during the 2015-2016 financial year that is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

The controls in place to mitigate identified risks to the digital information and digital information systems of the Mine Subsidence Board are adequate.

There is no agency under the control of the Mine Subsidence Board which is required to develop an independent ISMS in accordance with the *NSW Government Digital Information Security Policy*.



Laura Christie  
Chairperson  
Mine Subsidence Board

## Legal Change

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There were no legislative changes made during the year.

## Land disposal

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The MSB did not dispose of any land greater than \$5 million in value during 2015-2016. Documents relating to land disposal can be obtained under the *Government Information (Public Access) Act 2009*.

## Human Resources

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There were 29 full-time employees of DFSI and an additional 8 temporary staff employed through casual labour working at the MSB at 30 June 2016.

**Table 1 Number of full-time employees over time**

Number of full-time employees working at MSB over time		
2013-14	2014-2015	2015-16
28	20	29

Staff working at the MSB were employed by DFSI during the reporting period and as such were subject to all of its employment conditions. For information related to personnel and industrial relations policies and practices, please refer to DFSI's 2015-16 Annual Report.

There were no exceptional movements in wages, salaries or allowances for employees of DFSI working at the MSB during the year

## Credit card certification

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As required by Treasury Policy paper TPP 05-1 Credit Card Use Best Practice Guide, the Secretary of DFSI has certified that credit card use in the Mine Subsidence Board during 2015/16 has been in accordance with Premier's Memoranda and Treasurer's Directions.

## Payment of Accounts

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The MSB paid \$16,539,314 worth of accounts via 1,823 invoices during the year. Of these, 98.46% were paid on time, the balance being either invoices in dispute or instances where the original invoices were not received.

## Time for Payment of Accounts

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The MSB had no invoices overdue for more than 60 days and paid no penalty interest during the year.

## Investment Performance

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Investment performance was monitored monthly through comparison of key performance indicators, such as portfolio average maturity, average portfolio volatility, maturity dissection and accrued capital profit or loss during the reporting year. MSB's investment portfolio was managed by AMP during the year. As at 30 June 2016, the portfolio returned 4.85% compared to the Treasury Corporation Strategic Cash benchmark of 2.57%.

## Consultants

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The total amounts paid or becoming payable to consultants engaged by the MSB during the financial year was **\$107,377\*** (2015: \$0). A breakdown of this amount is provided in the below table.

**Table 2 Consultant engagements less than \$50,000 during 2015-16**

Name	Project	Cost
Northrop Consulting Engineers	Engineering advice	\$4,050
Ditton Geotechnical Services	Geotechnical analysis	\$8,400
<b>Total</b>	-	<b>\$12,450</b>

**Table 3 Consultant engagements over \$50,000 during 2015-16**

Name	Project	Cost
Ernst & Young	Forensic Audit	\$91,115
Mine Subsidence Engineering Consultants	Technical Analysis Report	\$3,812
<b>Total</b>	-	<b>\$94,927</b>

*\*The MSB also engaged technical consultants as part of the assessment of subsidence claims during the year, however, these costs are expensed under claims within the MSB's financial systems and are therefore not classified as 'consulting' expenses for reporting purposes.*

## Government Information (Public Access) Act 2009

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Applications made under the Government Information (Public Access) Act 2009 involving the Mine Subsidence Board are coordinated centrally within DFSI. Please refer to DFSI's Annual Report for the year for details on any access applications concerning the MSB received during the year.

## Privacy and Personal Information Protection Act (PPIPA)

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The MSB has a Privacy Management Plan which identifies how it complies with the requirements of Privacy and Personal Information Protection Act 1998 (PPIPA). The plan has been submitted to the Privacy Commissioner.

There were no reviews conducted by or on behalf of the MSB under Part 5 of the PPIPA during the reporting period.

## Public Interest Disclosures

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As staff were employees of DFSI, the MSB adopted the Department's Public Interest Disclosures Reporting Policy and Procedure during the reporting period. Please refer to DFSI's 2015-16 Annual Report for details on actions taken to ensure staff awareness of responsibilities under s6E (1)(B) of the Public Interest Disclosures Act 1994

No public officials made a Public Interest Disclosure to the MSB during the reporting period. The MSB did not receive or finalise any Public Interest Disclosures during the year.

## **Nil to report**

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The MSB had nil to report on the following statutory requirements during the year:

- Promotion
- Disclosure of Controlled Entities
- Disclosure of Subsidiaries
- Funds granted to non-government community organisations
- Agreements with Multicultural NSW
- Numbers and remuneration of senior executives
- Implementation of Price Determination
- Liability management performance
- Consumer Response
- Economic or other factors affecting achievement of operational objectives

## **Exemptions from the Reporting Provisions**

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As a small statutory body, the MSB is only required to report on a triennial basis in relation to:

- Multicultural policies and services program
- Work Health & Safety
- Disability inclusion action plans
- Workforce diversity

## **Events after the reporting period**

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In February 2016, the Secretary announced that DFSI was undertaking a Review of the *Mine Subsidence Compensation Act 1961* (the Act) to explore opportunities to streamline the operations and improve the governance of the MSB. A key focus of the Review was to ensure that, looking forward, the mine subsidence compensation scheme is as fair, sustainable, effective and efficient as possible. The outcomes of the Review had not yet been agreed by Government at the time this report was prepared.

## Budget

### BUDGETED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2016

	Notes	Budget 2015/16 \$	Budget 2016/17 \$	Budget 2017/18 \$
<b>INCOME</b>				
Contributions from Colliery Proprietors		22,330,000	22,664,950	23,004,924
Interest on Investments		3,700,000	3,600,000	3,500,000
Miscellaneous		621,760	639,820	658,422
Profit on Realisation of Investments		600,000	500,000	400,000
Gain\Loss on Revaluation		(700,000)	(700,000)	(700,000)
Proceeds on Sale of Non-Recurrent Assets		10,000	10,000	10,000
<b>Totals</b>		<b>26,561,760</b>	<b>26,714,770</b>	<b>26,873,346</b>
<b>EXPENDITURE</b>				
Elimination of Danger		761,250	772,669	784,259
Claims:		16,000,000	16,240,000	16,483,600
Preventative Works		1,522,500	1,545,338	1,568,518
<b>Totals</b>		<b>18,283,750</b>	<b>18,558,006</b>	<b>18,836,376</b>
Other Expenses				
Salaries & Associated Charges		3,676,082	3,786,365	3,987,956
Employer Contribution to Superannuation		480,000	494,400	509,232
Fees for Services Rendered		1,623,000	1,620,190	1,668,796
Board Fees & Entertainment		46,100	46,100	46,100
Audit Fee		42,400	42,400	42,400
Printing, Stores & Stationery		249,500	256,985	264,695
Rent		287,000	295,610	304,478
Other Expenses		779,350	802,731	826,812
Depreciation		140,000	144,200	148,526
Bad Debts		0	0	0
Written Down Value Asset Disposal		0	0	0
Long Service Leave Expense		80,728	83,150	85,644
Annual Leave Expense		295,699	304,570	313,707
<b>Totals</b>		<b>7,699,859</b>	<b>7,876,700</b>	<b>8,198,346</b>
<b>TOTAL EXPENDITURE</b>		<b>25,983,609</b>	<b>26,434,706</b>	<b>27,034,722</b>
OPERATING RESULT - Surplus/(Deficit)		<b>578,151</b>	<b>280,064</b>	<b>(161,376)</b>
RETAINED EARNINGS AT BEGINNING OF YEAR		<b>85,729,033</b>	<b>86,307,184</b>	<b>86,587,248</b>
RETAINED EARNINGS AT END OF YEAR		<b>86,307,184</b>	<b>86,587,248</b>	<b>86,425,872</b>

**Mine Subsidence Board**  
**Annual Financial Statements**  
for the year ended 30 June 2016

**Mine Subsidence Board  
Financial Statements for the year ended 30 June 2016**

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## INDEPENDENT AUDITOR'S REPORT

### Mine Subsidence Board

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the Mine Subsidence Board (the Board), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Mine Subsidence Board as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

### Basis for Opinion

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

I am independent of the Mine Subsidence Board in accordance with the auditor independence requirements of:

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

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

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

## **The Board's Responsibility for the Financial Statements**

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

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

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

My objectives are to:

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

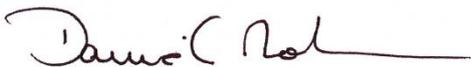
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate,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

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

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Mine Subsidence Board carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



David Nolan  
Director, Financial Audit Services

8 November 2016  
SYDNEY

**Mine Subsidence Board  
Financial Statements for the year ended 30 June 2016**

**Statement by members of the Board**

Pursuant to Section 41c (1b) of the Public Finance and Audit Act 1983, and in accordance with a resolution of the Members of the Board that the financial statements be signed by the Chairman and a Board Member and attested in the following terms:

1. In our opinion, the accompanying financial statements and notes thereto present a true and fair view of the financial position of the Mine Subsidence Board as at 30 June 2016 and the results of its operations for the year then ended.
2. The financial statements and notes thereto comply with applicable Australian Accounting Standards, the Public Finance and Audit Act 1983, and the Public Finance and Audit Regulation 2015, and Treasurer's Directions.

As at the date of signing, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Laura Christie  
Chairperson



Rick Still  
Board Member

Signed at Sydney and dated this 24th day of October 2016.

**Mine Subsidence Board**  
**Financial Statements for the year ended 30 June 2016**

**Statement of Comprehensive Income for the year ended 30 June 2016**

	<b>Notes</b>	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
<b>Expenses excluding losses</b>			
Personnel services expense	2(a)	3,916	2,435
Other operating expenses	2(b)	5,183	22,942
Depreciation and amortisation	2(c)	74	120
<b>Total Expenses excluding losses</b>		<b>9,173</b>	<b>25,497</b>
<b>Revenue</b>			
Sale of goods and services	3(a)	523	539
Investment revenue	3(b)	6,072	4,165
Contributions	3(c)	22,330	22,001
Other revenue	3(d)	59	226
<b>Total Revenue</b>		<b>28,984</b>	<b>26,931</b>
<b>Gains / (losses)</b>			
Superannuation actuarial gains / (losses)	4(a)	-	(1,724)
Gain / (loss) on disposal	4(b)	655	15
<b>Total Gains / (losses)</b>		<b>655</b>	<b>(1,709)</b>
<b>Total comprehensive income</b>		<b>20,466</b>	<b>(275)</b>

**Mine Subsidence Board**  
**Financial Statements for the year ended 30 June 2016**

**Statement of Financial Position as at 30 June 2016**

<b>ASSETS</b>	<b>Notes</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Current Assets</b>			
Cash and cash equivalents	6	46,296	56,316
Receivables	7	279	1,010
Financial assets at fair value	8	81,358	58,728
<b>Total Current Assets</b>		<b>127,933</b>	<b>116,054</b>
<b>Non-Current Assets</b>			
Inventories	9	8,784	8,979
Property, plant and equipment	10	252	319
<b>Total Non-Current Assets</b>		<b>9,036</b>	<b>9,298</b>
<b>Total Assets</b>		<b>136,969</b>	<b>125,352</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	11	2,329	875
Provisions	12	18,300	30,092
<b>Total Current Liabilities</b>		<b>20,629</b>	<b>30,967</b>
<b>Non-Current Liabilities</b>			
Provisions	12	13,228	19,049
<b>Total Non-Current Liabilities</b>		<b>13,228</b>	<b>19,049</b>
<b>Total Liabilities</b>		<b>33,857</b>	<b>50,016</b>
<b>Net Assets</b>		<b>103,112</b>	<b>75,336</b>
<b>EQUITY</b>			
Accumulated funds		103,112	75,336
<b>Total Equity</b>		<b>103,112</b>	<b>75,336</b>

**Mine Subsidence Board  
Financial Statements for the year ended 30 June 2016**

**Statement of Changes in Equity for the year ended 30 June 2016**

	Notes	Accumulated Funds \$'000	Total Equity \$'000
Balance at 1 July 2015		75,336	75,336
Profit for the year		20,466	20,466
<b>Total comprehensive income for the year</b>		<b>20,466</b>	<b>20,466</b>
Transactions with owners in their capacity as owners	5	7,310	7,310
<b>Balance at 30 June 2016</b>		<b>103,112</b>	<b>103,112</b>
Balance at 1 July 2014		75,611	75,611
Profit for the year		(275)	(275)
<b>Total comprehensive income for the year</b>		<b>(275)</b>	<b>(275)</b>
<b>Balance at 30 June 2015</b>		<b>75,336</b>	<b>75,336</b>

**Mine Subsidence Board  
Financial Statements for the year ended 30 June 2016**

**Statement of Cash Flows for the year ended 30 June 2016**

	Notes	2016 \$'000	2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Personnel services expense		(3,916)	(2,402)
Purchase of inventories		(515)	(883)
Other		(14,031)	(14,130)
<b>Total Payments</b>		<b>(18,462)</b>	<b>(17,415)</b>
<b>Receipts</b>			
Contributions		23,061	23,991
Sale of inventories		1,440	530
Investment revenue		4,816	3,318
Sale of goods and services		523	539
Other income		34	314
<b>Total Receipts</b>		<b>29,874</b>	<b>28,692</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	13	<b>11,412</b>	<b>11,277</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		135	-
Proceeds from the sale/maturity of investments		154,361	149,517
Purchase of investments		(175,710)	(146,820)
Purchases of land and buildings, plant and equipment and infrastructure systems		(218)	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(21,432)</b>	<b>2,697</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>(10,020)</b>	<b>13,974</b>
Opening cash and cash equivalents		56,316	42,342
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	6	<b>46,296</b>	<b>56,316</b>

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**Notes to the Financial Statements for the year ended 30 June 2016**

**Summary of Significant Accounting Policies**

**a) Reporting Mine Subsidence Board**

The Mine Subsidence Board is a NSW government agency and is a not-for-profit agency. It is responsible for the management of the Mine Subsidence Compensation Fund (the Fund) in accordance with the *Mine Subsidence Compensation Act 1961*. The Mine Subsidence Board is consolidated as part of the NSW Total State Sector Accounts.

**b) Basis of preparation**

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015; and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

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

**c) Statement of compliance**

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

**d) Insurance**

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

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

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

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

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

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

**f) Income recognition**

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

**g) Contributions**

Are generally recognised as revenue when the Mine Subsidence Board obtains the right to receive the contribution. The right to receive colliery contributions is based upon the date that the contributions are gazetted by the Department of Finance, Services and Innovation.

i. Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion.

ii. Investment revenue

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

iii. Sales of Inventory

Surpluses from sales of inventory are offset against claims expenses in the year of sale, to cover write down charges to claims expense in the year of acquisition, in order to recognise the difference between values as if not damaged by subsidence, to value as-is. The Board is of the opinion that any surpluses arising on sale of inventory are due to differences between the initial valuation of the inventory based on an assessment of subsidence damage and subsequent rectification work performed. As the initial difference between purchase price and valuation is taken up as a claim expense, it is felt that any change in this valuation on realisation reflects a variation in claim expenses, not income and thus is more in the nature of a movement in a valuation allowance. Offsetting of assets and valuation allowances is consistent with AASB 101.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**h) Assets**

i. Acquisitions of assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 1(l)).

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

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

ii. Capitalisation thresholds

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

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 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 and AASB 140 Investment Property. Also refer Note 1(i)(xi) on investment property.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 10 for further information regarding fair value.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**h) Assets (cont'd)**

Revaluations shall be made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Mine Subsidence Board conducts a comprehensive revaluation at least every three years for its land and buildings (except infrastructure and land under infrastructure) where the market or income approach is the most appropriate valuation technique and at least every five years for other classes of property, plant and equipment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. The Mine Subsidence Board has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, 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 revaluation surplus, 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 revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

As a not-for-profit Mine Subsidence Board, 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 revaluation surplus in respect of that asset is transferred to accumulated funds.

**iv. Impairment of property, plant and equipment**

As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**h) Assets (cont'd)**

v. Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Mine Subsidence Board.

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

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

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

Class of Fixed Asset	Depreciation Rate
Computer equipment	25%
General plant and equipment	10 - 20%
Motor vehicles	20 - 25%

vi. Loans and receivables

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

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

vii. Inventories

Inventories relate to properties that have been purchased as a result of subsidence claims in accordance with the Mine Subsidence Act 1961. The Mine Subsidence Board's practise is to remediate the effects of the subsidence and then sell the properties after they have been restored to a marketable condition. Any impairment on the purchase price to net market value at balance date is brought to account as a claims expense. Property remediation costs are included in claims expense as and when incurred. Properties held by the Mine Subsidence Board are recorded at the lower of cost or net realizable value.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**h) Assets (cont'd)**

viii. Investments

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

- Fair value through profit or loss - The Board subsequently measures investments classified as 'held for trading' or designated upon initial recognition 'at fair value through profit or loss' at fair value. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Gains or losses on these assets are recognised in the net result for the year.
- Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Mine Subsidence Board has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'. These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.
- Available-for-sale investments - Any investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value. Gains or losses on available-for-sale investments are recognised in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

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

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

ix. 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 Mine Subsidence Board will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows,

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**h) Assets (cont'd)**

discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

When an available-for-sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. However, reversals of impairment losses on an investment in an equity instrument classified as 'available-for-sale' must be made through the revaluation surplus. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

x. Leased assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

xi. 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 Mine Subsidence Board transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the Mine Subsidence Board has not transferred substantially all the risks and rewards, if the Mine Subsidence Board has not retained control.

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

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

**i) Non-current assets (or disposal groups) held for sale**

The Mine Subsidence Board has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs of disposal. These assets are not depreciated while they are classified as held for sale.

i. Other Assets

Other assets are recognised on a historic cost basis.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**j) Liabilities**

i. Payables

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

ii. Employee benefits and other provisions

a) Personnel Services Benefits and Other Payables

The Mine Subsidence Board receives personnel services from the Department of Finance, Services and Innovation. The Department of Finance, Services and Innovation does not control the Mine Subsidence Board under this arrangement (Note 1(a)).

In accordance with NSW Treasury Circular 15/07 "Financial and Annual Reporting Requirements Arising from Personnel Service Arrangements", a liability representing the total amount payable to the Department of Finance, Services and Innovation is recognised in the Statement of Financial Position.

As the Mine Subsidence Board is not an employer, the disclosure requirements of AASB 119 Employee Benefits in respect of employee benefits do not apply. All payments to personnel and related obligations are done in the DFSI name and ABN and are classified as "Personnel Services" costs in these financial statements.

This is a change from previous years where the Mine Subsidence Board directly paid their employee's under their own name and ABN. Under "Machinery of Government" changes that took place on 1 July 2015 the MSB moved to the DFSI cluster and entered into Personnel Service arrangements. The comparative figures under note 2(a) for 2015 have been adjusted to reflect the situation as if a "Personnel Services" arrangement had been in place.

iii. Other Provisions

Provisions are recognised when the Board has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

iv. Claims

A provision is made for subsidence compensation claims when a decision has been made by the Board (or delegate) to accept liability for a claim. The amount is based on repair estimates provided by the Board's technical or engineering staff or experts in that area of work.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**j) Liabilities (cont'd)**

v. Preventative Works

A provision is made for subsidence preventative works when a decision is made by the Board (or delegate) to accept liability for carrying out mitigatory works to reduce the total prospective liability to the Board. The amount is based on estimates provided by the Board's technical or engineering staff or experts in that area of work.

**k) Equity and reserves**

i. Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds. It also includes an Equity transfer amount reflecting the transfer of Defined Benefits Superannuation liability from the Mine Subsidence Board to Treasury effective 1 July 2015.

**l) Comparative information**

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

**m) Changes in accounting policy, including new or revised Australian Accounting Standards**

i. Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have been applied for the first time in 2015-16.

- AASB 2013-9 (Part C), AASB 2014-1 (Part E) and AASB 2014-8 regarding to AASB 9 Financial Instruments
- AASB 2015-3 regarding withdrawal of AASB 1031 Materiality

The standards identified above had no material impact on the Board's financial statements.

ii. Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

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

- AASB 9 and AASB 2014-7 regarding financial instruments;
- AASB 14 and AASB 2014-1 (Part D) regarding Regulatory Deferral Accounts

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**m) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

- AASB 15, AASB 2014-5 and AASB 2015-8 regarding revenue from contracts with customers;
- AASB 2014-4 regarding acceptable methods of depreciation/amortisation;
- AASB 2014-6 regarding bearer plants;
- AASB 2014-9 regarding equity method in separate financial statements;
- AASB 2014-10 and AASB 2015-10 regarding sale or contribution of assets between an investor and its associate or joint venture;
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012- 2014 cycle;
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives;
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception;
- AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities;
- AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities.

It is considered that the adoption of these standards and interpretations in future periods will have no material impact on the Financial Statements of the Mine Subsidence Board.

**n) Taxation Status**

The activities of the Mine Subsidence Board are exempt from tax.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

Notes	2016 \$'000	2015 \$'000
<b>2. Expenses Excluding Losses</b>		
<b>(a) Personnel services expenses</b>		
Salaries and wages (including annual leave)	1,911	1,956
Superannuation – including defined benefit plans	238	(418)
Long service leave	32	(23)
Workers' compensation insurance	7	7
Payroll tax and fringe benefits tax	140	109
Contractors - Contingent Workforce	1,578	788
Board fees	10	16
	<b>3,916</b>	<b>2,435</b>

The Mine Subsidence Board is an entity that does not directly employ staff. DFSI employs staff on behalf of the Board within its personnel services division. Expenses relating to these employees are incurred by the DFSI and reimbursed by the Board on a monthly basis. The above table details the DFSI's employee expenses that are reimbursed by the Board. Refer note 1(j).

The arrangement only came into place under Machinery of Government changes introduced on 1 July 2015. Prior to this time the Board directly paid their staff and incurred employee liabilities. The 2015 comparative figures have been adjusted to reflect the situation as if a personnel services arrangement was in place at the time.

**(b) Other operating expenses include the following:**

Auditor's remuneration - audit of the financial statements	89	80
Advertising	6	1
Consultants	107	-
Contractors	52	56
Fees for services rendered	953	1,255
Bank and legal fees	218	374
Insurance	19	15
Motor vehicle	70	75
Operating lease rental expenses	345	301
Other expenses	65	-
Printing & postage	39	39
Property commissions (Sales and Rental)	12	20
Property expenses	41	46
Recruitment fees	79	-
Stores	58	25
Subsidence claims	6,296	20,455
Subsidence preventative works	(3,496)	(60)
Telephone & utilities	227	251
Travel expenses	3	9
	<b>5,183</b>	<b>22,942</b>

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

Notes	2016 \$'000	2015 \$'000
<b>(c) Depreciation and amortisation expense</b>		
Plant & equipment	9	72
Computer	41	16
Motor Vehicles	24	32
	<u>74</u>	<u>120</u>
<b>3. Revenue</b>		
<b>(a) Sale of goods and services</b>		
Section 15B certificates	471	494
Section 15C certificates	52	45
	<u>523</u>	<u>539</u>
<b>(b) Investment revenue</b>		
Interest revenue from financial assets not at fair value through profit or loss	4,775	3,857
Net gain on financial assets at fair value through profit and loss – held for trading	1,281	286
Rents	16	22
	<u>6,072</u>	<u>4,165</u>
<b>(c) Contributions</b>		
Colliery Contributions	22,330	22,001
	<u>22,330</u>	<u>22,001</u>
<b>(d) Other Revenue</b>		
Interest	41	120
Other miscellaneous income	18	106
	<u>59</u>	<u>226</u>
<b>4a. Superannuation actuarial gains / (losses)</b>		
Net gain/ (loss) on actuarial assessment of defined benefit plan	-	(1,724)
	<u>-</u>	<u>(1,724)</u>
<b>4b. Gain / (loss) on disposal</b>		
Profit on sale of inventory	864	15
Loss on revaluation/(writeback on revaluation)	-	-
Gain / (Loss) on disposal of Property, Plant and Equipment	(209)	-
	<u>655</u>	<u>15</u>
<b>5. Equity transfer</b>		
Crown acceptance of employee liability	7,310	-
	<u>7,310</u>	<u>-</u>

On 1 July 2015 the Mine Subsidence Board's Defined Benefits Superannuation liability was transferred to NSW Treasury resulting in an equity transfer of \$7.3m. Prior to this time the Board directly paid their staff and incurred employee liabilities.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

	<b>2016</b>	<b>2015</b>
<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>6. Current Assets – Cash and Cash Equivalents</b>		
Cash at bank and on hand	2,821	9,513
Short-term deposits	43,475	46,803
	<b>46,296</b>	<b>56,316</b>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.

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

Cash and cash equivalents (per statement of financial position)	46,296	56,316
<b>Closing cash and cash equivalents (per statement of cash flows)</b>	<b>46,296</b>	<b>56,316</b>

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

**7. Current Receivables**

Receivables - Colliery Contributions	54	866
Less: Allowance for impairment	-	-
GST refundable	195	144
Prepayments	30	-
	<b>279</b>	<b>1,010</b>

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

**8. Current Assets – Financial Assets at Fair Value**

Derivatives	15 (a)	199	37
Investments held for trading at fair value through profit or loss	8 (a), 15 (a)	81,159	58,691
		<b>81,358</b>	<b>58,728</b>

**(a) Held for trading at fair value through statement of profit or loss comprise:**

Government & semi government bonds (fixed interest)	55,203	36,163
Corporate bonds – listed entities (fixed interest)	25,956	22,528
Bank bills and Floating Rate Notes	-	-
	<b>81,159</b>	<b>58,691</b>

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

**9. Non-Current Assets - Inventories**

Properties held for resale at net realisable value	8,784	8,979
	<b>8,784</b>	<b>8,979</b>

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**10. Non-Current Assets – Property, Plant and Equipment**

	<b>Computer Equipment</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>At 1 July 2015 – fair value</b>				
Gross carrying amount	895	562	374	1,831
Accumulated depreciation	(840)	(551)	(121)	(1,512)
Net carrying amount	55	11	253	319
<b>At 30 June 2016 – fair value</b>				
Gross carrying amount	860	508	262	1,630
Accumulated depreciation	(849)	(505)	(24)	(1,378)
Net carrying amount	11	3	238	252

**Reconciliation**

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

	<b>Computer Equipment</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>Period ended 30 June 2016</b>				
Net carrying amount at start of year	55	11	253	319
Additions	-	-	217	217
Disposals	(1)	-	(209)	(210)
Depreciation expense	(43)	(8)	(23)	(74)
Net carrying amount at end of year	11	3	238	252

	<b>Computer Equipment</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>At 1 July 2014 – fair value</b>				
Gross carrying amount	895	562	374	1,831
Accumulated depreciation	(768)	(535)	(89)	(1,392)
Net carrying amount	127	27	285	439

**At 30 June 2015 – fair value**

Gross carrying amount	895	562	374	1,831
Accumulated depreciation	(840)	(551)	(121)	(1,512)
Net carrying amount	55	11	253	319

**Reconciliation**

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

	<b>Computer Equipment</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>Period ended 30 June 2015</b>				
Net carrying amount at start of year	127	27	285	439
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(72)	(16)	(32)	(120)
Net carrying amount at end of year	55	11	253	319

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>11. Current Liabilities - Payables</b>		
Accrued personnel services expense	1,658	-
Trade creditors and accrued expenses	671	816
Employee related services payable	-	59
	2,329	875

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

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>12. Current / Non-Current Liabilities - Provisions</b>		
<b>Current Employee benefits and related on-costs</b>		
Annual leave	-	230
Long service leave – current	-	932
Defined Benefit Superannuation Scheme	-	7,310
	-	8,472
<b>Current Other Provisions</b>		
Claims	18,300	20,120
Preventative works	-	1,500
	18,300	21,620
<b>Total Current Provisions</b>	18,300	30,092
<b>Non-Current Employee benefits and related on-costs</b>		
Long service leave - non-current	-	15
	-	15
<b>Non-Current Other Provisions</b>		
Claims	13,228	17,038
Preventative works	-	1,996
	13,228	19,034
<b>Total Non-Current Provisions</b>	13,228	19,049

**Movements in provisions (other than employee benefits)**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	<b>Claims</b>	<b>Preventative Works</b>	<b>Total</b>
<b>2016</b>			
Carrying amount at the beginning of financial year	37,158	3,496	40,654
Additional provisions recognised	15,035	-	15,035
Amounts used	(11,908)	-	(11,908)
Unused amounts reversed	(8,757)	(3,496)	(12,253)
<b>Carrying amount at end of financial year</b>	31,528	-	31,528
Current	18,300	-	18,300
Non-current	13,228	-	13,228
	31,528	-	31,528

	<b>Claims</b>	<b>Preventative Works</b>	<b>Total</b>
<b>2015</b>			
Carrying amount at the beginning of financial year	25,377	3,801	29,178
Additional provisions recognised	24,484	181	24,665
Amounts used	(8,568)	(478)	(9,046)
Unused amounts reversed	(4,135)	(8)	(4,143)
<b>Carrying amount at end of financial year</b>	37,158	3,496	40,654
Current	20,120	1,500	21,620
Non-current	17,038	1,996	19,034
	37,158	3,496	40,654

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>13. Reconciliation of Cash Flows from Operating Activities to Total Comprehensive Income</b>		
<b>Net cash used for operating activities</b>	11,412	11,277
Depreciation	(75)	(120)
Actuarial movement in superannuation	-	(1,052)
Increase / (decrease) in receivables	(731)	802
Increase / (decrease) in inventories	(195)	303
(Increase) / decrease in payables	(1,454)	(398)
(Increase) / decrease in provisions	10,303	(11,373)
Net gain / (loss) on financial assets	1,281	286
Net gain / (loss) on disposal of plant and equipment	(75)	-
<b>Total comprehensive income</b>	<b><u>20,466</u></b>	<b><u>(275)</u></b>

**14. Commitment for Expenditure**

The Board has entered into commercial property leases for its offices at Picton, Singleton and Wyong. The Picton office lease has an expiry date of 30 June 2019 with a two year option. Both Singleton and Wyong office leases expired in June 2016 and offices have been closed.

Future minimum commitments under these non cancellable operating leases at 30 June 2016 not provided for and payable are as follows:

**Operating lease commitments**

Less than 1 year	53	70
Greater than 1 year but less than 5 years	88	7
<b>Total (including GST)</b>	<b><u>141</u></b>	<b><u>77</u></b>

In regards to the Board's Newcastle offices this is under a tenancy agreement memorandum. The occupation under this memorandum is in perpetuity and is subject to a notice period of 18 months being provided by the Board should the Board decide to relocate. Commitments under this agreement for the next 12 months are \$192,566 inclusive of GST (2015: \$183,493 inclusive of GST).

The Board is not aware of any capital commitments of a material nature as at reporting date other than those already provided for under the Payables and Provisions outlined in notes 11 and 12.

**15. Financial Instruments**

**Financial Instruments**

The Board's financial instruments consist mainly of cash and cash equivalents, receivable, investments and payables. These financial instruments arise directly from the Board's operations or are required to finance the Board's operations.

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

The Chief Executive Officer and Manager, Finance and Administration have overall responsibility for the establishment and oversight of risk management and policies for managing identified risks. Risk management policies are established to identify and analyse the risk faced by the Board, to set risk limits and controls and to monitor risks.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

<b>(a) Carrying amount of each category of financial instrument</b>		<b>2016</b>	<b>2015</b>
	<b>Category</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>			
Cash & cash equivalents	N/A	46,296	56,316
Receivables	Loans & receivables (at amortised cost)	279	1,010
Financial assets at fair value through the statement of comprehensive income:	At fair value through profit or loss – classified as held for trading		
Held for trading – investments		81,159	58,691
Held for trading - derivatives		199	37
<b>Total financial assets</b>		<b>127,933</b>	<b>116,054</b>
<b>Financial liabilities</b>			
Trade & other payables	Financial liabilities measured at amortised cost	2,329	875
<b>Total financial liabilities</b>		<b>2,329</b>	<b>875</b>

**(b) Credit Risk**

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations, resulting in a financial loss to the Board. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the Board. No collateral is held by the Board nor has it granted any financial guarantees. Credit risk associated with the Board's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

**(c) Receivables**

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Board will not be able to collect the amounts due. The evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. Interest of 6% may be levied on overdue colliery contributions.

The Board is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. There are currently no material debtors which are currently past due or impaired, or whose terms have been renegotiated. The credit quality of receivables is good.

**(d) Liquidity Risk**

Liquidity risk is the risk that the Board will be unable to meet its payment obligations when they fall due. The Board continuously manages liquidity risk through monitoring future cash flows and maturities and planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liabilities.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. 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. The table below summarises the maturity profile of the Board's financial liabilities together with the interest rate exposure.

**(e) Maturity analysis and interest rate exposure of financial liabilities**

	<b>Non Interest Bearing \$'000</b>	<b>Less than 1 year \$'000</b>
<b>2016</b>		
Trade and other payables	2,329	2,329
<b>2015</b>		
Trade and other payables	875	875

Note - the receivables value excludes statutory receivables of \$Nil (2015: \$Nil) which are not classified as financial instruments.

**Mine Subsidence Board**  
**Notes to the Financial Statements for the year ended 30 June 2016**

**(f) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Board's exposures to market risk are primarily through interest rate risk on the Board's investments which are managed by an external fund manager, AMP Capital Investors Limited, in accordance with investment guidelines agreed with the Board. The Board has no exposure to foreign currency risk and does not enter into commodity contracts.

**(g) Interest rate risk**

Exposure to interest rate risk arises predominantly through the Board's interest bearing financial assets. Details of the Board's exposure to interest rate risk on its financial assets are provided in the table below:

Financial Asset	Weighted Average Interest Rate \$'000	Variable Interest Rate \$'000	Less than 1 yr \$'000	Greater than 1 yr but less than 5 yrs \$'000	Greater than 5 yrs \$'000	Total \$'000
<b>2016</b>						
Cash & cash equivalents						
Cash at bank	2.61%	46,296	-	-	-	46,296
Short term investments – discounted securities	N/A	-	-	199	-	199
Investment at fair value:						
Government & semi government bonds	4.52%	-	-	37,213	17,990	55,203
Corporate bonds & interest rate futures	4.68%	-	-	25,956	-	25,956
Bank bills and Floating rate notes	N/A	-	-	-	-	-
		<b>46,296</b>	<b>-</b>	<b>63,368</b>	<b>17,990</b>	<b>127,654</b>
<b>2015</b>						
Cash & cash equivalents						
Cash at bank	2.00%	9,476	-	-	-	9,476
Short term investments – discounted securities	N/A	-	37	-	-	37
Investment at fair value:						
Government & semi government bonds	4.57%	-	7,702	16,464	19,699	43,865
Corporate bonds & interest rate futures	5.51%	-	6,120	22,528	-	28,648
Bank bills	1.18%	-	33,018	-	-	33,018
		<b>9,476</b>	<b>46,877</b>	<b>38,992</b>	<b>19,699</b>	<b>115,044</b>

**Mine Subsidence Board**  
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**(h) Sensitivity analysis**

The following table illustrates sensitivities to the Board's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that the Board considers to be reasonably possible. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Board operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance date. The analysis assumes that all other variables remain constant.

For interest rates a reasonably possible change of 100 basis points is consistent with current trends. The following table summarises the sensitivity of the Board's financial assets interest rate risk.

Interest Rate Risk	Interest Rate	Result	Equity	Result	Equity
		100 points \$'000	100 points \$'000	-100 points \$'000	-100 points \$'000
<b>2016</b>					
Cash & cash equivalents					
Cash at bank	2.61%	24	-	(24)	-
Short term investments – discounted securities	N/A	1,094	-	(1,094)	-
Investment at fair value:					
Government & semi government bonds	4.52%	1,932	-	(1,932)	-
Corporate bonds & interest rate futures	4.68%	677	-	(677)	-
Bank bills and Floating rate notes	N/A	-	-	-	-
<b>2015</b>					
Cash & cash equivalents					
Cash at bank	2.00%	-	-	-	-
Short term investments – discounted securities	N/A	737	-	(737)	-
Investment at fair value:					
Government & semi government bonds	4.57%	1,609	-	(1,609)	-
Corporate bonds & interest rate futures	5.51%	617	-	(617)	-
Bank bills	1.18%	35	-	(35)	-

**(i) Fair Value**

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements.  
Level 1 – fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities;  
Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and  
Level 3 – fair values that are derived from data not observable in a market.

According to the above hierarchy, the fair values of each class of asset/liability recognised at fair value are as follows:

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Class	Classification according to fair value hierarchy			Carrying Amount \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>2016</b>				
Financial assets				
Available-for-sale securities	81,159	-	-	81,159
Derivatives used for hedging	199	-	-	199
Floating Rate notes	-	-	-	-
<b>Total</b>	<b>81,358</b>	<b>-</b>	<b>-</b>	<b>81,358</b>

Class	Classification according to fair value hierarchy			Carrying Amount \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>2015</b>				
Financial assets				
Available-for-sale securities	58,691	-	-	58,691
Derivatives used for hedging	37	-	-	37
Floating Rate notes	-	-	-	-
<b>Total</b>	<b>58,728</b>	<b>-</b>	<b>-</b>	<b>58,728</b>

#### 16. Contingent Liabilities and Assets

The Board has received claims for compensation up to 30 June 2016 and subsequent to balance date. These claims are only accepted as a liability when a decision is made by the Board (or a delegate) after an assessment by the Board's technical staff or experts in that area of work.

As a result, there is a contingent liability for these claims lodged and yet to be approved. It is not practical to estimate the potential effect of these claims until the technical assessment has been completed and from that assessment a liability may then arise.

#### 17. Consultants

The total amounts paid or becoming payable to consultants engaged by the Board during the financial year was \$107,377 (2015: \$0).

#### 18. Directors Benefits

The amount of emoluments or other benefits paid or due and payable, directly or indirectly, to directors of the Board, but not including amounts paid by way of salary to full-time directors of the Board amounted to \$0 (2015: \$0).

#### 19. Events After the Reporting Period

There has not been any matter or circumstances that have arisen since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Board, the results of those operations or these state of affairs of the Board in future years.

### END OF AUDITED FINANCIAL STATEMENTS