annual report
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Subsidence Advisory NSW

Contents

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ABN 87 445 348 918

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

Dear Minister

Mine Subsidence Board Annual Report 2016-17

We are pleased to submit the annual report for the Mine Subsidence Board, trading as Subsidence Advisory NSW, for the year ended 30 June 2017, 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

Laura Christie
Chairperson, Mine Subsidence Board

Gary Parker
Board member, Mine Subsidence Board

1. Chief Executive Officer’s message

The 2016-17 annual report highlights the significant operational improvements made by Subsidence Advisory NSW (SA NSW) during the year.

The agency, formerly known as the Mine Subsidence Board, was rebranded as SA NSW following its integration with the Department of Finance, Services & Innovation (DFSI).

In October 2016, the NSW Government announced an overhaul of the mine subsidence compensation framework following its review of the *Mine Subsidence Compensation Act 1961* and its administration.

Together, SA NSW and DFSI worked closely with industry and community to draft legislation to give effect to a fairer, faster compensation system for mine subsidence in NSW from January 2018.

SA NSW also made a range of immediate operational improvements to improve service delivery and facilitate its transition to a strategic advisory service under the revised legislative framework.

SA NSW’s key achievements during the year include:

- Establishing a new claims management model and addressing a backlog of approximately 200 claims for compensation
- Completing the first collective review of mine subsidence districts in over 20 years, better aligning subsidence risks with development controls
- Implementing all corruption prevention recommendations arising from an Independent Commission Against Corruption (ICAC) inquiry in 2015
- Launching a new website where users can search to find out if their property is within a mine subsidence district and lodge development applications online for the first time
- Establishing two expert reference groups to review SA NSW’s development guidelines for the first time in over 15 years and develop a transparent policy for merit assessments
- Implementing a new organisation structure, ensuring the agency has the capabilities required ahead of its transition to a strategic advisory service.

In a year of significant change, SA NSW also carried on with its core functions, providing compensation to the owners of homes or buildings damaged by mine subsidence and regulating development within mine subsidence districts. SA NSW processed a total of 19,151 applications during the year including:

- 321 new claims for compensation
- 5,732 development applications
- 575 subdivision applications
- 10,737 requests for certificates.

SA NSW also responded to 72 emergency mine subsidence calls during 2016-17. These emergencies were all responded to within twenty four hours and safely remediated by SA NSW.

Brendan Killen
A/Chief Executive Officer
Subsidence Advisory NSW

2. About Subsidence Advisory NSW

2.1 What we do

SA NSW administers the *Mine Subsidence Compensation Act 1961* and supports communities living in areas of NSW where there is the possibility of mine subsidence.

The agency provides compensation where developments, such as houses, are damaged by subsidence following extraction of coal or shale. SA NSW also aims to mitigate damages caused by mine subsidence by regulating development in mine subsidence districts.

2.2 Mission statement

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

2.3 Access

Two public offices located in Newcastle and Picton service surrounding areas where there is active or non active mining close to development. Both offices are open to the public between 8:30am and 4:30pm, Monday to Friday.

SA NSW office locations		
Newcastle	**Address:**	117 Bull Street Newcastle West NSW 2302
	Telephone:	(02) 4908 4300
Picton	**Address:**	99 Menangle Street Picton NSW 2571
	Telephone:	(02) 4677 1967
Website:	www.subsidenceadvisory.nsw.gov.au	
Email:	sa-mail@finance.nsw.gov.au	

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

3. Management and Structure

3.1 Structure of the Board

SA NSW is governed and overseen by the Mine Subsidence Board (the Board) which consists of six members:

- the Chairperson who is the Secretary of 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 SA NSW employees through the *Mine Subsidence Compensation Act 1961*.

3.2 Board meetings

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

3.3 Board members and attendance

Board members	Meetings	
	Eligible	Attended
Laura Christie. Chairperson. June 2016. Open term.	6	6
Margaret MacDonald-Hill. Appointed November 2007. Term expires December 2018.	6	5
Daniel Thompson. BAppSc, PHS Appointed October 2014. Term expires December 2018.	6	5
Rick Still. BE (Civil). Appointed November 2014. Resigned 25 January 2017.	5	4
Gary Parker. Appointed April 2016. Term expires December 2018.	6	4
John Brannon. BCom (Econ), MBA Appointed May 2016. Term expires December 2018.	6	5

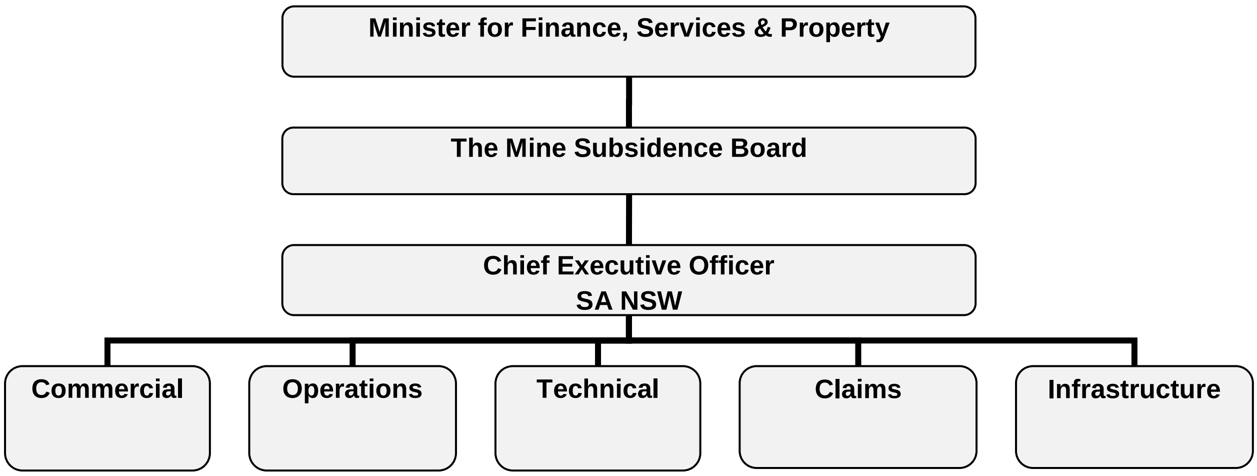
Margaret McDonald-Hill, Mr John Brannon, Mr Gary Parker and Mr Daniel Thompson were all reappointed to the Board until 31 December 2018 during the 2016-17 financial year (the year). Mr Rick Still tendered his resignation from the Board in January 2017 and the position on the Board was vacant at 30 June 2017.

3.4 Senior officers

Name	Role
Katherine McInnes	Chief Executive Officer
Brendan Killen (from May 2017)	A/Chief Executive Officer

SA NSW's CEO, Katherine McInnes, went on extended leave on 1 May 2017. Brendan Killen assumed the role of CEO from 1 May 2017.

3.5 Organisation chart



4. Highlights and achievements

4.1 Providing efficient and connected services to citizens, business and government

Outstanding claims for compensation resolved

Following a review of the *Mine Subsidence Compensation Act 1961* and subsequent operational reforms during the year, SA NSW overhauled the claims process and implemented a new claims management system. This included the introduction of a new case advisory team to address a significant backlog of claims and deliver better services to affected communities. The case advisory team manages claims from start to finish, providing claimants with focused support and a dedicated point of contact throughout the claim process. The case advisory team resolved approximately 200 longstanding claims for mine subsidence damage during 2016-17.

Launch of new website facilitating online application lodgement

SA NSW launched a new website during the year making it easier for property owners to obtain development approval and claim compensation for mine subsidence damage. For the first time, property owners within mine subsidence districts can upload plans of proposed developments to lodge building and subdivision applications online. Property owners claiming compensation for subsidence damages can attach photographs and other supporting documents to their claim. The website also includes a new interactive mapping function where the public can search to find out if a property is within a mine subsidence district and if there are approval requirements for proposed development.

4.2 Innovating and transforming the way government operates

Mine subsidence compensation system reforms

The NSW Government completed its review of the *Mine Subsidence Compensation Act 1961* during the year and proposed reforms to make the subsidence compensation system fairer and faster. A key focus of the reforms is making coal mine operators directly accountable for subsidence damage they cause. SA NSW will continue to oversee and manage all claims providing support to local residents and communities affected by subsidence. New legislation was drafted in consultation with key stakeholders and development of a new ePortal for end-to-end case management of all claims has commenced and will be in operation by January 2018.

4.3 Delivering modern, balanced regulatory services

Review of mine subsidence districts

During the year, SA NSW completed the first review of mine subsidence districts (districts) in over twenty years. As a result, significant areas have been removed from districts in areas where subsidence is unlikely to occur and new and extended districts have been created where mining is planned or development has progressed over old mine workings. The updated districts will ensure communities are adequately protected by making sure sound structures are built in potential subsidence zones while removing unnecessary regulation in those areas where subsidence is unlikely to occur.

Review of development guidelines

During the year, SA NSW initiated a review of its development guidelines to ensure they can be easily administered. The suite of 19 guidelines had not been reviewed for over 15 years. An expert reference group, with representatives from both the mining and development industries and academics with expertise in mine subsidence, was established to undertake the review. The guidelines specify SA NSW's conditions for development depending on specific subsidence risks at a property. The intention of the review is to streamline the approval process for development by reducing the number of guidelines to eight and delegating approval of certain low complexity development to Councils. The new guidelines and approval process are expected to take effect from early 2018.

4.4 Strengthening public sector finance and the wider NSW economy

Procurement reform

Procurement reform was a key priority for SA NSW during the year. SA NSW completed implementation of seven corruption prevention recommendations made by ICAC in March 2016 following an investigation into corrupt conduct by a former employee. The reforms include strengthening SA NSW's organisational capability, revising delegations, establishing dedicated procurement resources, building controls into tendering processes to prevent users from having end-to-end control and exceeding expenditure delegations, introducing contractor reporting processes, using an estimating system for construction works, and increasing transparency through the use of NSW Government e-tendering system.

5. Management and activities

5.1 Mine subsidence compensation system reforms

During the year, the NSW Government announced a number of significant changes to the mine subsidence compensation framework to make the process fairer and more efficient for property owners affected by subsidence damage. The announcement followed a review of the *Mine Subsidence Compensation Act 1961* and its administration. The review was undertaken by DFSI in 2016, and was informed by consultation with a wide range of community and industry stakeholders.

The key finding of the review was that the Act was out of date and no longer fit for purpose. The original intent of the Act was to provide compensation for subsidence damage arising from legacy coal mining where liability could not be apportioned to mining operators. The reality in 2016 is that over 90% of claims relate to damage from longwall active mines, with a small number of mining operations causing the majority of subsidence damage. This meant that the coal mining industry was effectively subsidising the cost of mine subsidence generated by a handful of operators, with compensation for subsidence funded through an industry levy paid into the Mine Subsidence Compensation Fund (the Fund).

In response to these findings, Government endorsed key reforms to improve the way mine subsidence compensation is administered and claims are managed. The changes are intended to make the system fairer, make miners more accountable for their impacts, and provide greater support to communities and property owners impacted by subsidence. The reforms include:

- A fairer compensation model where mining operators will be directly responsible for compensating the cost of subsidence damage arising from their operations. Accordingly, the scope of the levy and Fund will be reduced to primarily compensate claims arising from non-active mines.
- The Mine Subsidence Board has been repositioned as SA NSW, within DFSI. The governing Board will be disbanded after a 12-month period, allowing it to oversee the transition and for continued industry and community visibility over the Fund.
- A stronger case management approach with all claims for compensation to be lodged with SA NSW via a new online claims portal. Property owners will be able to track the progress of their claims.
- SA NSW will oversee and manage the claims process, but will facilitate mine operator involvement at key stages. Mine operators will be required to comply with guidelines that are accorded statutory weight under the legislative framework to ensure claimants are treated consistently and fairly.
- Compliance and enforcement activities of mining operators will be managed via SA NSW's strengthened powers under the Bill and informed by a comprehensive Compliance Policy.
- A more transparent and independent claims assessment process established through a new panel of technical assessors managed by SA NSW that will assess and verify the cost of subsidence damage to property.
- A robust dispute resolution process that will allow claimants and mine operators to seek an independent review from the Secretary of DFSI at various decision points, without having to resort to expensive litigation.
- Streamlined development regulation in mine subsidence districts which will reduce costs to property owners and provide certainty to mine operators.

The *Coal Mine Subsidence Compensation Bill 2017* is due to be considered by Parliament in August 2017, with changes expected to commence from 1 January 2018.

5.2 Review of Mine Subsidence Districts

During the year, SA NSW completed the first collective review of mine subsidence districts (districts) in over 20 years. The review resulted in significant updates to districts to streamline development and better align subsidence risks with development controls. The updates include the removal of areas from districts as well as the creation of new and extended districts. Overall, the area included within districts in NSW has been reduced by approximately 20%. The revised districts were proclaimed on 9 June 2017 and take effect from 1 July 2017.

SA NSW carried out an initial assessment of subsidence risks across NSW to identify areas where changes to districts were warranted. The districts were found to be mostly fit for purpose but there were some areas with potential subsidence risks outside of a district and others within districts where subsidence was unlikely to impact development. SA NSW proposed changes in these areas to ensure districts did not cause unnecessary regulation of development but effectively mitigated subsidence risks.

SA NSW placed the proposed changes to districts on public exhibition during August 2016. SA NSW received 34 formal submissions and over 100 enquiries on the changes to districts. Following consultation, SA NSW refined ten of the original proposals and proposed a further five new districts. The final changes arising from the review was the partial revocation of 11 districts, extension of five districts, and establishment of nine new districts. Two adjoining districts which were partially revoked were also merged.

Areas were removed from districts where it was considered development is unlikely to be impacted by subsidence. These include areas where mining was planned but did not eventuate and areas where there is deep underground mining that is unlikely to cause subsidence. Development in areas removed from districts will no longer require SA NSW approval.

New and extended districts were established in areas where there is potential for subsidence to impact development. These areas include those where underground mining is planned or development is progressing near old mining. From 1 July 2017, SA NSW will regulate development in these areas to ensure development occurs in a way that helps prevent subsidence damage.

Districts are a land zoning tool administered by SA NSW under the *Mine Subsidence Compensation Act 1961*. Districts are proclaimed in areas where there are potential subsidence risks from underground coal mining that has occurred or may take place in the future. Development within districts requires SA NSW approval to ensure buildings are constructed in a way that helps prevent subsidence damage.

The need to update districts was identified during the review of the *Mine Subsidence Compensation Act 1961*. The review of districts was considered an operational matter requiring immediate attention and was progressed separately to the legislative reforms.

5.3 Procurement reform

SA NSW continued its focus on procurement reform during the year with completion of the seven corruption prevention recommendations made by ICAC in March 2016.

Organisational capability has been strengthened through the establishment of new roles to ensure appropriate oversight of procurement and claims management. These changes prevent a single user having end-to-end control and exceeding expenditure delegations by ensuring that employees who manage and assess claims are not involved in procurement and tendering processes.

SA NSW has taken a number of steps to strengthen its procurement capabilities and modify its procurement practices. The procurement processes and systems have been centralised with the introduction of three fulltime Procurement Officers. The Procurement Officers have been appointed to manage the e-tendering processes for construction procurement. These roles also check the establishment of tender evaluation plans, tender panels, calling of tenders, the distribution of tender outcomes and contract disclosure.

The procurement and tendering procedures follow the NSW Procurement framework and any applicable DFSI policies. The selection of tenderers is carried out by the centralised procurement team, along with the recording of justifications for contractor selections, delegate approvals and supplier performance records management. Contractor selection, where possible, is done from prequalification lists of contractors as vetted by NSW Procurement. Greater transparency has been established through the use of the e-tendering system. This requires information on all contracts awarded over certain thresholds to be made public.

Transparency in the management of construction projects has been restored. SA NSW has implemented the use of an estimating system and a more rigorous scoping process for construction works. Cost estimates are sought from online industry costing solutions prior to tendering. Detailed and itemised estimates benchmarked to specific trade categories are now required for all claims. In addition, employees responsible for scoping construction projects have their estimates reviewed by their Manager and the CEO. For significant value works, SA NSW now engage independent external experts such as quantity surveyors to verify internally estimated costs. At the completion of a project, a contractor performance report is completed to provide a clear feedback process which informs the selection of contractors for future work.

The reports and data provided to the Board have also been significantly improved to ensure transparency and appropriate governance of operations. The new reports include detail on total value spent with vendors, number of vendor engagements, number of claims received and number of open claims. Significant improvement of internal auditing arrangements have taken place with SA NSW now reporting to the DFSI Audit and Risk Committee on a bimonthly basis

SA NSW’s delegations have been revised and clarified with all employees. There is consistency of delegation levels in line with the DFSI delegations manual with distinctions for SA NSW specific delegations where necessary.

These changes have restored confidence in SA NSW’s operations and further safeguard the agency from potential corruption risks.

5.4 Forensic audit of financial processes

In 2015-16, SA NSW engaged Ernst & Young to undertake a forensic audit of its accounts payable, claims & expense systems. The audit was initiated following an ICAC inquiry to highlight any further fraud or corruption risks that had not already been identified by ICAC. Ernst & Young provided a final report on the audit findings in May 2016. The report included 21 recommendations for SA NSW’s further investigation and improvement. In response, SA NSW developed a Forensic Audit Action Plan to track implementation of the recommendations. SA NSW completed implementation of its Forensic Audit Action Plan in August 2016. Many of the actions were addressed as part of SA NSW’s integration with DFSI and adoption of the Department’s financial reporting processes. No further concerns relating to fraud or corruption were identified.

5.6 Newcastle CBD grouting investigation

The NSW Government established the $17 million Newcastle Mines Grouting Fund (NMGF) to address the critical issue of mine subsidence and its impact on property development within the Newcastle CBD.

The NMGF is made up of two parts:

1. Funding: Contribution toward costs for grouting former mine workings based on applications from project proponents.

2. Investigation program: works to better understand the condition of former mine workings, improve local mapping and provide data for consideration of alternative and more cost effective and sustainable remediation strategies.

The NMGF is overseen by a Steering Committee with representatives from the Department of Premier and Cabinet, Department of Planning and Environment and Hunter Development Corporation (HDC). HDC administers the NMGF on a day to day basis, however, SA NSW has assumed accountability for the investigation program.

In partnership with the HDC, SA NSW has established a three phase investigation program to determine if it is possible to either mitigate or eliminate the risk of mine subsidence through strategic grouting.

The first phase involves an engineering consultant analysing all available information to better understand the condition of the workings beneath the CBD. The anticipated results from the Phase 1 analysis are:

- A plan showing credible worst case subsidence parameters for the CBD as it is now.

- Plans showing grouting options in the CBD and the resultant residual subsidence parameters.

- A recommendation for a drilling testing program based on the chosen grouting strategy. The program would need to take into account the type and level of testing required for each drill hole location.

- A 3D model of the historical mine workings under Newcastle CBD to better inform developers in regard to potential grouting requirements for particular development sites. This will be a valuable tool for SA NSW in communicating the purpose of the remedial works by graphically portraying the condition beneath the CBD. It will also inform WSP Parsons Brinckerhoff's recommendation on borehole and test locations of the drilling program.

Phase 2 will involve the implementation of a drilling / testing program designed to:

- provide a higher level of certainty in SA NSW's knowledge of the condition of the mine workings

- reduce the requirement for investigative drilling carried out by potential developers and

- reduce the level of uncertainty in estimating grout volumes for large developments.

Phase 3 will involve updating the plan of worst case subsidence parameters with the results of the drilling testing program. The level of grout required and the cost of grouting will also be estimated. Following Phase 3, grouting options and a recommended strategy for strategic grouting will be put forward to Government for approval.

Phase 1 on the investigation program was ongoing at 30 June 2017.

5.7 Development regulation

SA NSW regulates development within mine subsidence districts (districts) to help protect homes and other structures from potential subsidence damage. Applications for building and subdivision proposals within districts must be submitted to SA NSW for approval before work can commence. SA NSW can enforce conditions as part of any development approval.

SA NSW's development approval conditions vary depending on a number of factors including the cost and complexity of the development and the risk of mine subsidence. Conditions may include requirements related to the nature and class of any development, the size, height and location of new structures, and the use of certain building materials and construction methods. 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.

As part of wider operational reforms during the year, SA NSW initiated two projects focused on improving its regulation of development within mine subsidence districts. One project was focused on reviewing and updating SA NSW's standard development guidelines. The second project was to establish transparent merit assessment frameworks for both subdivisions and development applications that exceed the guidelines.

Review of surface development guidelines

SA NSW has development guidelines to provide guidance to landowners on construction requirements within districts and facilitate a straight forward approval process. The guidelines set out SA NSW's requirements for proposed residential development on a property. Each property within a district is assigned a guideline by SA NSW depending on the subsidence risks. Over 95% of building applications SA NSW receives comply with the development guidelines.

During the year, SA NSW identified a need to review its surface development guidelines. The guidelines had not been updated for over 15 years and some were considered outdated or unnecessary given recent advances in construction techniques and subsidence damage mitigation.

In October 2016, SA NSW initiated a complete review of its development guidelines to ensure they can be administered quickly and easily. To achieve this, the number of guidelines is to be reduced from 19 to eight. An expert reference group with representatives from government, the development and mining industries along with academics specialising in structural, geotechnical or mining engineering was convened in December 2016 to provide input into the review. The following terms of reference were established to guide the review:

1. Identify the suite of guidelines required to adequately address the differing risks of mine subsidence across active and abandoned mines.

2. Identify the appropriate guideline to apply to each location within a mine subsidence district.

3. Review and develop guidelines in accordance with the following principles:

- 95% of development applications within mine subsidence districts should comply with the relevant guidelines, requiring less than 5% of applications to be assessed on merit by a specialised geotechnical engineer

- Guidelines should be developed to effectively balance the interests of the landowners and the coal industry, mitigating subsidence damages without imposing unreasonable costs and restrictions on the landowner

- The guidelines should be developed so that 95% of properties remain safe, serviceable and repairable should mine subsidence occur. That is, less than 5% of properties impacted by mine subsidence result in significant damages such as structural impacts requiring demolition and rebuild

- Guidelines must be easy to administer, for example assessment of a development application against a guideline should not require a specialised, expert engineer. Local Government planners should be able to assess development in accordance with guidelines

- The guidelines facilitate an efficient administration process. SA NSW currently aim to assess all guideline compliant development within five working days.

Once finalised, the new guidelines will be instrumental in streamlining development approval processes for low risk subsidence development applications. It is intended that in future SA NSW will delegate approval of certain, low-risk applications to Councils. The review of guidelines was ongoing at 30 June 2017.

Merit assessment policy development

SA NSW assesses applications for proposed subdivisions, and development that exceeds the surface development guidelines for a property, on merit. As part of operational changes during the year, a new team with engineering expertise was established to undertake these assessments.

In April 2017, SA NSW established an expert reference group to develop a policy for merit assessment of complex development applications and subdivisions. The group was established in response to feedback from the development industry about the need for transparent and consistent assessment methodology for large, complex development applications. Government technical experts, technical consultants, representatives of the development and coal industries and academics.

The group held three meetings during the year with a draft subdivision policy developed and provided to the group for feedback. In June 2017, the group established a high level process for assessing merit based building applications which will be instrumental in guiding future policy development. The expert reference group meetings and policy establishment was ongoing at 30 June 2017. The results from these working groups will be published in future annual reports.

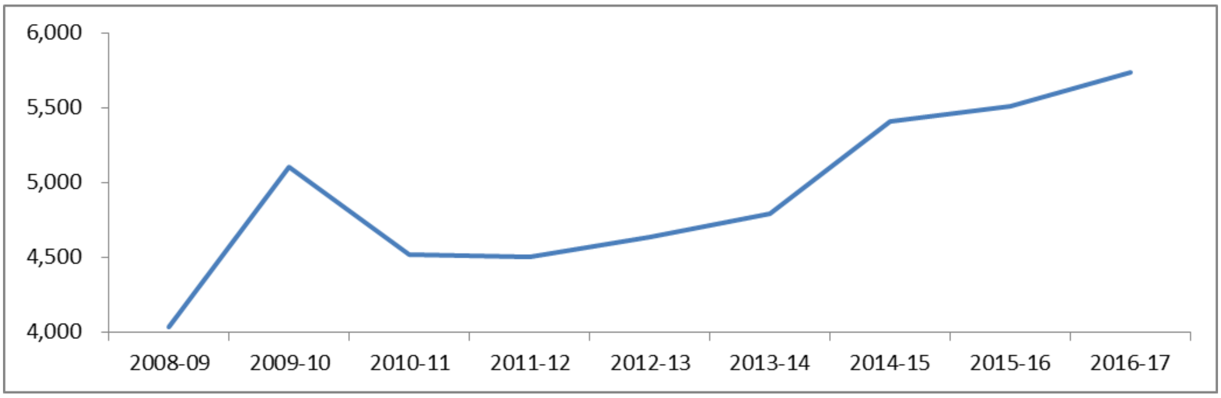
Overview of building applications received during 2016-17

Developments with a combined estimated cost exceeding $1 billion were approved by SA NSW during the year. Importantly, all large and complex development proposals were considered by

SA NSW's risk engineering team with expertise in mine subsidence.

SA NSW processed 5,732 development applications and 575 subdivision applications during the year, an increase of approximately 5% and 20% respectively from 2015-16. Refer to Figure 1.

Figure 1 Number of building applications received over time



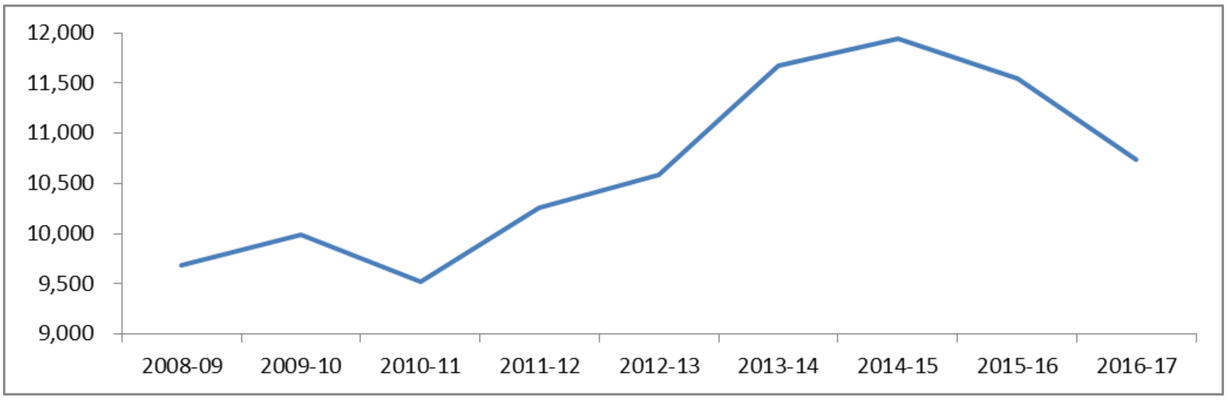
5.8 Certificates

SA NSW provides protection for home buyers within districts by providing certificates under Section 15 of the *Mine Subsidence Compensation Act 1961*. A Section 15B Certificate certifies that the requirements of the Act relating to the improvements or subdivisions have been complied with. The certificate is 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.

Overview of certificate applications during 2016-17

SA NSW received a total of 10,737 certificate applications during the year. This is a further decrease from the 2015-16 year, which was preceded by four years of steady increases in the number of certificate applications received. Applications fell by 807, a decrease of almost 7% on the previous year. Refer to Figure 2.

Figure 2 Number of certificate applications received over time



5.9 Compensation

SA NSW provides compensation to the owners of developments, such as homes, that 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 SA NSW'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 SA NSW. SA NSW then assesses the damage to determine appropriate compensation.

Changes to SA NSW's compensation model during the year

During the review of the *Mine Subsidence Compensation Act 1961* and its administration, a backlog of approximately 200 longstanding claims was identified. Some claims had been open for more than 10 years. This was deemed an operational matter requiring immediate attention and was progressed by SA NSW separately to the legislative reforms.

SA NSW introduced a new compensation model to ensure the outstanding claims could be addressed in a fair and timely manner. The new model involved settling claims through monetary compensation based on an assessment of subsidence damage to their property. In addition to resolving claims more quickly, the new monetary compensation model benefits property owners by providing them with increased flexibility in choosing their preferred repairer and rectification method.

The claims backlog also highlighted inefficiencies and shortfalls in the agencies operating model which had not been updated in many years. Despite on average receiving over 300 claims per year, there were no resources solely focused on managing claims. In August 2016, a new case advisory function was introduced to provide claimants with focused support and a dedicated point of contact throughout the claims process. All claims were assigned a SA NSW Case Advisor who is responsible for managing the claim from start to finish.

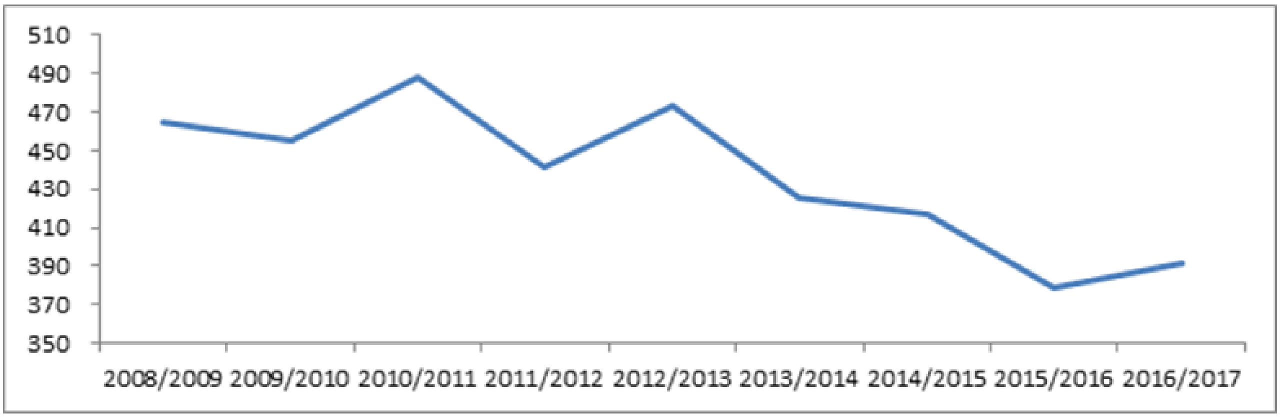
During the year, the case advisory team established a new claims management policy to provide a common framework for managing compensation claims for mine subsidence damage. The policy sets out clear timeframes for investigation, assessment and resolution of claims. It also provides transparency for claimants ensuring they have a clear understanding of the compensation process and their rights of review.

Since the introduction of these reforms on 1 July 2016, SA NSW has resolved three times more claims than in previous years. All of the outstanding claims identified at the beginning of the year were assessed and 70% were closed at 30 June 2017. The success of these operational improvements have helped guide the development of the new compensation process. Importantly, the case advisory function will be retained and strengthened under the new legislative framework from January 2018.

Overview of claims during 2016-17

SA NSW received 321 new claims for compensation during the year. This figure was an increase of an additional 46 claims (17%) received in comparison to 2015-16, refer to Figure 3 below.

Figure 3: Number of Claims received over time



Major infrastructure claims

Major infrastructure claims approved or managed during the year include:

- Australian Rail Track Corporation assets including the Main Southern Rail Line, culverts and over-bridges
- M31 Freeway (Hume motorway)
- Cataract Tunnel (Water NSW)
- Final rehabilitation to Jemena Gas pipelines
- Wollondilly Shire Council local roads
- Cessnock City Council – Blackhill Road
- Singleton Shire Council – Charlton Road

SA NSW has provided approximately $7,500,000 in compensation during the year to remediate damage to infrastructure.

5.10 Emergency subsidence potholes

Safety is the highest priority for SA NSW. A 24 hour emergency hotline is available for 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.

SA NSW attended to 72 elimination of danger reports during 2016-17. Most reports were safely remediated by securing the site and filling the pothole with low-strength concrete.

5.11 Public Awareness

A key focus throughout the development of SA NSW's new website during the year was to provide an easily accessible resource for the public to access information on mine subsidence risks. The new website brings focus to the risks arising from subsidence potholes with prominent imagery of actual subsidence events on its homepage as well as a dedicated safety page.F

The safety page on SA NSW's new website helps people to learn about mine subsidence risks by providing easy to understand explanations on what subsidence potholes are, how they are caused and how to recognise them. There are also clear warnings for people to stay away from potholes and alert SA NSW of any subsidence pothole events via its 24 hour emergency hotline.

SA NSW officers participated in an interactive display at the Newcastle Home Show during the year. This forum provided SA NSW with an opportunity to increase awareness of both mine subsidence risks and the functions of the agency, including its elimination of danger service. Safety awareness of mine subsidence is promoted amongst children through SA NSW's mascot 'Maurie Mole'. Maurie Mole made public appearances at the Newcastle Home Show and the Hunter Region Botanic Gardens during the year.

6. Corporate Performance

SA NSW'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.

6.1 Transaction Volumes 2016 / 2017

Number of Transactions per Office 2016 / 2017

Transaction Type	Newcastle	Picton	Singleton	Wyong	Total
Building Applications					
2016/2017	4,155	1,577	-	-	**5,732**
2015/2016	2,901	1,473	99	1,034	**5,507**
Subdivisions					
2016/2017	450	125	-	-	**575**
2015/2016	310	100	12	59	**481**
Certificates 15B					
2016/2017	7,714	1,296	-	-	**9,010**
2015/2016	6,095	1,316	384	1,766	**9,561**
Certificates 15C					
2016/2017	1,241	486	-	-	**1,727**
2015/2016	1,039	474	186	284	**1,983**
Claims					
2016/2017	213	108	-	-	**321**
2015/2016	164	74	14	14	**268**
Elimination of Danger					
2016/2017	72	0	-	-	**72**
2015/2016	78	0	18	1	**97**

7. Research and Development

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

During the year, SA NSW employees partnered with leading academics in mine subsidence during the preparation of research papers on pothole subsidence in the Newcastle region and assessment of sinkhole risk in shallow coal mining. An overview of this research is provided below.

Research paper: Assessment of pothole risk in shallow coal mining

Authors

I Canbulat, School of Mining Engineering, University of NSW; C Zhang, School of Mining Engineering, University of NSW; K Black, SA NSW; J Johnston, SA NSW; S McDonald, SA NSW.

Overview

This paper assessed the risks of pothole occurrences associated with shallow bord and pillar mining. The research involved an analysis of SA NSW's database of approximately 450 potholes from abandoned mine workings in 23 seams in the Newcastle region.

Background

SA NSW examined approximately 450 sinkholes between 1973 and 2017 at abandoned coal mines located in 23 seams in the Newcastle region. A selective summary of the database was analysed for this study to evaluate the relationships between sinkhole depth, diameter and cover depth of workings.

Findings

The study did not identify any correlation between the depth of cover to mining, diameter or pothole depth. The depth of cover of the potholes varied from 4m to 50m and the diameter of the potholes varied greatly. The findings are likely due to substantially different geological and geotechnical settings in each of the 23 seams from numerous non active coal mines that were the subject of the study.

The analysis found that in the absence of specific data about a coal seam or abandoned mine workings, stochastic modelling techniques using the geometry of the abandoned coal mine workings and the estimated bulking factor of the overburden can assist in predicting pothole occurrence and size.

Research paper: pothole subsidence in the Newcastle region

Authors

J Johnston, Senior Risk Engineer, SA NSW, K Black, Technical Manager, SA NSW, S Fityus, Professor, The University of Newcastle, Australia, R Rigby, I Canbulat, Professor, University of New South Wales

Overview

This research paper presents an analysis of pothole occurrences in the Newcastle region using data from SA NSW's historical archives. The implications for prediction of pothole subsidence from non active mine workings are assessed based on statistical relationships for the Victoria Tunnel and Borehole coal seams that result in most potholes in Newcastle.

Background

Coal mining in the Newcastle region has occurred for over 200 years. Prior to the early 1970s, most coal seams in the Newcastle region were extracted using bord and pillar mining methods. In some areas, the mine workings are located at a depth where failure of roof strata can result in a localised surface depression or hole known as a 'Pothole'.

Findings

Pothole formation is influenced by a number of factors including but not limited to; void heights and widths, mined seam, type and competency of the overburden, geological structures, groundwater conditions and ongoing deterioration of the mine workings. Many of these factors are not practically determinable. As a result, pothole subsidence assessments are often based on generic "rules of thumb" in lieu of specific methods of assessment.

The research suggests that the two seams have different characteristics with regard to pothole development. Most potholes from the Victoria Tunnel seam occur at a depth of cover less than 10 metres. While the Borehole seam produces potholes at up to 20 metres depth of cover. The two seams are likely to behave differently for a number of reasons. Most obviously, the overburden and roof materials above the seams are significantly different, with the Victoria Tunnel seam having a competent conglomerate in the immediate overburden.

The analysis demonstrated that generic relationships of the ratio of mined height and depth of cover are not reliable for predicting pothole subsidence in the Victoria Tunnel or Borehole seams. However, a reasonable correlation exists between the 95th percentile depth of cover in which potholes are observed and the bord extraction ratio, indicating that both bord widths and pillar widths are important when estimating the depth of cover associated with pothole occurrence.

The amount of potholes per hectare appears to have a relationship with coal seam thickness, at least in the Borehole seam. The assessment demonstrates that, with further data, it may be possible to develop an assessment methodology for the prediction of likely rate of pothole development beneath a site based on seam thickness.

Risk management and insurance activities

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

8. Internal audit and risk management policy attestation

Internal Audit and Risk Management Attestation Statement for the 2016-2017 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:

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

3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter' Compliant

Membership

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

- 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.

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: 27/09/17

9. Digital information security policy attestation

Digital Information Security Annual Attestation Statement for the 2016-2017 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 2016-2017 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

27/09/17

10. Legal Change

There were no legislative changes made during the year.

11. Land disposal

SA NSW did not dispose of any land greater than $5 million in value during 2016-2017. Documents relating to land disposal can be obtained under the *Government Information (Public Access) Act 2009.*

12. Human Resources

There were 35 full-time employees of DFSI and an additional five temporary staff employed through casual labour working at SA NSW at 30 June 2017.

Table 1 Number of full-time employees over time

Number of full-time employees working at SANSW over time		
2014-15	**2015-16**	**2016-17**
20	29	35

Staff working at SA NSW are employed by DFSI, and as such are subject to all of its employment conditions. For information related to personnel and industrial relations policies and practices, please refer to DFSI's 2016-17 Annual Report.

Additional staff were employed during the year to address the backlog of claims. A restructure was also completed to better position SA NSW to manage claims going forward, with more positions filled by employees rather than contractors. Thus this year saw an increase in salaries and wages, and a decrease in contractor costs.

13. Credit card certification

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 2016-17 has been in accordance with Premier's Memoranda and Treasurer's Directions.

14. Payment of Accounts

SANSW paid $20,069,332 worth of accounts via 1,968 invoices during the year. Of these, 90.24% were paid on time, the balance being either invoices in dispute or instances where the original invoices were not received.

15. Time for Payment of Accounts

Of the invoices not paid on time due to the reasons stated above, 2% were overdue for more than 60 days, but no penalty interest was incurred.

16. Investment Performance

SA NSW's investment portfolio has been historically managed by AMP. A comparative analysis of historical returns for AMP and for TCorp revealed the fund would likely earn higher returns with TCorp. Thus a decision was made by the Board to transfer the portfolio to TCorp. This was actioned in May 2017 for the bulk of the fund, with the remaining balance held in a term deposit transferred on its expiry in August 2017. For the 2016-17 year, the average return with AMP was 1.28% compared to 4.12% with TCorp.

17. Consultants

The total amounts paid or becoming payable to consultants engaged by SA NSW during the financial year was $214,020 (2015-16: **$107,377**). A breakdown of this amount is provided in the below table.

Table 2 Consultant engagements less than $50,000 during 2016-17

Nature of consultancy	Number of engagements	Cost
Agency and legislative reforms	5	$117,329
Review of Development Guidelines	3	$41,542
WHS system establishment advisory	1	$26,000
Newcastle CBD risk modelling	2	$29,149
Total	**11**	**$214,020**

18. Government Information (Public Access) Act 2009

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

19. Privacy and Personal Information Protection Act (PPIPA)

SA NSW 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 SA NSW under Part 5 of the PPIPA during the reporting period.

20. Public Interest Disclosures

As staff were employees of DFSI, SA NSW adopted the Department's Public Interest Disclosures Reporting Policy and Procedure during the reporting period. Please refer to DFSI's

2016-17 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 SA NSW during the reporting period. SA NSW did not receive or finalise any Public Interest Disclosures during the year.

21. Nil to report

SA NSW 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

As staff working at SA NSW are all employed by DFSI, please refer to DFSI's 2016-17 Annual Report for information regarding:

- Disability Inclusion Action Plan
- Multicultural policies and services program
- Work Health and Safety (WHS)

22. Events after the reporting period

In August 2017, the *Coal Mine Subsidence Compensation Bill 2017* was passed in NSW Parliament. The Bill will take effect from 1 January 2018.

23. Budget

Budgeted Statement of Financial Performance
For the year ended 30 June 2017

	Budget 2016/17 $'000	Budget 2017/18 $'000	Budget 2018/19 $'000
INCOME			
Contributions from Colliery Proprietors	22,330	11,165	10,049
Investment Revenue	3,297	2,947	2,526
Sale of Goods & Services	533	266	0
Miscellaneous	120	18	18
Totals	**26,280**	**14,396**	**12,592**
EXPENDITURE			
Elimination of Danger	1,980	800	800
Claims	16,703	18,639	5,000
Preventative Works	0	0	0
Totals	**18,683**	**19,439**	**5,800**
Other Expenses			
Personnel services expense	4,130	4,825	**3,815**
Fees for Services Rendered	1,598	669	682
Occupancy costs	308	378	386
Other Expenses	1,152	2,157	1,616
Depreciation	259	263	268
Totals	**7,446**	**8,293**	**6,768**
TOTAL EXPENDITURE	**26,130**	**27,731**	**12,568**
OPERATING RESULT - Surplus/(Deficit)	**150**	**(13,335)**	**25**
RETAINED EARNINGS AT BEGINNING OF YEAR	**103,112**	**253,454**	**240,119**
RETAINED EARNINGS AT END OF YEAR	**253,454**	**240,119**	**240,144**

The 2016-17 budget shown above is the first approved budget. Adjustments to the budget were approved later in the financial year to reflect redundancy costs under the agency restructure and a large infrastructure claim received.

24. Audited Financial Statements

Mine Subsidence Board

trading as

Subsidence Advisory NSW

Financial Statements

for the year ended 30 June 2017

INDEPENDENT AUDITOR'S REPORT

Mine Subsidence Board

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Mine Subsidence Board (the Board), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

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

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

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

The Board's Responsibility for the Financial Statements

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

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In preparing the financial statements, the members of the Board must assess the Board's ability to continue as a going concern except where the Board will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of 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 description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

Nathan Carter
Director, Financial Audit Services

29 September 2017
SYDNEY

Statement by members of the Board

Pursuant to Section 41c (1 b) of the Public Finance and Audit Act 1983, and in accordance with a resolution of the Members of the Board we state that in our opinion:

1. 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 2017 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, the Public Finance and Audit Regulation 2015, and financial reporting directions mandated by the Treasurer.

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

Gary Parker
Board member

Signed at Newcastle and dated on this 27th day of September 2017.

Mine Subsidence Board
Financial Statements

Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Expenses excluding losses			
Personnel services expense	2(a)	6,407	3,916
Other operating expenses	2(b)	23,745	5,183
Depreciation and amortisation	2(c)	78	74
Cost of sales	2(d)	1,204	711
Total Expenses excluding losses		**31,434**	**9,884**
Revenue			
Sale of goods and services	3(a)	1,484	2,098
Investment revenue	3(b)	809	6,113
Contributions	3(c)	22,330	22,330
Other revenue	3(d)	845	18
Total Revenue		**25,468**	**30,559**
Gains / (losses)			
Gain / (loss) on disposal	4	15	(209)
Total Gains / (losses)		15	(209)
Total comprehensive income / (loss)		**(5,951)**	**20,466**

The accompanying notes form part of these financial statements

Mine Subsidence Board
Financial Statements

Statement of Financial Position as at 30 June 2017

ASSETS	Notes	2017 $'000	2016 $'000
Current Assets			
Cash and cash equivalents	6	67,109	46,296
Receivables	7	1,269	279
Financial assets at fair value	8	58,476	81,358
Total Current Assets		**126,854**	**127,933**
Non-Current Assets			
Inventories	9	10,463	8,784
Property, plant and equipment	10	781	252
Total Non-Current Assets		**11,244**	**9,036**
Total Assets		**138,098**	**136,969**
LIABILITIES			
Current Liabilities			
Payables	11	8,636	2,329
Provisions	12(a)	26,331	18,300
Total Current Liabilities		**34,967**	**20,629**
Non-Current Liabilities			
Provisions	12(b)	5,970	13,228
Total Non-Current Liabilities		**5,970**	**13,228**
Total Liabilities		**40,937**	**33,857**
Net Assets		**97,161**	**103,112**
EQUITY			
Accumulated funds		97,161	103,112
Total Equity		**97,161**	**103,112**

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the year ended 30 June 2017

	Notes	Accumulated Funds $'000	Total Equity $'000
Balance at 1 July 2016		103,112	103,112
Loss for the year		(5,951)	(5,951)
Total comprehensive loss for the period		(5,951)	(5,951)
Balance at 30 June 2017		**97,161**	**97,161**
Balance at 1 July 2015		75,336	75,336
Profit for the year		20,466	20,466
Total comprehensive income for the year		20,466	20,466
Transactions with owners in their capacity as owners	5	7,310	7,310
Balance at 30 June 2016		**103,112**	**103,112**

The accompanying notes form part of these financial statements

Mine Subsidence Board
Financial Statements

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Personnel services expense		(6,407)	(3,916)
Purchase of inventories		(3,355)	(515)
Other		(17,132)	(14,031)
Total Payments		**(26,894)**	**(18,462)**
Receipts			
Contributions		22,277	23,061
Sale of inventories		946	1,440
Investment revenue		4,974	4,816
Sale of goods and services		538	523
Other income		864	34
Total Receipts		**29,599**	**29,874**
NET CASH FLOWS FROM OPERATING ACTIVITIES	13	**2,705**	**11,412**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of plant and equipment		33	135
Proceeds from the sale/maturity of investments		126,390	154,361
Purchase of investments		(107,690)	(175,710)
Purchases of plant and equipment		(625)	(218)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**18,108**	**(21,432)**
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**
NET INCREASE / (DECREASE) IN CASH		**20,813**	**(10,020)**
Opening cash and cash equivalents		46,296	56,316
CLOSING CASH AND CASH EQUIVALENTS	6	**67,109**	**46,296**

The accompanying notes form part of these financial statements

1. Summary of Significant Accounting Policies

(a) Reporting Mine Subsidence Board

The Mine Subsidence Board (the Entity) is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The Entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. It is responsible for the management of the Mine Subsidence Compensation Fund (the Fund) in accordance with the *Mine Subsidence Compensation Act 1961*.

These financial statements for the period ended 30 June 2017 have been authorised for issue by the Board on 27 September 2017.

(b) Basis of preparation

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

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- Financial Reporting Directions mandated 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 entity's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

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

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

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

1. Summary of Significant Accounting Policies (continued)

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

Contributions are generally recognised as revenue when the entity 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

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

(h) Property, plant and equipment

i. Acquisitions of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other AAS.

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.

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

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.

1. Summary of Significant Accounting Policies (continued)

iii. Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

iv. Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

v. Maintenance

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

vi. 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 entity.

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

Asset Class	**New Depreciation Rate**	**Previous Depreciation Rate**
Motor Vehicles	20%	33%
Plant and Equipment	10%-20%	10-20%
Computer Equipment	25%-33.3%	25%

vii. 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 (TPP14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 and AASB 140 *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.

The entity reviewed the residual values and useful lives of its property plant and equipment at the end of the reporting period. This review resulted in the adjustment to the useful lives of motor vehicles and some computer and other equipment.

1. Summary of Significant Accounting Policies (continued)

viii. Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

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

As a not for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

(i) Loans and receivables

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

(j) Inventories

Inventories relate to properties that have been purchased as a result of subsidence claims in accordance with the *Mine Subsidence Act 1961*. The entity'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 is brought to account as a claims expense. Properties held by the entity are recorded at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

Net realisable value is assessed on an annual basis to ensure the carrying amount of inventory does not differ materially from the lower of cost and net realisable value.

(k) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in net result.

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

i. Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives

1. Summary of Significant Accounting Policies (continued)

designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

- Financial assets at fair value through profit or loss

The entity subsequently measures financial assets classified as 'held-for-trading' or designated upon initial recognition 'at fair value through profit or loss' at fair value. Gains or losses on these assets are recognised in the net result for the year. Financial assets are classified as 'held-for-trading' if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments under AASB 139 *Financial Instruments: Recognition and Measurement*.

- Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity are classified as 'held-to-maturity' investments. These financial assets are measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or though the amortisation process.

- Available-for-sale financial assets

Financial assets 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 financial assets 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.

- Impairment of financial assets

All financial assets, except those at fair value through profit and loss, are subject to an annual review for impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

For certain categories of financial assets, such as trade receivables, the entity first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, 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.

1. Summary of Significant Accounting Policies (continued)

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.

ii. De-recognition of financial assets and financial liabilities

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

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

Where the entity has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the entity's continuing involvement in the asset. In that case, the entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

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

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

iii. Offsetting financial instruments

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

(l) Other Assets

Other assets are recognised on a historic cost basis.

(m) Payables

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

(n) Employee benefits

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

1. Summary of Significant Accounting Policies (continued)

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 entity 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.

(o) Provisions

Provisions are recognised when: the entity has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised

as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

i. 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 entity's technical or engineering staff or experts in that area of work.

ii. 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 mitigation works to reduce the total prospective liability to the entity. The amount is based on estimates provided by the entity's technical or engineering staff or experts in that area of work.

(p) Equity and reserves

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

i. Equity transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector entities and 'equity appropriations' are designated or required by AAS to be treated as contributions by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities.*

(q) 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.

1. Summary of Significant Accounting Policies (continued)

(r) Changes in accounting policy, including new or revised Australian Accounting Standards

i. Effective for the first time in 2016-17

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of the following new or revised AAS that have been applied for the first time in 2016-17;

- AASB 124 Related Party Disclosures

The impact of this Standard in the period of initial application includes disclosure requirements to enable users of financial statements to form a view about the effects of related party relationships on the entity's financial position, income statement and cash flows.

ii. Issued but not yet effective

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

The following new AAS have not been applied and are not yet effective per Treasury Circular TC17-04:

- AASB 9 Financial Instruments
- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding Revenue from Contracts with Customers
- AASB 16 Leases
  AASB 1058 Income of Not-for-profit Entities
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 with AASB 4 Insurance Contracts
- AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfer of investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

It is considered that the implementation of these Standards will not have any material impact on the entity's financial statements.

(s) Taxation Status

The activities of the Entity are exempt from tax.

2. Expenses excluding losses

(a) Personnel services expenses	Notes	2017 $'000	2016 $'000
Salaries and wages (including annual leave)		3,544	1,911
Superannuation – including defined benefit plans		266	238
Long service leave		250	32
Workers' compensation insurance		11	7
Payroll tax and fringe benefits tax		277	140
Contractors - Contingent Workforce		798	1,578
Board fees		15	10
Redundancies		1,246	-
		6,407	**3,916**

The NSW Department of Finance, Services and Innovation (DFSI) employs staff on behalf of the entity within its personnel services division. Expenses relating to these employees are incurred by the DFSI and reimbursed by the entity on a monthly basis. The above table details the DFSI's employee expenses that are reimbursed. Refer note 1(n).

(b) Other operating expenses include the following:		
Auditor's remuneration - audit of the financial statements	80	89
Advertising	10	6
Consultants	214	107
Contractors	49	52
Fees for services rendered	1,200	953
Bank and legal fees	155	218
Insurance	21	19
Motor vehicle expenses	40	70
Operating lease rental expenses	289	345
Other expenses	145	65
Printing & postage	55	39
Property commissions (Sales and Rental)	12	12
Property expenses	78	41
Recruitment fees	8	79
Stores	74	58
Subsidence claims	19,770	6,296
Subsidence preventative works	1,271	(3,496)
Telephone & utilities	191	227
Travel expenses	83	3
	23,745	**5,183**

(c) Depreciation and amortisation expense		
Plant & equipment	6	9
Computer	11	41
Motor Vehicle	61	24
	78	**74**

Revision in accounting estimates

The useful lives of some plant and equipment, computer equipment and motor vehicles were reassessed resulting in the depreciation expense decreasing by $26,470

2. Expenses excluding losses (continued)

	Notes	2017 $'000	2016 $'000
(d) Cost of sales			
Properties held for sale		1,204	711
		1,204	**711**

3. Revenue

	2017 $'000	2016 $'000
(a) Sale of goods and services		
Section 15B certificates	487	471
Section 15C certificates	51	52
Sale of inventory	946	1,575
	1,484	**2,098**
(b) Investment revenue		
Interest revenue from financial assets not at fair value through profit or loss	4,960	4,775
Net gain/(loss) on financial assets at fair value through Profit and Loss – held for trading	(4,184)	1,281
Interest	14	41
Rents	19	16
	809	**6,113**
(c) Contributions		
Colliery Contributions	22,330	22,330
	22,330	**22,330**
(d) Other Revenue		
Other miscellaneous income	352	18
Insurance recoveries	493	-
	845	**18**

4. Gain / (loss) on disposal

	2017 $'000	2016 $'000
Gain / (loss) on disposal of Property, Plant and Equipment	15	(209)
	15	**(209)**

5. Equity transfer

	2017 $'000	2016 $'000
Crown acceptance of employee liability	-	7,310
	-	**7,310**

6. Current assets – Cash and Cash equivalents

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

6. Current assets – Cash and Cash equivalents (continued)

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

	Notes	2017 $'000	2016 $'000
Cash at bank and on hand		64,095	2,821
Deposits at call		3,014	43,475
		67,109	**46,296**

7. Current receivables

Receivables		317	54
GST refundable		901	195
Prepayments		51	30
		1,269	**279**

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
Investments held for trading at fair value through profit or loss	15(a)	58,476	81,159
		58,476	**81,358**

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		10,463	8,784
		10,463	**8,784**

10. Non-current Assets – Property, plant and equipment

	Computer Equipment	Plant and Equipment	Motor Vehicles	Total
At 1 July 2016 - fair value				
Gross carrying amount	860	508	262	1,630
Accumulated depreciation	(849)	(505)	(24)	(1,378)
Net carrying amount	11	3	238	252
At 30 June 2017 - fair value				
Gross carrying amount	410	733	218	1,361
Accumulated depreciation	(410)	(114)	(56)	(580)
Net carrying amount	-	619	162	781

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:

	Computer Equipment	Plant & Equipment	Motor Vehicles	Total
Year ended 30 June 2017				
Net carrying amount at start of year	11	3	238	252
Additions	-	625	-	625
Disposals - at cost	(450)	(400)	(54)	(904)
Write back of accumulated depreciation on disposals	450	397	39	886
Depreciation expense	(11)	(6)	(61)	(78)
Net carrying amount at end of year	-	619	162	781

	Computer Equipment	Plant & Equipment	Motor Vehicles	Total
At 1 July 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
At 30 June 2016 - fair value				
Gross carrying amount	860	508	262	1,630
Accumulated depreciation	(849)	(505)	(24)	(1,378)
Net carrying amount	11	3	238	252

10. Non-current Assets – Property, plant and equipment (continued)

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:

	Computer Equipment	Plant & Equipment	Motor Vehicles	Total
Year ended 30 June 2016				
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

11. Current liabilities – payables

	2017 $'000	2016 $'000
Accrued personnel services expense	630	1,658
Trade creditors and accrued expenses	8,006	671
	8,636	**2,329**

12. Current / Non-current liabilities – provisions

Current Employee benefits and related on-costs		
Provision for fringe benefits tax	7	-
	7	**-**
Current Other Provisions		
Claims	26,324	18,300
	26,324	**18,300**
(a) Total Current Provisions	**26,331**	**18,300**
Non-Current Other Provisions		
Claims	5,970	13,228
	5,970	**13,228**
(b) Total Non-Current Provisions	**5,970**	**13,228**

12. Current / Non-current liabilities – provisions (continued)

Movements in provisions (other than employee benefits)

Please refer to note 1(o) for the recognition and measurement principles used in determining these provisions. Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2017	Claims	Preventative Works	Total
Carrying amount at the beginning of financial year	31,528	-	31,528
Additional provisions recognised	30,709	1,271	31,980
Amounts used	(21,170)	(1,271)	(22,441)
Unused amounts reversed	(8,773)	-	(8,773)
Carrying amount at end of financial year	**32,294**	-	**32,294**
Current	26,324	-	26,324
Non-current	5,970	-	5,970
	32,294	-	**32,294**

2016	Claims	Preventative Works	Total
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)
Carrying amount at end of financial year	**31,528**	**-**	**31,528**
Current	18,300	-	18,300
Non-current	13,228	-	13,228
	31,528	-	**31,528**

13. Reconciliation of Cash Flows from Operating Activities to Total Comprehensive Income

	2017 $'000	2016 $'000
Net cash from operating activities	2,705	11,412
Depreciation	(78)	(75)
Increase / (decrease) in receivables	990	(731)
Increase / (decrease) in inventories	1,679	(195)
(Increase) / decrease in payables	(6,307)	(1,454)
(Increase) / decrease in provisions	(771)	10,303
Net gain / (loss) on financial assets	(4,184)	1,281
Net gain / (loss) on disposal of plant and equipment	15	(75)
Total comprehensive income / (loss)	**(5,951)**	**20,466**

14. Commitment for Expenditure

The entity has entered into a commercial property lease for its office at Picton. The Picton office lease has an expiry date of 30 June 2019 with a two year option.

	2017 $'000	2016 $'000
Operating lease commitments		
Less than 1 year	53	53
Greater than 1 year but less than 5 years	53	88
Total (including GST)	**106**	**141**

The entity's Newcastle office 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 should the entity decide to relocate. Commitments under this agreement for the next 12 months are $192,566 inclusive of GST (2016: $192,566 inclusive of GST).

15. Financial Instruments

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

The entity's main risks arising from financial instruments are outlined below, together with its 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 Commercial Manager 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 risks faced by entity, to set risk limits and controls, and to monitor risks.

(a) Carrying amount of each category of financial instrument

Financial assets	**Category**	**2017 $'000**	**2016 $'000**
Cash & cash equivalents	N/A	67,109	46,296
Receivables[1]	Loans & rec'bles (amortised cost)	322	54
Financial assets at fair value	At fair value through profit or loss – classified as held for trading		
Held for trading - investments		58,476	81,159
Held for trading - derivatives		-	199
Total financial assets		**125,907**	**127,708**
Financial liabilities			
Trade & other payables[2]	Financial liabilities measured at amortised cost	8,855	2,329
Total financial liabilities		**8,855**	**2,329**

1 Excludes statutory receivables and prepayments (not within scope of AASB7)

2 Excludes statutory payables and unearned revenue (not within scope of AASB7)

15. Financial Instruments (continued)

(b) Credit Risk

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

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

The entity has placed funds on deposit with TCorp in the current financial year, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The TCorp deposits at reporting date were earning an average interest rate of 4.1% (2016 n/a), while over the year, the weighted average interest rate was 4.04%. None of these assets are considered past due or impaired.

(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 entity 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. Under the *Mine Subsidence Compensation Act 1961*, interest may be levied on overdue colliery contributions.

The entity 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 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 entity will be unable to meet its payment obligations when they fall due. The entity 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 entity's financial liabilities together with the interest rate exposure.

15. Financial Instruments (continued)

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

	Non Interest Bearing	Less than 1 year
2017	**$'000**	**$'000**
Trade and other payables	9,095	9,095
2016		
Trade and other payables	2,329	2,329

(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 entity's exposures to market risk are primarily through interest rate risk on its investments and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The entity has no exposure to foreign currency risk and does not enter into commodity contracts.

(g) Other price risk – TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The entity has no direct equity investments. The entity holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2017 $'000	2016 $'000
Cash	Cash and money market instruments	Up to 1.5 years	63,429	-
Medium-term growth	Cash, money market instruments, Australian and international bonds, listed property and Australian shares	3 years to 7 years	58,476	-

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.
TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

15. Financial Instruments (continued)

(h) Sensitivity analysis

The following table illustrates sensitivities to the entity'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 entity 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 entity 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 entity's financial assets interest rate risk.

	$'000			
	Result	**Equity**	**Result**	**Equity**
	1%		**-1%**	
2017				
Cash & cash equivalents	665		(665)	
Financial assets at fair value	585	-	(585)	-
2016				
Cash & cash equivalents	24	-	(24)	-
Financial assets at fair value	812	-	(812)	-

(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:

	Classification according to fair value hierarchy			
30 June 2017	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Carrying Amount $'000**
Financial assets at fair value				
TCorp Hour-Glass Investment Facility		58,476	-	58,476
Total	**-**	**58,476**	**-**	**58,476**

15. Financial Instruments (continued)

(i) Fair Value

	Classification according to fair value hierarchy			
				Carrying
	Level 1	Level 2	Level 3	Amount
2016	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets				
Financial assets held at fair value through profit or loss	81,159	-	-	81,159
Derivatives used for hedging	199	-	-	199
Total	**81,358**	**-**	**-**	**81,358**

16. Contingent Liabilities and Assets

The entity has received claims for compensation up to 30 June 2017 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 entity'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. Events After the Reporting Period

The entity operates under the *Mine Subsidence Compensation Act 1961*. The *Coal Mine Subsidence Compensation Bill 2017*, which will repeal the *Mine Subsidence Compensation Act 1961* is currently before NSW Parliament and if passed, unchanged, will take effect in January 2018. The changes are likely to significantly affect the operations of the entity and the results of those operations or the state of affairs of the entity in future years. An estimate of the financial effect cannot be made as at the time of these financial statements.

18. Related Party Disclosures

Key management personnel

During the year, the entity incurred $286,399 in respect of the key management personnel services that are provided by a separate management entity (Department of Finance Services and Innovation - Corporate Services).

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

	Actual 2017 $'000
Short-term employee benefits:	
Salaries	281
Non-monetary benefits	-
Post-employment benefits	-
Other long-term employee benefits	5
Termination benefits	-
Share based payments	-
Total remuneration	**286**

During the year, the entity did not enter into any material transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

Other related party transactions

During the year, the entity entered into transactions with the Department of Finance Services and Innovation for the provision of personnel services. These transactions which are conducted as arm's length transactions are a significant portion of the entity's receiving of services, in aggregate are as follows:

	Transaction value $'000	Net receivable/ $'000
Nature of transaction		
Sales of goods		
Purchases of goods		
Services received	5,762	
	5,762	**-**

END OF AUDITED FINANCIAL STATEMENTS