
Long Service Corporation Annual Report 2021-2022



Long Service Corporation

32 Mann Street
Gosford NSW 2250

Postal address

Locked Bag 3000
Central Coast MC NSW 2252

Contact

T 13 14 41

W www.longservice.nsw.gov.au

Email

info@longservice.nsw.gov.au

Hours

8.30am to 5.00pm Monday to Friday

Copyright

@Long Service Corporation. Users are welcome to copy, reproduce and distribute information contained in this report for non-commercial purposes only, provided acknowledgement is given to the Long Service Corporation as the source.

This annual report was produced wholly by Long Service Corporation officers. There were no external production costs and the annual report is available in electronic format on the Long Service Corporation website at www.longservice.nsw.gov.au.

30 November 2022



Customer
Service

McKell Building – 2-24 Rawson Place, Sydney NSW 2000
Tel 02 9372 8877 | TTY 1300 301 181
ABN 81 913 830 179 | www.nsw.gov.au

Office of the Secretary

Our reference: BN-05870-2022

The Hon. Victor Dominello MP
Minister for Customer Service and Digital Government
Minister for Small Business
Minister for Fair Trading
Member for Ryde
GPO Box 5341 SYDNEY NSW 2001

Dear Minister

Long Service Corporation Annual Report 2021-22

I am pleased to submit the annual report for the Long Service Corporation (LSC) for the year ended 30 June 2022, for presentation to Parliament.

This report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Government Sector Finance Act 2018* and regulations under those Acts.

An application for an extension of time was made under section 13 of the *Annual Reports (Statutory Bodies) Act 1984*, and an extension of time was granted to submit the annual report to the Minister by 30 November 2022.

Yours sincerely

Emma Hogan
Secretary

Date: 30/11/22

Acknowledgement of Country

The Long Service Corporation acknowledges, respects and values Aboriginal peoples as the Traditional Custodians of the lands on which we live, walk and work.

We pay our respects to Elders past, present and future. We recognise and remain committed to honouring Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships, and continuing connection to their lands, waters and seas. We acknowledge their history here on these lands and their rich contribution to our society.

We also acknowledge our Aboriginal employees who are an integral part of our diverse workforce, and recognise the knowledge embedded forever in Aboriginal and Torres Strait Islander custodianship of Country and cultures.



Contents

| | |
|---|------------|
| Secretary's message | 6 |
| 1 About Long Service Corporation | 7 |
| Who we are | 8 |
| What we do | 9 |
| Organisational structure | 10 |
| Principal officers | 11 |
| 2 Highlights and achievements | 12 |
| Director's report | 13 |
| Performance review | 14 |
| Operations review | 17 |
| Committees | 20 |
| Financial highlights | 24 |
| 3 Governance | 26 |
| Audit and risk management and insurance activities | 27 |
| Accessing LSC information | 28 |
| 4 Appendices | 29 |
| Consultants | 30 |
| Consumer response | 31 |
| Employment and senior executive statistics | 32 |
| Employment relations, policies and practices | 34 |
| Legislation administered | 35 |
| Legislative changes | 36 |
| Public interest disclosures | 37 |
| Risk management, attestation and insurance activities | 38 |
| Other disclosures | 41 |
| Exemptions from the reporting provisions | 42 |
| 5 Financial statements | 43 |
| Long Service Corporation | |
| Independent Auditor's Report | 44 |
| Statement by the Secretary | 46 |
| Financial statements | 47 |
| Long Service Corporation Investment Fund | |
| Independent Auditor's Report | 76 |
| Statement by the Trustee | 78 |
| Financial statements | 79 |
| Compliance checklist | 103 |

Secretary's message

I am pleased to present the 2021-2022 Annual Report for the Long Service Corporation (LSC). LSC has been proactive and consistent in its approach to delivering excellent customer service to the citizens of NSW throughout another year of COVID-19 related impacts.

Temporary legislative amendments enacted last year to assist customers working in the contract cleaning industry were permanently embedded into legislation. This provides significant benefits for eligible customers who were permanently leaving the industry by reducing the mandatory wait time from 20 weeks to 10 weeks before making an application for payment. From 1 July 2021 to 30 June 2022, 205 workers leaving the industry accessed their entitlements.

LSC helpline calls were successfully transitioned to Service NSW under the Department of Customer Service (DCS) Customer Experience Integration (CEI) program. Almost 80,000 calls from customers in the building and construction and contract cleaning industries were taken by Service NSW in the period 15 July 2021 to 30 June 2022. The Service NSW call centre provides essential support to LSC customers and helps alleviate demand during peak periods. The transition enables LSC staff to concentrate on claim and registration requests, markedly reducing response times for customers.

LSC has made significant progress throughout the year with Project Phoenix, which aims to deliver world class portable long services. Project Phoenix continued developing easy to use customer platforms by implementing an integrated Salesforce - System Applications and Products (SAP) solution. In August 2021 the legacy system used to collect levies for building and construction work in NSW was replaced, enhancing the online customer experience. The next phase of the project is to replace LSC's other legacy customer portals and associated back-end systems by mid-2023. Work progressed in identifying the functional and design elements required to build a suitable solution. Employers and workers were invited to provide feedback via a series of online events that demonstrated new features of the portal, ensuring customer needs were captured.

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

I also extend my thanks to LSC Director Kathy Skuta and the dedicated team at LSC for their commitment to our customers. LSC has a clear focus on putting the customer at the centre of everything they do and continues to develop and implement business initiatives that make it easy for the customer to do business with them. I am excited to see these initiatives in action in the year ahead.

Emma Hogan

Secretary, Department of Customer Service

1

About Long Service Corporation



Who we are

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

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

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

As at 30 June 2022, LSC provides portable long service to 496,512 workers and 38,437 employers in the building and construction industry and 106,886 workers and 1,120 employers in the contract cleaning industry.

Our stakeholders

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

| Stakeholders | Key issues |
|---|--|
| NSW community (Levy payers and general community) | <ul style="list-style-type: none"> Levy payers: Levy payment of 0.35% on all building and construction work valued at \$25,000 and above; and 1.0% of ordinary wages for the contract cleaning scheme. General community: Information about levy rate and why we have it. |
| Workers (Workers, contractors, trade unions) | <ul style="list-style-type: none"> Workers: Registration, recording service, claiming entitlements, other scheme related information and advice. Contractors: Registration, recording service, claiming entitlements, other scheme related information and advice. Trade unions: Worker advocacy, scheme coverage, scheme entitlements and industry committee membership. |
| Employers (Employers, employer groups/industry associations) | <ul style="list-style-type: none"> Employers: Responsibilities under the Acts, registration, lodging worker service returns, claiming entitlements, compliance, levy contributions, payment plans and queries. Employer groups: Employer advocacy, scheme coverage, scheme entitlements and industry committee membership. |
| Third parties (Private certifiers, suppliers, interstate schemes, tax agents) | <ul style="list-style-type: none"> Private certifiers: Regulation, policy and payment arrangements within the building and construction scheme. Suppliers: Policy, procedures and payment arrangements. Interstate schemes: National Reciprocal Agreement (NRA), national cooperation initiatives. Tax agents: Submitting returns for contractors in the building and construction scheme. |
| Government (Local government, government agencies) | <ul style="list-style-type: none"> Local government: Levy collection agent, scheme information for the building and construction scheme. Government agencies contracting work in both industries: Responsibilities under the Acts. |

What we do

Our functions

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

Our structure

LSC forms part of the Licensing and Funds (L&F) stream within the Better Regulation Division (BRD) of DCS. The Director reports to the Executive Director of Licensing and Funds, BRD.

LSC has three core business areas:

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

Scheme Governance and Risk – undertakes levy collection; regulatory compliance functions; provides on-going support services of audit and risk management; committee secretariat; records management; procurement and contract management; business planning; annual reporting; fund investment relationship management; quality assurance; appeal review and scheme marketing.

Process Optimisation – implements new ICT systems, including enhancement projects to deliver improvements to customer service; information security management; ICT service contract management; data analysis and reporting; and business as usual requirements.

Corporate support services provided by DCS

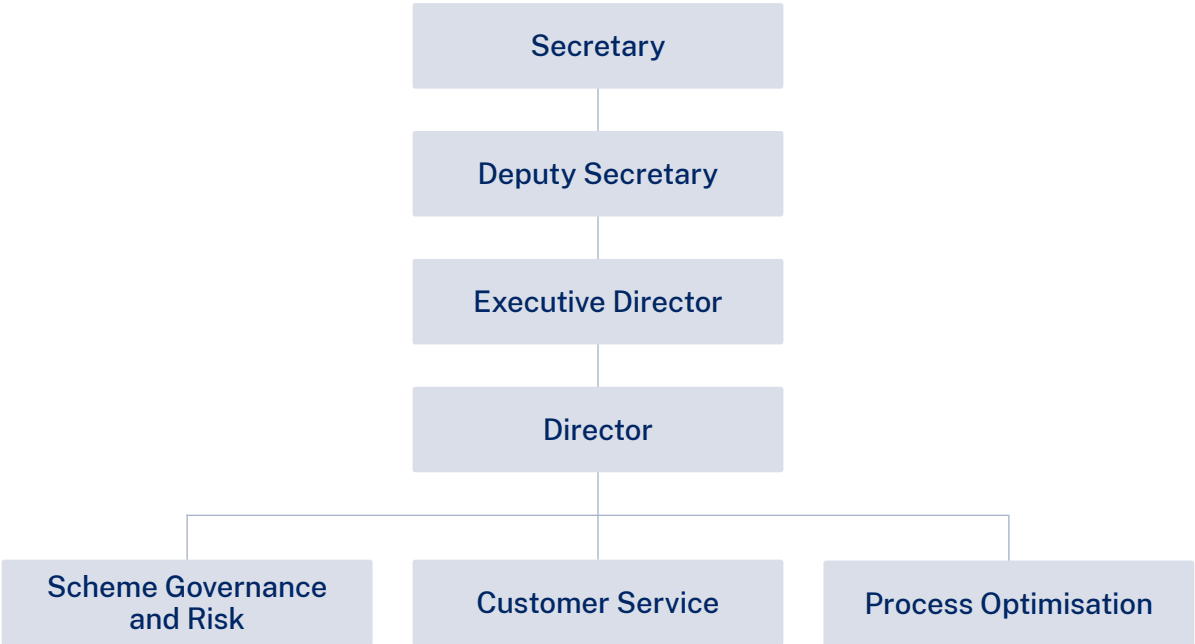
LSC has a Memorandum of Understanding (MOU) in place with DCS Corporate Services to access practical business support in the areas of:

- Procurement
- ICT contract management
- ICT system support and cybersecurity management
- Legal
- Policy
- Communications
- Internal audit
- Human resources and recruitment
- Financial accounting and reporting.

The MOU provides a relationship management structure that ensures LSC has ready access to necessary expert advisors and support networks, allowing LSC to focus on core service delivery.

Agreed areas of cost recovery for services accessed by LSC ensures transparency of costs incurred in the administration of the schemes.

Organisational structure



Principal officers

Emma Hogan

Secretary,
Department of Customer Service
Post Grad, Human Resource Management

Rose Webb

Deputy Secretary, *(until November 2021)*
Better Regulation Division
B.Ec/LLB (Hons), Economics/Law

Natasha Mann

Deputy Secretary, *(from November 2021 to date)*
Better Regulation Division
B.A. (Hons)/LLB, Arts/Law

Suzanne Crowle

Executive Director,
Licensing and Funds
Bachelor of Commerce (Marketing), Bachelor of Laws,
Grad Diploma in Legal Practice

Kathy Skuta

Director,
Long Service Corporation
Master of Economics, Bachelor of Commerce (Hons)

Allison Payne

Manager,
Scheme Governance and Risk
Bachelor of Business (Accounting),
Grad Cert Business Administration

Tess Parker

Manager,
Customer Service
Grad Cert Public Sector Management,
Master of Arts Public Sector Leadership

Beth Langley

Acting Manager, *(until November 2021)*
Process Optimisation
PMI Certified Project Management Professional,
Certified Scrum Master, Prince 2 Practitioner
ITIL 2 Practitioner

Darren Pritchard

Acting Manager, *(from November 2021 to date)*
Process Optimisation

2

Highlights and achievements



Director's report

The 2021-22 financial year was a year of acclimatising to the new COVID-19-friendly ways in which LSC works whilst continuing to deliver excellent customer service. LSC staff embraced the hybrid work practices initiated by DCS, with staff operating in a combination of both office and home-based work environments.

LSC finished the financial year with an operational deficit of \$19.2 million (2021: Surplus \$271.5 million) and an equity balance of \$506.8 million (2021: \$526.0 million). The operating result was strongly influenced by the poor performance of the Scheme investments with an investment return for the year of -6.8% (2021: +9.4%) against a target of +5%. Counter to the negative investment returns, an upward movement in the Commonwealth Government Bond rate, the rate used to calculate the present value of scheme liability provisions, to 3.7% at 30 June 2022 (2021: 1.5%), drove a reduction in scheme liability provisions by \$223.0 million (2021: \$61.3 million). Levy receipts for the year were \$227.4 million (2021: \$207.5 million), an increase of 9.6% on the prior year and 37.3% above the budget.

LSC responded to more than 128,000 customers enquiries, a decrease of 4% compared to the previous year of 134,000 enquiries. The decrease is attributed to continued improvements to customer online self-service portals.

Significantly, we launched the integrated Salesforce - SAP platform under Project Phoenix for Building Levy payers. Groundwork is underway to provide service improvements to more customers in mid-2023. This includes capturing user stories, system design and data cleansing that will support service offerings delivered through new online customer portals. These new systems and portals will reduce wait times and improve the customer journey.

LSC made excellent progress with other ICT initiatives in collaboration with the DCS Chief Information Office (CIO). We decommissioned the telephony system, and work progressed on archiving records and deactivating the LSC Building Levy system. Removal of these legacy systems improves efficiency, enables us to align to DCS platforms and reduces related costs.

LSC's dedication to customers was reinforced by publishing our Customer Commitments on the LSC website in June 2022. This acknowledges our commitment to providing excellent service and confirms to our customers how they can expect LSC to interact with them.

LSC introduced a risk-based compliance model to better focus our compliance resources on high impact issues. The new model increases LSC's ability to operate proactively in the compliance space. It also streamlines the compliance escalation and investigation processes reducing time frames for completion of matters.

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

I extend my sincere thanks to LSC staff who continue to put the customer at the centre of everything they do. Staff have adapted to an ever-changing COVID-19 landscape and have done so with flexibility, patience, dedication and good spirit.

I am excited about the year ahead which will see the completion of many long-term projects that are of significant benefit to our customers and our working environment. I look forward to continuing to work with our stakeholders and staff to deliver outstanding customer service.

Kathy Skuta

Director

Performance review

Delivery Plan 2021-22

| Focus | Actions | Targets Achieved |
|---|--|--|
| Protect | | |
| Customer Engagement Integration - Transition helpline to Service NSW | | |
| | Transition of general helpline calls and levy calls to Service NSW. This transition supports the Government's priority of making it easier for our customers to do business with us. | <p>General helpline calls successfully transitioned to Service NSW on 15 July 2021.</p> <p>Levy helpline calls successfully transitioned to Service NSW on 25 November 2021.</p> |
| Project Trust - Information Management Security | | |
| | Embed suitable functionality into Project Phoenix to ensure quality build and accurate solutions. | Project Phoenix team continue to work with the Project Trust team to ensure compliance of the LSC Building Levy system and embed suitable functionality in the future build. |
| | Staff to complete available training supporting Project Trust. | Staff have completed all mandatory training in information management security, including The Essentials: Cyber Security Awareness training module. |
| ICT Reforms | | |
| | Implement audit recommendations. | The audit recommendations have been implemented, noting that some items have been highlighted as having a dependency on the completion of Project Phoenix and decommissioning of the remaining LSC ICT infrastructure. |
| | Migrate LSC IT systems onto DCS common IT platforms to better align with DCS. | <p>LSC has continued to move to DCS common IT platforms. This has included moving to the Microsoft Teams Enterprise Voice (EV) telephony system and adoption of the DCS legacy system archiving tool.</p> <p>Future plans to move to the DCS SharePoint site and LSC being incorporated into the OneCX program are also underway. The OneCX program is run by the NSW Government Digital Channels team to migrate government agencies web content to nsw.gov.au.</p> |
| | Transition to the ICT goods and services available under DCS ICT contracts and support services to better align with DCS. | Majority of contracts and services have been transitioned to DCS, and the few remaining contracts and services will be completed upon completion of Project Phoenix. |
| | Realign ICT support services to take advantage of DCS wide ICT support. | LSC has adopted the support of the DCS ICT Service Desk for all ICT incidents and requests. There has been a group created in Service Now to assist in resolving enquiries for the remaining LSC legacy systems. |

Performance review

Delivery Plan 2021-22

| Focus | Actions | Targets Achieved |
|--|--|--|
| Innovate | | |
| Culture of Care | | |
| | Implement L&F/LSC People Strategy including: <ul style="list-style-type: none"> • Culture and engagement • Recognising good performance • Career development, diversity, and inclusion • Strategic Workforce Planning. | The LSC People Strategy was implemented throughout the 2021-22 financial year and will continue through the 2022-23 financial year. |
| Data Cleanse | | |
| | Complete data cleanse in advance of data migration to Salesforce - SAP platform to ensure accuracy of data being migrated. | Comprehensive data cleanse activities were completed on 28 January 2022. Further data cleanse activities to be undertaken during the 2022-23 financial year. |
| BRD Digital Services Program - Phoenix | | |
| | Implement integrated Salesforce - SAP system via Project Phoenix to provide an online levy portal for our customers. | Project Phoenix successfully delivered the new Levy application, with the remaining components scheduled to be released by June 2023. |
| Improve Customer Service Standards | | |
| | Confirm and publish LSC's Customer Commitments. | Finalised Customer Commitments were published on the LSC website on 24 June 2022. The Customer Commitments confirm for customers how they can expect LSC to interact with them. |
| System Decommissioning and Data Archiving | | |
| | Archive data for legacy ICT systems (Contract Cleaning Industry; levy; Building and Construction Industry). | Data from the LSC Building Levy system has been archived in the InfoArchive tool. The remaining systems will be archived on completion of Project Phoenix. |
| | Decommission Worker Registration System and the LSC Building Levy system to make way for new systems. | LSC Building Levy system is scheduled to be decommissioned in September 2022. The decommissioning of the Worker Registry System is subject to the completion of Project Phoenix. |
| | End agreement for the LeaveTrack system to make way for new system. | Agreement for the LeaveTrack system has been extended to align with Project Phoenix timeline. |
| Reporting | | |
| | Automate key reporting. | Report automation progressed during the year using Power BI tools. Further key reporting streamlining is to take place in line with Project Phoenix. |

Performance review

Delivery Plan 2021-22

| Focus | Actions | Targets Achieved |
|--------------------------------|--|---|
| Regulate | | |
| Policy and Legislative Changes | | |
| | Complete review and remake of the Regulations under the <i>Building and Construction Industry Long Service Payments Act 1986</i> and the <i>Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010</i> including review of the Building and Construction Industry (BCI) levy rate. | Both BCI and CCI Regulations were reviewed with the updated regulations due to be effective 1 September 2022. |
| Compliance Reforms | | |
| | Implement audit recommendations. | All audit recommendations for improvement in compliance processes, documents and outcomes were implemented by 24 June 2022. |

Operations review

- Significant data cleansing activities were completed on register data for both BCI and Contract Cleaning Industry (CCI) schemes. Individuals and teams undertook structured data cleansing activities driven by the planned future migration of data to the Salesforce - SAP platform.
- Three new technical advisor roles were added to the customer facing delivery teams. The roles were created to provide stronger support to the customer service officers when dealing with complex cases, requiring detailed technical knowledge of the relevant legislation. The technical advisor roles have proved to be very valuable, increasing the confidence in decision making at an operational level and reducing the need to refer some matters to the Compliance Team.
- A large bulk BCI cancellation activity was run after two years of postponed runs, in appreciation of the potential administrative burden on customers and LSC during COVID-19. Cancellation runs remove worker registrations when the legislative four-year gap in service is evident in the workers' record and they have less than five (5) years of accumulated service.
- Effective from 1 July 2021, the new CCI levy rate of 1.0% was introduced (reduced from 1.7%); *Contract Cleaning Industry (Portable Long Service Scheme (Levy Determinations) Order 2021*.
- Helpline calls were successfully transitioned to Service NSW, providing customers with an improved service by reducing call wait times, especially during peak times. Employer and worker helpline calls were transitioned to Service NSW on 15 July 2021 and BCI levy helpline calls were transitioned on 25 November 2021.
- Staff continued to predominantly work from home in line with NSW Health recommendations. Staff were supported by initiatives implemented by DCS, including improved communication strategies to ensure connection to the wider organisation.
- Many Customer Service Officers were provided development opportunities throughout the year by participating in specific tasks relating to Project Phoenix as subject matter experts.
- Collaboration across LSC resulted in a new Customer Commitments statement published on the LSC website. The statement gives customers a clear indication of the service they can expect from LSC.
- The first phased release of the new integrated Salesforce - SAP system successfully went live on 26 August 2021. The first phase introduced BCI levy payers to the new platform, providing greater opportunities for customer self-service, increased payment options and secure communication channels via the new customer portal.

Operations review

Operations review 2021-22

| | Building and Construction Industry (BCI) | Contract Cleaning Industry (CCI) |
|--|--|----------------------------------|
| New worker registrations | 36,602 ↑ | 5,914 ↓ |
| Workers removed from register | 12,885 ↑ | 749 ↑ |
| Total numbers of active registered workers | 496,512 ↑ | 108,886 ↑ |
| New employer registrations approved | 3,272 ↑ | 80 ↓ |
| Total number of registered employers | 38,437 ↑ | 1,120 ↑ |
| Levies collected value | \$217.00 million ↑ | \$10.43 million ↓ |
| Worker claims volume | 10,923 ↑ | 558 ↑ |
| Worker claims value | \$92.62 million ↑ | \$2.58 million ↑ |
| Employer claims volume | 1,352 ↑ | 460 ↑ |
| Employer claims value | \$6.37 million ↑ | \$1.11 million ↑ |

| Combined scheme activity | |
|---------------------------------|----------|
| Inbound calls to Helpline | 88,373 ↓ |
| Customer enquiries by email | 38,343 ↑ |
| Customer enquiries via internet | 8,804 ↑ |
| Incoming paper correspondence* | 2,693 ↓ |

Note: *Does not include return to sender.

Operations review

Compliance activity

There were 149 matters referred for investigation into suspected ineligible service and claims. A total of 866 years of service was removed, with an estimated saving of \$813,000 in the BCI scheme.

The Compliance Team has transitioned to a risk-based compliance model and undertaken three proactive compliance programs this financial year.

The four month CCI outstanding returns/debtors program concluded in August 2021. There were 95 employers with outstanding returns contacted, with 38 lodging their returns up to date. There were 43 outstanding debtors contacted and 39 paid in full or have entered into a payment plan. The outstanding levies paid was \$725,660.

A proactive assessment compliance program commenced in November 2021, targeting building development projects that have already been subject to a Determination. This was to ascertain if the project value increased upon completion of the project and if a top-up levy was payable. Twenty projects were targeted for the program and 11 assessments were completed, with total top-up levies of \$500,000 to be paid.

In 2021-22, the annual BCI Unpaid Levies compliance program identified \$87,100 in unpaid levies that have now been paid.

The Compliance Plan for 2022-23 includes reoccurring annual compliance activities and targeted proactive compliance activities including:

- CCI unregistered employers
- CCI outstanding returns/debtors
- BCI outstanding annual returns
- BCI high risk work types
- BCI cost of works verification.

The Compliance Team has greater compliance powers following amendments that were made under the *Better Regulation Legislation Amendment (Miscellaneous) Act 2021* (Schedules 1.3 and 1.5) to the *Building and Construction Industry Long Service Payments Act 1986* and the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*, including:

- Information sharing provisions
- Extended powers
- Ability to issue a penalty notice for specified offences.

Committees

Building and Construction Industry Long Service Payments Committee

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

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

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

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

This year the BCI Committee met on four occasions, via a secure web-based platform, providing support and advice to LSC regarding issues such as:

- Coverage on work undertaken on Commonwealth land
- Project Phoenix and the opportunity to participate in demonstrations
- Regulation remake
- Levy reduction
- The introduction of penalty notices for non-compliance.

Appeals

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

The BCI Committee heard and gave consideration to 28 appeals lodged by workers.

Committees

BCI Committee July 2021 - June 2022

| BCI Industry Committee Members | Meeting attendance |
|--|-----------------------------|
| Christine Gowland (BBus - Accounting) Director Registry and Accreditation DCS Chairperson | 4 out of 4 |
| Iain Jarman (Grad Dip Commerce, Grad Dip Corporate, Securities, Finance, Law, Grad Cert Public Sector Management) Industrial Officer, Master Builders Association (MBA) NSW Nominated jointly by the MBA NSW and the Australian Federation of Employers and Industries (AFEI) | 4 out of 4 (1 observing) |
| Paula Thomson (LLB/B Business) Manager Workplace Relations, AFEI Associate Nominated jointly by the MBA NSW and the AFEI | 2 out of 4 |
| Rita Mallia (B. Economics/Law) State President, Construction Forestry Mining Energy Union (CFMEU), (Construction and General Division) NSW Nominated by Unions NSW | 4 out of 4 |
| Thomas Costa Assistant State Secretary, Unions NSW Nominated by Unions NSW | 3 out of 4 |
| Brian Seidler (B. Build) Executive Director, MBA NSW Directly appointed by the Minister | 4 out of 4 |
| David Bare (BE (Mat.) Business Management Certificate (General Management)) Executive Director, Housing Industry Association (HIA) Directly appointed by the Minister | 3 out of 4 |
| Robyn Fortescue (BA) Assistant State Secretary, Australian Manufacturing Workers Union (AMWU) Nominated by Unions NSW | 3 out of 4 (1 observing) |
| Joanna Psaros (Master of Law and International Development, BA Law/Dip of Legal Practice, BA Writing and International Affairs) Industrial Relations Officer Nominated jointly by the MBA NSW and the AFEI | 2 out of 4 |
| Theo Samartzopoulos State Secretary, Plumbing Trades Employees Union Nominated by Unions NSW | 3 out of 4 |
| Jasminne Muliadi (BA, BA Laws, Grad Dip Legal Practice) Manager Workplace Services, HIA Directly appointed by the Minister | 3 out of 4 |

Committees

Contract Cleaning Industry Long Service Leave Committee

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

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

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

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

This year the CCI Committee met on three occasions, via a secure web-based platform, providing support and advice to LSC regarding issues such as:

- Project Phoenix and the opportunity to participate in demonstrations
- Regulation remake
- Coverage of cleaners working in the hotel industry
- The introduction of penalty notices for non-compliance.

Appeals

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

There were no appeals lodged during 2021-22.

The scheduled bulk cancellation of registrations did not proceed due to the impact of COVID-19, resulting in a reduction of appeals lodged by workers.

Committees

CCI Committee July 2021 - June 2022

| CCI Industry Committee Members | Meeting attendance |
|--|-----------------------------|
| Christine Gowland (BBus - Accounting) Director Registry and Accreditation DCS Chairperson | 3 out of 3 |
| Georgia Potter-Butler (LLB/BA Barrister and Solicitor NZ) Industrial Officer, Unions NSW Nominated by Unions NSW | 3 out of 3 |
| Ravindra Naidoo (BA (Hons) Economics, CPA) Financial Controller, Quad Services Nominated by the Building Service Contractors Association of Australia (BSCAA) | 3 out of 3 |
| Nicholas Jenkinson (MBA Business Management, BA (Hons) Business & Marketing, BTEC National Diploma) State Manager, Pickwick Group Nominated by the BSCAA | 0 out of 3 |
| Alex Morales (BA Communications) Lead Organiser, United Voice Nominated by United Voice | 3 out of 3 (1 observing) |
| Mel Gatfield (BA Industrial Relations) Branch Secretary, United Voice Nominated by United Voice | 2 out of 3 |
| Natasha Flores (BA (Hons), LLB, MLLR, DipEd) Industrial Officer Nominated by Unions NSW | 2 out of 3 (1 observing) |
| Jamie Halfhide (Masters Business Administration, Dip Business Management) National Sales Manager, Guardian Property Services Directly appointed by the Minister | 0 out of 3 |
| Charlie Vasilas General Manager, Ezko Property Services (AUST) Pty Ltd Directly appointed by the Minister | 3 out of 3 |

Financial highlights

REVENUE AND EXPENSES

Financial YTD, revenue from all sources amounted to \$78.5 million, whilst expenditure amounted to \$97.7 million. This resulted in a loss of \$19.2 million.

The actual net result was unfavourable to budget by \$7.2 million, primarily due to the following:

| | \$'000 |
|--|-----------|
| • Lower Investment Returns | (250,248) |
| • Higher collection of levy income from both Schemes | 61,798 |
| • Increased Operating expenses | (5,009) |
| • Decreased long service expenses (Scheme Liability and Finance costs) | 186,493 |

BUDGET AND RESULT

| | Actual 2022 \$'000 | Budget 2022 \$'000 | Budget 2023 \$'000 |
|--|--------------------------|--------------------------|--------------------------|
| Expenses excluding losses | | | |
| Personnel services | 7,482 | 6,730 | 10,055 |
| Operating expenses | 13,740 | 8,731 | 12,128 |
| Depreciation and amortisation | 243 | 299 | 1,129 |
| Finance costs | 24,465 | 16,172 | 27,000 |
| Scheme Liability expenses | 51,784 | 246,570 | 277,653 |
| TOTAL EXPENSES EXCLUDING LOSSES | 97,714 | 278,502 | 327,965 |
| Revenue | | | |
| Investment revenue | (149,692) | 100,556 | 118,517 |
| Long service levy income | 227,431 | 165,633 | 219,100 |
| Other revenue | 755 | 298 | 4 |
| Total Revenue | 78,494 | 266,487 | 337,621 |
| NET RESULT | (19,220) | (12,015) | 9,656 |

FINANCIAL TRENDS

| | Actual 2018 \$'000 | Actual 2019 \$'000 | Actual 2020 \$'000 | Actual 2021 \$'000 | Actual 2022 \$'000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Expenses excluding losses | | | | | |
| Personnel services | 5,734 | 12,140 | 7,974 | 7,262 | 7,482 |
| Operating expenses | 6,636 | 9,049 | 7,219 | 9,023 | 13,740 |
| Depreciation and amortisation | 215 | 142 | 373 | 44 | 243 |
| Finance costs | 29,805 | 31,881 | 20,414 | 14,954 | 24,465 |
| Scheme Liability expenses | 128,851 | 294,235 | 275,127 | 77,242 | 51,784 |
| TOTAL EXPENSES EXCLUDING LOSSES | 171,241 | 347,447 | 311,107 | 108,525 | 97,714 |
| Revenue | | | | | |
| Investment revenue | 129,337 | 138,586 | 49,528 | 172,372 | (149,692) |
| Long service levy income | 194,862 | 188,981 | 163,447 | 207,472 | 227,431 |
| Other revenue | 192 | 194 | 262 | 282 | 755 |
| Total Revenue | 324,391 | 327,761 | 213,237 | 380,126 | 78,494 |
| Gain/(loss) on disposal | - | - | 7 | (70) | - |
| NET RESULT | 153,150 | (19,686) | (97,863) | 271,531 | (19,220) |

FINANCIAL POSITION

The principal assets continue to be investments of \$2,041 million, in the TCorp Long Service Corporation Investment Fund and the principal liabilities are the estimates of Scheme Liabilities of \$1,605 million as assessed by actuarial consultants. Equity decreased by \$19.2 million with accumulated funds of \$506.8 million at 30 June 2022.

Financial highlights

INVESTMENTS

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

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

| FUND CATEGORIES | BALANCE ON HAND AS AT | | INVESTMENT PERFORMANCE | | BENCH MARK |
|--|-----------------------|--------------|------------------------|--------|------------|
| | 30 JUNE 2022 | 30 JUNE 2021 | INCOME | RETURN | RETURN |
| | \$'000 | \$'000 | \$'000 | % | % |
| Long Service Corporation Investment Fund | 2,040,965 | 2,053,733 | (149,692) | -6.8% | 5.0% |

ACCOUNTS PAYABLE PERFORMANCE

The Corporation continues to evaluate and where appropriate implement initiatives to improve its accounts payable performance.

Such initiatives include a continued focus on the transfer of suitable payments to purchase cards for low-value purchases, increasing automation to further reduce the volume of manual processes, and the broad implementation of the NSW Government's Faster Payment Terms (FPT) policy.

Under the FPT policy, the Corporation aims to pay 100% of registered small businesses within 5 business days of a correctly rendered invoice. During COVID-19, the Corporation has further extended its implementation of this policy, aiming to pay 100% of all invoices within 5 days of receiving a correctly rendered invoice. The Corporation has also increasingly adopted the use of purchase cards for the payment of low dollar value transactions in several expense categories, where the transaction was \$10,000 or less in value, and not subject to a contractual requirement for a Purchase Order.

During 2021/22 there were no instances where penalty interest was paid for the late payment of invoices, although not all payments were made on time. Factors affecting the timing of payments are largely due to manual error or process missteps and include errors in tax invoice information, and part delivery of goods and services where it is necessary to wait for full delivery before payment can be made.

| Aged analysis at end of each quarter | Current (within due date) | Less than 30 days overdue | Between 30 and 60 days overdue | Between 61 and 90 days overdue | More than 90 days overdue |
|--------------------------------------|---------------------------|---------------------------|--------------------------------|--------------------------------|---------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| All suppliers | | | | | |
| Sep-21 | 739,458 | - | - | - | - |
| Dec-21 | 924,721 | - | - | - | - |
| Mar-22 | 2,016,896 | - | - | - | - |
| Jun-22 | 27,641 | - | - | - | - |

Accounts due or paid within each quarter

| All suppliers | Sep-21 | Dec-21 | Mar-22 | Jun-22 |
|---|-----------|-----------|-----------|-----------|
| Number of accounts due for payment | 103 | 150 | 88 | 66 |
| Number of accounts paid on time | 91 | 136 | 74 | 59 |
| Actual percentage of accounts paid on time (based on number of accounts) | 88% | 91% | 84% | 89% |
| Dollar amount of accounts due for payment | 2,062,692 | 4,591,658 | 1,792,920 | 1,346,424 |
| Dollar amount of accounts paid on time | 1,752,761 | 4,229,472 | 1,408,564 | 1,165,948 |
| Actual percentage of accounts paid on time (based on dollar amount of accounts) | 85% | 92% | 79% | 87% |
| Number of payments for interest on overdue accounts | Nil | Nil | Nil | Nil |
| Interest paid on late accounts | Nil | Nil | Nil | Nil |

Note:

The report does not include payments made to employees, payments related to payroll or payments related to long service claims. All numbers are reported from 30 days from receipt of a correctly rendered invoice.

3

Governance



Audit and risk management and insurance activities

Audit and Risk Committee

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

| ARC Committee | Meeting attendance |
|---|--------------------|
| Malcolm Freame BEc, FCA, CISA, GAICD | 6 out of 6 |
| Peter Mayers FCA (Eng & Wales) FCA (Aust & NZ) MAICD | 6 out of 6 |
| Shirley Liew FAICD, FCPA, FTIA, MIIA, Aff (FINSIA), CGEIT (ISACA) | 6 out of 6 |

Note: Dr Felicity Barr's tenure expired on 20 July 2021. Malcolm Freame was appointed as Chair, effective 21 July 2021.

Business Continuity Management (BCM) Planning

LSC works hand in hand with BRD on the management of business continuity risk. LSC's BCM is reviewed annually and most recently the roles and responsibilities within the Department, BRD and LSC were better documented to ensure clarity in the event the BCM is actioned. LSC is included in wider BRD and Departmental exercises which include a debrief aimed at finding areas to improve the reliability of the documented processes. BRD's comprehensive Business Continuity Plan, including the business unit of LSC, was reviewed and updated in January 2022.

Compliance, Risk, Assurance Management System

The LSC ARC is presented with an update on risks, ratings and mitigations as well as emerging risks at each meeting. In addition, LSC is required to contribute to the monthly risk reports of BRD which are presented to the DCS Executive. BRD have recently selected a new enterprise risk management system, known as RiskWise, and its implementation is currently being centrally managed. RiskWise will replace Protecht ERM, the previously used application by LSC, to record and report on risks. The implementation is expected to be completed in the first quarter of the 2022-23 financial year. Risks associated with significant IT projects are managed through the DCS Project Management Office for Executive review.

Risk assessment

Strategic and operational risks are reviewed monthly by the LSC Executive, ensuring the risks reported are current, adequately identified and ratings relevant.

All major IT projects undertaken by LSC undergo specific risk reviews and assessments, with updates provided to the relevant steering committee and the ARC. Representatives of the major IT projects are invited to the ARC meetings to provide regular updates, including reporting on any changes to risk ratings and the progress of any mitigation strategies and actions.

Insurance

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

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

LSC's initial insurance premiums for 2021-22 totalled \$59,974 (2020-21: \$43,343).

LSC is actively participating in implementing the BRD Work Health & Safety Plan 2018-22. During the financial year, a centralised reporting capability was rolled out to all staff of the Department making it easier to report incidents and work, health and safety risks regardless of location or business area. With shared workspaces across the cluster, this provides reportable insight for work, health and safety risks by location and allows for prioritised responses.

Accessing LSC information

Government Information (Public Access) Act 2009

LSC is considered part of DCS for the purposes of the *Government Information (Public Access) Act 2009* (GIPA Act). Applications made under the GIPA Act involving LSC are centrally coordinated within DCS. Statistical information about access applications received in relation to LSC is reported in the DCS Annual Report 2021-22.

Privacy and Personal Information Protection Act 1998

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

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

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

A person wearing a green apron and green gloves is cleaning a kitchen countertop. The background is a modern kitchen with stainless steel appliances and a sink. A dark blue banner is overlaid on the left side of the image.

4 Appendices

Consultants

| Consultant | Product description | Amount (excl GST) \$ |
|--|------------------------------|----------------------|
| Consultants costing \$50,000 or less | | |
| There were no engagements of consultants costing less than \$50,000. | | |
| Consultants costing \$50,000 or more | | |
| Finance/Accounting | | |
| Professional Financial Solutions (PFS) | Actuarial reports and advice | 89,062 |
| Total expenditure on consultants | | 89,062 |

Consumer response

Feedback

LSC recorded a total of 363 unsolicited feedback items from customers during the 2021-22 financial year, with 88% resolved within 10 days. These items included:

- 153 complaints
- 20 compliments
- 34 suggestions
- 72 requests.

The main complaint themes related to online services and wait times. There were 21 complaints received from customers having issues logging in to the online portals. This made up less than 0.1% of the 240,000 successful logins over the year.

Claims processing

LSC is pleased with the continued year-on-year improvement in processing times for payment of claims, with 79% of BCI claims paid within 10 days, a 30% increase on the previous year. Of the combined BCI and CCI claims, 67% were paid within the targeted 10 day processing time.

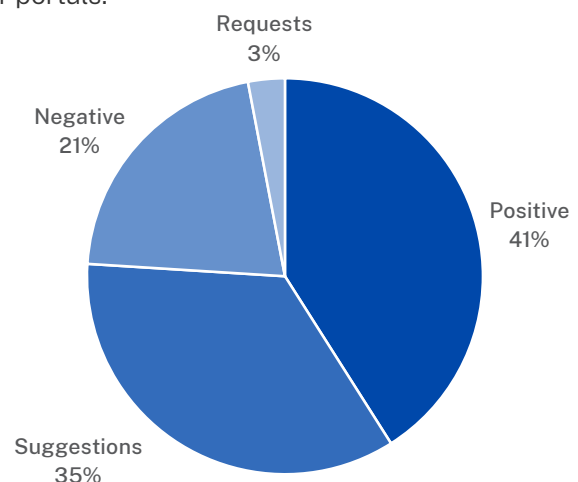
Online claims

During the year, 3,481 online claims were lodged and completed through the worker portal, with LSC customer service officers only required at the review and approval stage.

While recent month-on-month volumes have been declining, further promotion of the online claim facility through the helpline, is expected to increase the volume of claims completed online.

Survey responses

LSC received 884 responses from our exit surveys on our customer portals. Of these responses 363 were positive, 181 negative, and 30 were requests for assistance. The remaining 310 items were suggestions for improvements which have driven changes within our portals.



Of the total responses, 398 items were provided by BCI Employers, the majority of which were received during the Employer Return business cycle in July 2022. The remaining responses were 265 from BCI Workers, 106 from BCI Tax Agents, 97 from CCI Workers and the remaining 18 from CCI Employers.

| Category | Responses |
|----------------|-----------|
| BCI Employers | 45% |
| BCI Workers | 30% |
| BCI Tax Agents | 12% |
| CCI Workers | 11% |
| CCI Employers | 2% |

Improved feedback functions

LSC is continuing to improve the quality of customer feedback within our portals, having recently introduced a feedback function in all existing portals, consistent with our Salesforce Levy Portal.

Employment and senior executive statistics

Human Resources

In June 2022, LSC had 68.2 full-time equivalent (FTE) employees. This equates to a headcount of 73.

| Senior Executive Band | 2020 ^{1,2,3} | | 2021 ^{1,2,3} | | 2022 ^{1,2,3} | |
|----------------------------------|-----------------------|------|-----------------------|------|-----------------------|------|
| | Female | Male | Female | Male | Female | Male |
| Band 4 (Secretary) | - | - | - | - | - | - |
| Band 3 (Deputy Secretary) | - | - | - | - | - | - |
| Band 2 (Executive Director) | - | - | - | - | - | - |
| Band 1 Senior Officer (Director) | 1 | 0 | 1 | 0 | 1 | 0 |
| Total | 1 | | 1 | | 1 | |

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

Note 2: Statistics are based on Workforce Profile Census data as at 25 June 2020, 24 June 2021 and 23 June 2022.

Note 3: All employees reported in 2020, 2021 and 2022 are appointed under the *Government Sector Employment Act 2013*. Salary band based on current assignment including those on a temporary above level assignment for more than two months.

| Senior Executive Band - Average Remuneration | 2020 ⁴ | 2021 ^{4,5} | 2022 ⁴ |
|--|-------------------|---------------------|-------------------|
| Band 4 (Secretary) | N/A | N/A | N/A |
| Band 3 (Deputy Secretary) | N/A | N/A | N/A |
| Band 2 (Executive Director) | N/A | N/A | N/A |
| Band 1 Senior Officer (Director) | \$229,064 | \$229,064 | \$234,791 |

Note 4: Salary ranges effective at the Workforce Profile census dates of 25 June 2020, 24 June 2021 and 23 June 2022.

Note 5: There were no exceptional movements in wages, salaries or allowances in 2021.

Employment and senior executive statistics

| Non-executive staff by classification and grade | 2019 | | 2020 | | 2021 | | 2022 | |
|---|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|
| Grade | Actual ⁶ | FTE ⁷ | Actual ⁶ | FTE ⁷ | Actual ⁶ | FTE ⁷ | Actual ⁶ | FTE ⁷ |
| Clerk Grade 1 - 2 | 0 | 0 | 5 | 4.5 | 0 | 0.0 | 0 | 0.0 |
| Clerk Grade 3 - 4 | 15 | 14.2 | 13 | 10.9 | 11 | 9.5 | 8 | 7.5 |
| Clerk Grade 5 - 6 | 28 | 26.6 | 24 | 21.4 | 27 | 24.8 | 32 | 29.0 |
| Clerk Grade 7 - 8 | 11 | 10.2 | 10 | 9.5 | 10 | 9.4 | 17 | 15.7 |
| Clerk Grade 9 - 10 | 12 | 12 | 11 | 10.1 | 10 | 9.7 | 11 | 11.0 |
| Clerk Grade 11 - 12 | 3 | 3.0 | 3 | 3.0 | 2 | 2.0 | 4 | 4.0 |

Note 6: Actual staff numbers

Note 7: Full-time equivalent (FTE)

| Employee related costs | 2020 | 2021 ⁸ | 2022 |
|------------------------|--------------------|--------------------|--------------------|
| Executive | \$288,306 | \$220,000 | \$195,000 |
| Non-Executive | \$7,685,694 | \$7,042,000 | \$7,287,000 |
| Total | \$7,974,000 | \$7,262,000 | \$7,482,000 |
| Ratio Senior Executive | 3.62% | 3.12% | 2.68% |

Note 8: There were no exceptional movements in wages, salaries or allowances in 2021.

Employment relations, policies and practices

LSC staff are employees of DCS and all human resource and payroll services, and industrial relations policies and practices, are provided and managed by DCS.

Refer to the DCS Annual Report 2021-22 for information on the personnel policies and industrial relations policies and practices.

Legislation administered

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

- *Building and Construction Industry Long Service Payments Act 1986 - No 19;*
- *Building and Construction Industry Long Service Payments Regulation 2022;*
- *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010 No 122;*
- *Contract Cleaning Industry (Portable Long Service Leave Scheme) Regulation 2022; and*
- *Long Service Corporation Act 2010 No 123.*

Legislative changes

COVID-19

On 1 April 2022, the *COVID-19 and Other Legislation Amendment (Regulatory Reforms) Act 2022* (Schedule 1.6) amended section 63 of the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* to reduce the period, from 20 weeks to 10 weeks (or the shorter period prescribed by regulation), that a prescribed worker who has accumulated five (5) years of recognised service must wait after having left the industry in order to receive a pro rata payment instead of long service leave.

Expand the LSC compliance and enforcement powers, and information sharing provisions

On 1 November 2021, the *Better Regulation Legislation Amendment (Miscellaneous) Act 2021* (Schedules 1.3 and 1.5) amended the *Building and Construction Industry Long Service Payments Act 1986* (BCI Act) and the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* (CCI Act), respectively. The amendments ensure that LSC can perform all of its regulatory functions more effectively. Two key reforms were introduced to the BCI Act and the CCI Act, namely, the ability to issue penalty notices for specified offences and the ability to enter into information sharing agreements, between LSC and relevant agencies.

Public interest disclosures

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

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

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

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

Risk management, attestation and insurance activities

Internal Audit and Risk Management Attestation Statement for the 2021-2022 Financial Year for Long Service Corporation

I, Emma Hogan, Secretary of the Department of Customer Service, am of the opinion that the Long Service Corporation has internal audit and risk management processes in operation that are compliant with the seven (7) Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

| Core Requirements | | For each requirement, please specify whether compliant or non-compliant |
|----------------------------------|---|---|
| Risk Management Framework | | |
| 1.1 | The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency. | Compliant |
| 1.2 | The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018. | Compliant |
| Internal Audit Function | | |
| 2.1 | The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose. | Compliant |
| 2.2 | The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing. | Compliant |
| 2.3 | The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'. | Compliant |
| Audit and Risk Committee | | |
| 3.1 | The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations. | Compliant |
| 3.2 | The Accountable Authority shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'. | Compliant |

Membership

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

- Independent Chair, Dr Felicity Barr, 20 July 2017 to 20 July 2021
- Independent Chair, Malcolm Freame, 21 July 2021 to 20 July 2024
- Independent Member, Peter Mayers, 1 January 2021 to 31 December 2023
- Independent Member, Shirley Liew, 21 July 2021 to 20 July 2024

Risk management, attestation and insurance activities



Emma Hogan
Secretary
Department of Customer Service

Date: 27/09/22

Agency Contact Officer
Effie Chen
DCS Chief Audit Executive (8575 1248)
cae@customerservice.nsw.gov.au

Cyber security Annual Attestation Statement for the 2021-2022 Financial Year for the Department of Customer Service (Secretary – NSW Department of Customer Service)

I, Emma Hogan, am of the opinion that the Department of Customer Service has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy. The evidence presented to me as a part of this attestation gives me confidence that the aggressive and comprehensive cyber security resilience strategy DCS has been implementing has delivered extensive maturity improvements which will strengthen our ability to keep the trust of our clients.

Risks to the information and systems of the Department of Customer Service have been identified and assessed. The Department of Customer Service is continuously improving cyber risk management processes and operations to effectively manage cyber risks.

Governance is in place to manage cyber security maturity and related initiatives, including uplift of the ACSC Essential Eight. Independent audits on cyber security have been conducted, commitment and processes are in place to treat any opportunities for improvement. The Department of Customer Service has designed and operates a contemporary cyber incident response plan, which has been tested during the reporting period.

The Department of Customer Service will continue to harden its technology environments and increase awareness of cyber security risks for all staff. Through an aggressive and comprehensive cyber security resilience strategy, the Department of Customer Service will continue to ensure that the security of citizen information and trust in the services of government are maintained to the best of its abilities against increasingly complex and prevalent threats. The strategy is focused on long-term, sustainable processes and solutions. The Department of Customer Service acknowledges and accepts the risk until target maturity levels are met.

This attestation covers, in addition to the DCS core agencies, the following agencies:

- Independent Review Office
- Long Service Corporation.

Yours sincerely

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

Emma Hogan
Secretary, NSW Department of Customer Service

Other disclosures

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

Exemptions from the reporting provisions

As a small statutory body, LSC is only required to report on the following matters on a triennial basis:

- workforce diversity
- disability inclusion action plans
- multicultural policies and services program
- work health and safety.

LSC reported on the above matters in the LSC Annual Report 2020-21.

5

Financial statements





INDEPENDENT AUDITOR'S REPORT

Long Service Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Long Service Corporation (the Corporation), which comprises the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows.

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

Basis for Opinion

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

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

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

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

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

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

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

The Secretary's Responsibilities for the Financial Statements

The Secretary of the Department of Customer Service (the Secretary) is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



David Daniels
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 November 2022
SYDNEY

LONG SERVICE CORPORATION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022
STATEMENT BY THE ACCOUNTABLE AUTHORITY

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* (the Act), I state these financial statements

- have been prepared in accordance with Australian Accounting Standards and the applicable requirements of the Act, *the Government Sector Finance Regulation 2018* and the Treasurer's directions, and
- present fairly the Long Service Corporation's financial position, financial performance and cash flows.



Emma Hogan
Secretary, Department of Customer Service
22 November 2022

LONG SERVICE CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | Actual 2022 \$'000 | Budget 2022 \$'000 | Actual 2021 \$'000 |
|--|-------|--------------------------|--------------------------|--------------------------|
| Expenses excluding losses | | | | |
| Personnel services | 2(a) | 7,482 | 6,730 | 7,262 |
| Operating expenses | 2(b) | 13,740 | 8,731 | 9,023 |
| Depreciation and amortisation | 2(c) | 243 | 299 | 44 |
| Finance costs | 2(d) | 24,465 | 16,172 | 14,954 |
| Scheme liability expenses | 2(e) | 51,784 | 246,570 | 77,242 |
| Total Expenses excluding losses | | 97,714 | 278,502 | 108,525 |
| Revenue | | | | |
| Investment revenue | 3(a) | (149,692) | 100,556 | 172,372 |
| Long service levy income | 3(b) | 227,431 | 165,633 | 207,472 |
| Other revenue | 3(c) | 755 | 298 | 282 |
| Total Revenue | | 78,494 | 266,487 | 380,126 |
| Operating Result | | (19,220) | (12,015) | 271,601 |
| (Loss) / gain on disposal | 4 | - | - | (70) |
| | | - | - | (70) |
| NET RESULT | | (19,220) | (12,015) | 271,531 |
| Other comprehensive income | | - | - | - |
| Total other comprehensive income / (loss) | | - | - | - |
| TOTAL COMPREHENSIVE (LOSS) / INCOME | | (19,220) | (12,015) | 271,531 |

The accompanying notes form part of these financial statements.

| LONG SERVICE CORPORATION STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 | | | | |
|--|-------|--------------------------|--------------------------|--------------------------|
| | Notes | Actual 2022 \$'000 | Budget 2022 \$'000 | Actual 2021 \$'000 |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 5 | 25,646 | 69,180 | 100,430 |
| Receivables | 6 | 24,424 | 4,696 | 6,496 |
| Total Current Assets | | 50,070 | 73,876 | 106,926 |
| Non-Current Assets | | | | |
| Financial assets at fair value | 7 | 2,040,965 | 2,117,636 | 2,053,733 |
| Receivables | 6 | 16,422 | - | - |
| Plant and equipment | 8(a) | 8 | - | - |
| Right-of-use-assets | 8(b) | - | - | - |
| Intangible assets | 9 | 5,170 | 4,724 | 2,073 |
| Total Non-Current Assets | | 2,062,565 | 2,122,360 | 2,055,806 |
| Total Assets | | 2,112,635 | 2,196,236 | 2,162,732 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Payables | 11 | 1,268 | 4,475 | 5,711 |
| Provisions | 12 | 1,359,523 | 1,474,891 | 1,366,616 |
| Total Current Liabilities | | 1,360,791 | 1,479,366 | 1,372,327 |
| Non-Current Liabilities | | | | |
| Provisions | 12 | 245,076 | 312,750 | 264,417 |
| Total Non-Current Liabilities | | 245,076 | 312,750 | 264,417 |
| Total Liabilities | | 1,605,867 | 1,792,116 | 1,636,744 |
| Net Assets | | 506,768 | 404,120 | 525,988 |
| EQUITY | | | | |
| Accumulated funds | | 506,768 | 404,120 | 525,988 |
| Total Equity | | 506,768 | 404,120 | 525,988 |

The accompanying notes form part of these financial statements.

| LONG SERVICE CORPORATION STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022 | | |
|---|-------|--------------------------------|
| | Notes | Accumulated Funds \$'000 |
| Balance at 1 July 2021 | | 525,988 |
| Net Result for the financial year | | (19,220) |
| Balance at 30 June 2022 | | 506,768 |
| Balance at 1 July 2020 | | 254,457 |
| Net Result for the financial year | | 271,531 |
| Balance at 30 June 2021 | | 525,988 |

The accompanying notes form part of these financial statements.

| LONG SERVICE CORPORATION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 | | | | |
|---|-------|--------------------------|--------------------------|--------------------------|
| | Notes | Actual 2022 \$'000 | Budget 2022 \$'000 | Actual 2021 \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Payments | | | | |
| Personnel Services | | (7,553) | (6,730) | (7,748) |
| Long Service Scheme Claims paid | | (103,205) | (136,641) | (99,385) |
| Other | | (16,472) | (10,249) | (7,409) |
| Total Payments | | (127,230) | (153,620) | (114,542) |
| Receipts | | | | |
| Long service levy income | | 193,101 | 165,565 | 207,908 |
| Interest received | | 76 | 137 | 178 |
| Other | | 130 | 1,464 | 242 |
| Total Receipts | | 193,307 | 167,166 | 208,328 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 16 | 66,077 | 13,546 | 93,786 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of investments | | (137,000) | - | (100,000) |
| Purchase of plant and equipment | | (11) | (299) | - |
| Purchase of intangible assets | | (3,850) | - | (1,502) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | (140,861) | (299) | (101,502) |
| NET (DECREASE) / INCREASE IN CASH | | (74,784) | 13,247 | (7,716) |
| Opening cash and cash equivalents | | 100,430 | 55,933 | 108,146 |
| CLOSING CASH AND CASH EQUIVALENTS | 5 | 25,646 | 69,180 | 100,430 |

The accompanying notes form part of these financial statements.

**LONG SERVICE CORPORATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

The Corporation holds 100% of units issued by the Long Service Corporation Investment Fund Trust (LSCIFT), a fund managed by the New South Wales Treasury Corporation (TCorp). The Corporation controls the LSCIFT, making the Corporation a parent entity for reporting purposes.

These financial statements for the year ended 30 June 2022 have been authorised for issue by the Secretary, Department of Customer Service on 22 November 2022.

(b) Basis of Preparation

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

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- the requirements of the *Government Sector Finance Act 2018* (GSF Act) and the *Government Sector Finance Regulation 2018*; and
- Treasurer's Directions issued under the GSF Act.

The Corporation accounts for its investment in its 100% owned vehicle, LSCIFT, by initially measuring the investment at fair value and subsequently classifying the investment as measured at fair value on the basis of the Corporation's business model for managing the investment. Gains or losses are recognised in profit or loss. While the Corporation controls LSCIFT, under AASB 10 'Consolidated Financial Statements', the Corporation has a NSW Treasury exemption from the requirement in TPG 22-07 'Mandates of options and major policy decisions under Australian Accounting Standards' to prepare consolidated financial statements.

Plant and equipment and certain financial assets and liabilities are measured using the fair value basis. 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, which is the Corporation's presentation and functional currency.

(c) Statement of Compliance

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

(d) Going concern

The financial statements are prepared on a going concern basis as the Corporation believes that it will be able to pay its debts as and when they are due and payable.

The Corporation has net assets of \$507 million, but a deficiency in working capital of \$1.31 billion, being the difference between current assets of \$50 million and current liabilities of \$1.36 billion. The working capital deficiency arises as the long service leave liabilities for workers with a vested benefit at the valuation date are classified as current while the Corporation's investments are classified as non-current as the Corporation does not envisage selling the investments in the next 12 months.

The Actuary has determined that based on the established pattern of claims the expected timing of settlement of claims will not occur at the time of vesting but as detailed in the table below:

| | 2022 | | |
|---|-------------------|-------------------|-----------|
| | \$'000 | \$'000 | \$'000 |
| Expected timing of settlement (Note 12) | Building Industry | Cleaning Industry | Total |
| Not later than one year | 106,246 | 6,021 | 112,267 |
| Later than one year and not later than five years | 457,680 | 20,983 | 478,663 |
| Later than five years | 967,653 | 46,016 | 1,013,669 |
| Total | 1,531,579 | 73,020 | 1,604,599 |

In the event that the vested benefits which will be settled within 12 months is greater than \$50m then the Corporation has access to the levies receivable during the current financial year as well as the investments managed by TCorp as disclosed in note 7. TCorp has advised that investments could be liquidated as per below:

| Liquidity availability expectations | Normal market environments | | Stressed market environments | |
|-------------------------------------|----------------------------|-----------|------------------------------|-----------|
| | % | \$'000 | % | \$'000 |
| Funds available within 30 days | 80.0% | 1,632,772 | 70.0% | 1,428,676 |
| Funds available within 6 months | 90.0% | 1,836,869 | 75.0% | 1,530,724 |
| Funds available within 1 year | 95.0% | 1,938,917 | 80.0% | 1,632,772 |

(e) Accounting for the Goods and Services Tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

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

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

(f) Comparative Information

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

Where necessary, comparative disclosures in financial statements and in the notes to the financial statements have been amended to conform to the current year presentation.

(g) Changes in accounting policies, including new or revised Australian Accounting Standards

(i) Effective for the first time in the 2022 financial year

The accounting policies applied in 2022 financial year are consistent with those of the previous financial year. Several other amendments and interpretations apply for the first time in the 2022 financial year, but do not have an impact on the Corporation's financial statements:

- AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts
- AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures
- AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2
- AASB 2020-9 Amendments to Australian Accounting Standards - Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments
- AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities
- AASB 2021-3 Amendments to Australian Accounting Standards - Covid 19 related Rent Concessions beyond 30 June 2021
- AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

(ii) Issued but Not Yet Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards unless Treasury determines otherwise. The Corporation has assessed the potential impact of the new standards and interpretations issued but not yet effective and has determined they are unlikely to have a material impact on the Corporation's financial statements.

(h) Impact of COVID-19 and natural disasters on Financial Reporting for the 2022 financial year

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

Investment values are calculated at fair value through profit and loss, and the uncertainty of assumptions has not increased as a result of COVID-19 or other natural disasters. The Corporation has received advice from NSW Treasury Corporation (TCorp), that there are no concerns with the fund, or management of the fund as a result of COVID-19 or other natural disasters.

2. EXPENSES EXCLUDING LOSSES

(a) Personnel Services Expenses

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

| | 2022 | 2021 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Salaries and wages (including annual leave) | 6,555 | 6,355 |
| Superannuation | 601 | 554 |
| Long service leave | (54) | (7) |
| Workers' compensation insurance | 28 | 20 |
| Payroll tax and fringe benefits tax | 352 | 340 |
| | 7,482 | 7,262 |

\$447k in personnel services expenses were capitalised in relation to the development cost of new levy and worker registration systems (Project Phoenix) (2021: \$Nil).

(b) Operating Expenses

| | 2022 | 2021 |
|-------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Accommodation | 423 | 384 |
| Administration service charge | 1,932 | 1,785 |
| Auditor's remuneration | | |
| - audit of the financial statements | 105 | 104 |
| - internal audit | 39 | 195 |
| Bank charges | 87 | 348 |
| Computer expenses | 6,625 | 4,037 |
| Consultants | 89 | 86 |
| Contractors | 865 | 21 |
| Fees and charges | 2,470 | 768 |
| Long service levy commissions | 233 | 314 |
| Printing, postage and telephone | 524 | 519 |
| Other expenses | 348 | 462 |
| | 13,740 | 9,023 |

Recognition and Measurement

The administration service charge is the allocation of the cost of services performed by the Department of Customer Service on behalf of the Corporation. Fees and charges includes the cost of certain non-statutory customer service functions provided by ServiceNSW from December 2020.

Computer expenses includes \$5.4m (2021 \$1.8m) for the software as a service (SaaS) portion of the development cost of new levy and worker registration systems (Project Phoenix).

(c) Depreciation and Amortisation Expense

| | 2022 | 2021 |
|-----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Depreciation | | |
| - Computer equipment | 2 | 1 |
| | 2 | 1 |
| Depreciation – Right of use asset | | |
| - Plant and equipment | - | 43 |
| | - | 43 |
| Amortisation - Computer software | 241 | - |
| | 241 | - |
| | 243 | 44 |

Refer to Notes 8 and 9 for recognition and measurement policies on depreciation and amortisation.

(d) Finance Costs

| | 2022 | 2021 |
|----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Unwinding of discount rate | 24,465 | 14,954 |

Recognition and Measurement

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

Refer Note 12(a)(i) and Note 12(b)(i) for details on changes to the discount rate used for the 2022 and 2021 financial years.

(e) Scheme Liability Expenses

| | 2022 | 2021 |
|---------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Scheme liability expenses | 51,784 | 77,242 |

Recognition and Measurement

Scheme liabilities are valued using AASB 137 Provisions, Contingent Liabilities and Contingent Assets, which provides that additional provisions made during the financial year, including increases to existing provisions, other than resulting from the unwinding of the discount rate, are recognised as expenses. These expenses are shown separately from operating expenses and classified as scheme liability expenses.

Refer Note 12(a)(i) and Note 12(b)(i) for details on changes to Scheme Liabilities for the 2022 and 2021 financial years.

3. REVENUE

(a) Investment Revenue

| | 2022 | 2021 |
|---|------------------|----------------|
| | \$'000 | \$'000 |
| Net (loss) / gain in Long Service Corporation Investment Fund Trust | (149,768) | 172,194 |
| Interest income | 76 | 178 |
| | (149,692) | 172,372 |

Recognition and Measurement

Gains or losses on the Long Service Corporation Investment Fund Trust (LSCIFT) represent movements in the unit price and are presented in investment revenue in the period in which the movement arises. Unit prices are calculated and published daily. The LSCIFT incurred a negative return of (6.8%) for the 2022 financial year compared to a positive return of 9.4% in the 2021 financial year.

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

(b) Long Service Levy Income

| | 2022 | 2021 |
|---------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Long service levy income | 230,261 | 209,812 |
| Long service levy refunds | (2,830) | (2,340) |
| | 227,431 | 207,472 |

Recognition and Measurement

In relation to the Building and Construction Industry (BCI), a levy is applied at the rate of 0.35% (2021 0.35%) on the value of building and construction contracts of \$25,000 or above. Long Service Levy income is recognised when it is received or receivable by the Corporation or the Local Government Councils acting in their capacity as agents.

In relation to the Contract Cleaning Industry (CCI), a levy is applied at the rate of 1.0% (2021 1.7%) of the cost of wages paid to workers in that industry. Employers are required to lodge returns on a quarterly basis. Long service levy income is recognised as these returns are lodged with the Corporation on an accruals basis, e.g. income applicable to employer returns received in July for the June quarter are recognised as levy income in June.

(c) Other revenue

| | 2022 | 2021 |
|---------------|---------------|---------------|
| | \$'000 | \$'000 |
| Other revenue | 755 | 282 |

4. (LOSS) / GAIN ON DISPOSAL

| | 2022 | 2021 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Net (loss) / gain on disposal of assets | - | (70) |

5. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | 2022 | 2021 |
|--------------------------|--------|---------|
| | \$'000 | \$'000 |
| Cash at bank and on hand | 25,646 | 100,430 |

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

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

| | 2022 | 2021 |
|--|--------|---------|
| | \$'000 | \$'000 |
| Cash and cash equivalents (as per Statement of Financial Position) | 25,646 | 100,430 |
| Closing cash and cash equivalents (as per Statement of Cash Flows) | 25,646 | 100,430 |

Refer to Note 18 for details regarding credit risk and market risk arising from financial instruments.

6. CURRENT / NON-CURRENT ASSETS - RECEIVABLE

| | 2022 | 2021 |
|--|---------------|--------------|
| | \$'000 | \$'000 |
| Current | | |
| Prepayments | 108 | 64 |
| Other | 184 | 168 |
| | 292 | 232 |
| Long service levy income | 24,327 | 6,420 |
| Allowance for expected credit losses * | (195) | (156) |
| | 24,132 | 6,264 |
| Total Current Receivables | 24,424 | 6,496 |
| Non-Current | | |
| Long service levy income | 16,422 | - |
| Total Non-Current Receivables | 16,422 | - |
| Total Receivables | 40,846 | 6,496 |

* Movement in the allowance for expected credit losses

Long service levy income

| | | |
|--|-------|-------|
| Balance at the beginning of the financial year | (156) | (65) |
| Amounts written off during the financial year | - | - |
| (Increase) / decrease in allowance recognised in net results | (39) | (91) |
| Balance at the end of the financial year | (195) | (156) |

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 18.

Recognition and Measurement

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

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

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

Impairment

The Corporation recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Corporation expects to receive, discounted at the original effective interest rate.

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

7. NON-CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Non-Current Assets | | |
| Long Service Corporation Investment Fund Trust - LSCIFT | 2,040,965 | 2,053,733 |

The LSCIFT invests in cash, money market instruments, Australian and international bonds, listed property and Australian shares.

Refer to Note 18 for further information regarding fair value measurement, credit risk and market risk arising from financial instruments.

Recognition and Measurement

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

Classification and Measurement

The Corporation's financial assets at fair value are classified, at initial recognition, as subsequently measured at either fair value through other comprehensive income or fair value through profit or loss.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results. Transaction costs of financial assets carried at fair value through other comprehensive income are included as part of their fair value and amortised to net results using the effective interest method.

Financial assets at fair value through profit or loss

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

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

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

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

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

8. NON-CURRENT ASSETS - PLANT AND EQUIPMENT AND RIGHT-OF-USE-ASSETS

(a) Plant and Equipment

| | Plant and Equipment \$'000 | Computer Equipment \$'000 | Motor Vehicles \$'000 | Low Value Items \$'000 | Total \$'000 |
|---|----------------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------|
| At 1 July 2020 - fair value | | | | | |
| Gross carrying amount | 22 | 256 | 75 | 7 | 360 |
| Accumulated depreciation and impairment | (22) | (255) | (75) | (7) | (359) |
| Net carrying amount | - | 1 | - | - | 1 |
| Year ended 30 June 2021 | | | | | |
| Net carrying amount at the beginning of the financial year | - | 1 | - | - | 1 |
| Purchase of assets | - | - | - | - | - |
| Depreciation expense | - | (1) | - | - | (1) |
| Net carrying amount at the end of the financial year | - | - | - | - | - |
| At 1 July 2021 – fair value | | | | | |
| Gross carrying amount | 22 | 106 | 75 | 5 | 208 |
| Accumulated depreciation and impairment | (22) | (106) | (75) | (5) | (208) |
| Net carrying amount | - | - | - | - | - |
| | | | | | |
| | Plant and Equipment \$'000 | Computer Equipment \$'000 | Motor Vehicles \$'000 | Low Value Items \$'000 | Total \$'000 |
| Year ended 30 June 2022 | | | | | |
| Net carrying amount at the beginning of the financial year | - | - | - | - | - |
| Purchase of assets | - | 10 | - | - | 10 |
| Depreciation expense | - | (2) | - | - | (2) |
| Net carrying amount at the end of the financial year | - | 8 | - | - | 8 |
| At 30 June 2022 – fair value | | | | | |
| Gross carrying amount | 20 | 24 | 75 | - | 119 |
| Accumulated depreciation and impairment | (20) | (16) | (75) | - | (111) |
| Net carrying amount | - | 8 | - | - | 8 |

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

Recognition and Measurement

Acquisitions of Plant and Equipment

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 Australian Accounting Standards.

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

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

Capitalisation Thresholds

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.

Depreciation

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 Corporation.

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

The depreciation rates used for each class of assets in the 2022 financial year are:

| | |
|---|------|
| Plant and Equipment | |
| Computer equipment | 33% |
| Low Value Assets (<i>Portable and Attractive Items</i>) | 100% |
| Motor vehicles | 20% |
| Office equipment | 33% |

Revaluation of Plant and Equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction: Valuation of Physical Non-Current Assets at Fair Value (TD21-05). TD21-05 and TPP21-09 adopt fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 Plant and Equipment.

All of the Corporation's assets are non-specialised assets with short useful lives and are measured at depreciated historical cost, which for these assets approximates fair value. The Corporation has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

Impairment of Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. Since plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

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

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

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

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

(b) Right-of-use assets

AASB 16 Leases (AASB16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Corporation has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of leases for office equipment.

| | Plant and Equipment \$'000 |
|---|---|
| Balance at 1 July 2020 | - |
| Recognition of right-of-use assets on initial application of AASB 16 | 43 |
| Additions | - |
| Depreciation expense | (43) |
| Balance at 30 June 2021 | - |
| Balance at 1 July 2021 | - |
| Additions | - |
| Depreciation expense | - |
| Balance at 30 June 2022 | - |

Recognition and Measurement

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation recognises lease liabilities to make lease payments as right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low value assets.

(i) Right-of-use assets

The Corporation recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site. The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office equipment 3 years

(ii) Short-term leases and leases of low-value assets

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

9. INTANGIBLE ASSETS

| | Software \$'000 | Work in progress \$'000 | Total \$'000 |
|---|--------------------|----------------------------|-----------------|
| At 1 July 2020 | | | |
| Gross carrying amount | 2,656 | - | 2,656 |
| Accumulated amortisation and impairment | (2,586) | - | (2,586) |
| Net carrying amount | 70 | - | 70 |
| Year ended 30 June 2021 | | | |
| Net carrying amount at the beginning of the financial year | 70 | - | 70 |
| Additions | - | 2,073 | 2,073 |
| Disposal | (70) | - | (70) |
| Amortisation | - | - | - |
| Net carrying amount at the end of the financial year | - | 2,073 | 2,073 |
| At 1 July 2021 | | | |
| Gross carrying amount | 1,991 | 2,073 | 4,064 |
| Accumulated amortisation and impairment | (1,991) | - | (1,991) |
| Net carrying amount | - | 2,073 | 2,073 |
| Year ended 30 June 2022 | | | |
| Net carrying amount at the beginning of the financial year | - | 2,073 | 2,073 |
| Additions | 1,445 | 1,893 | 3,338 |
| Disposals | - | - | - |
| Amortisation | (241) | - | (241) |
| Net carrying amount at the end of the financial year | 1,204 | 3,966 | 5,170 |
| At 30 June 2022 | | | |
| Gross carrying amount | 3,436 | 3,966 | 7,402 |
| Accumulated amortisation and impairment | (2,232) | - | (2,232) |
| Net carrying amount | 1,204 | 3,966 | 5,170 |

Recognition and Measurement

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met. The useful lives of intangible assets are assessed to be finite.

The Corporation's intangible assets are amortised using the straight-line method over a period of 5 years or less. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

10. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

Fair Value Measurement and Hierarchy

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

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

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

The Corporation recognises transfers between levels of the fair value hierarchy at the end of the financial year during which the change has occurred. There were no transfers between the levels during the financial year.

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

11. CURRENT LIABILITIES - PAYABLES

| | 2022 \$'000 | 2021 \$'000 |
|--------------------------------------|----------------|----------------|
| Accrued salaries, wages and on-costs | (28) | 44 |
| Long service levy commissions | 18 | 27 |
| Long service payments | - | 522 |
| Other creditors and accruals | 1,278 | 5,118 |
| | 1,268 | 5,711 |

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 18.

Recognition and Measurement

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

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

12. CURRENT / NON-CURRENT LIABILITIES - PROVISIONS

| | 2022 \$'000 | 2021 \$'000 |
|-------------------------------------|------------------|------------------|
| Current | | |
| Scheme Liability | 1,359,523 | 1,366,616 |
| Total Current Provisions | 1,359,523 | 1,366,616 |
| Non-Current | | |
| Scheme Liability | 245,076 | 264,417 |
| Total Non-Current Provisions | 245,076 | 264,417 |
| Total Provisions | 1,604,599 | 1,631,033 |

The current liability amount includes any amount for which the Corporation does not have an unconditional right to defer settlement for at least twelve months after the end of the valuation reporting date. The Actuaries have interpreted this to mean the actuarial liability for workers with a vested benefit at the valuation date.

| | 2022 \$'000 | 2021 \$'000 |
|--|------------------|------------------|
| Movements in provisions | | |
| Movements in each class of provision during the year, other than employee benefits, are set out below: | | |
| Provision for scheme liability – Building and Construction Industry | | |
| Carrying amount at the beginning of the financial year | 1,564,739 | 1,577,314 |
| Unwinding of discount rate - Note 2(d) | 23,471 | 14,408 |
| Scheme liability expenses - Note 2 (e) | 42,361 | 68,859 |
| Claims paid | (98,992) | (95,842) |
| Carrying amount at the end of the financial year | 1,531,579 | 1,564,739 |
| Provision for scheme liability – Contract Cleaning Industry | | |
| Carrying amount at the beginning of the financial year | 66,294 | 60,678 |
| Unwinding of discount rate - Note 2(d) | 994 | 546 |
| Scheme liability expenses - Note 2 (e) | 9,423 | 8,382 |
| Claims paid | (3,691) | (3,312) |
| Carrying amount at the end of the financial year | 73,020 | 66,294 |
| Total Provisions | 1,604,599 | 1,631,033 |

Recognition and Measurement

Provisions are recognised when: the Corporation 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. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income. The Corporation's provisions include the expected benefit payments from the Building and Construction Industry Long Service Payments Scheme and the Contract Cleaning Industry Long Service Payments Scheme as detailed below.

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

A full actuarial valuation of the Building and Construction Industry Long Service Payments Scheme was undertaken by Professional Financial Solutions as at 30 June 2021. They have updated this valuation to 30 June 2022 and estimated the Scheme liabilities as follows:

| | Note | 2022 \$'000 | 2021 \$'000 |
|---------------------------|-------------|------------------------|------------------------|
| Valuation as per AASB 137 | (i) | 1,531,579 | 1,564,739 |
| Vested Benefits | (ii) | 1,371,409 | 1,264,674 |

- (i) The Valuation as per AASB 137 is the value of expected benefit payments from the Scheme arising from service up to the valuation date and payable over the future working lifetime of the current workers, which are then discounted to the date of the valuation. In determining these payments as at 30 June 2022, the following key assumptions were adopted:
- Discount rate 3.7% (2021 1.5%). The Scheme liability has been discounted at a rate that reflects the current market assessment of the time value of money and the risks specific to the liability. The discount rate is considered to be the risk-free rate of return.
 - Future wage increases 4.0% (2021: 3.0%).
 - Rate of future accrual of service (only used to determine if a worker qualifies for a benefit): 195 days per year (2021: 195 days per year).
 - Exits due to withdrawal, retirement, death and disability: based on historical evidence (2021: the same).
 - Active Workers liability: Valued based on historical evidence (2021: the same).
 - In Force Inactive Workers liability: Valued based on historical evidence (2021: the same).
 - Out of Force Workers liability: Valued based on historical evidence (2021: the same).
 - Incurred but Not Reported Service (IBNR) - Active Workers 6.5% (2021: 6.5%).
 - Incurred but Not Reported Service (IBNR) - In Force Inactive and Out of Force Workers 9% (2021 9%).
- (ii) The Actuaries categorise the workers as Active if they had service in last 2 years, In Force Inactive if no service in last 2 years but service in prior 2 years and Out of Force if no service for at least 4 years. As the data for most workers does not include the 2022 financial year, these categories are estimated from earlier data. The Actuaries allow for the late reporting of service by using estimates for Incurred But Not Reported (IBNR) Service.
- (iii) The Vested Benefits are the amount of benefits payable if service ceased on the valuation date and the worker has more than five years eligible service, or if the worker is age 55 or over, and has more than 55 days service. Service includes service prior to the commencement date of the Scheme.

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

| | 2022 | 2021 |
|---|------------------------|------------------------|
| Number of workers: | | |
| Active | 275,141 | 274,828 |
| Inforce inactive | 79,800 | 74,983 |
| Out of force | 22,733 | 20,480 |
| Total number of workers valued | 377,674 | 370,291 |
| | 2022 \$'000 | 2021 \$'000 |
| Expected timing of settlement | | |
| Not later than one year | 106,246 | 117,953 |
| Later than one year and not later than five years | 457,680 | 519,159 |
| Later than five years | 967,653 | 927,627 |
| Total | 1,531,579 | 1,564,739 |

The Calculation of Scheme Liability table below reconciles the liability at the start and the end of the financial year. The “unwinding of discount rate” arises because the liability for workers at the end of the financial year will have one year less discounting to their expected payment date compared to the beginning of the financial year. The scheme liability expenses being adjustments as a result of changes in “discount rate” and “assumptions apart from the discount rate” arise due to revaluing the previous financial year’s data but using the current financial year’s assumptions while “additional provisions” is the additional service accruing over the financial year.

| Calculation of scheme liability | Actuarial Valuation BCI | |
|--|-------------------------|------------------|
| | 30-Jun-22 | 30-Jun-21 |
| Report as at | \$'000 | \$'000 |
| Carrying amount at the beginning of the financial year | 1,564,739 | 1,577,314 |
| Unwinding of discount rate | 23,471 | 14,408 |
| Scheme liability expenses being adjustments as a result of changes in: | | |
| - discount rate | (219,593) | (61,582) |
| - assumptions apart from the discount rate | 74,336 | (48,629) |
| - additional provisions | 187,618 | 179,070 |
| Claims Paid | (98,992) | (95,842) |
| Carrying amount at the end of the financial year | 1,531,579 | 1,564,739 |

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

A full actuarial valuation of the Contract Cleaning Industry Long Service Payments Scheme was undertaken by Professional Financial Solutions as at 30 June 2020. They have updated this valuation to 30 June 2022 and estimated the Scheme liabilities as follows:

| | Note | 2022 \$'000 | 2021 \$'000 |
|---------------------------|------|----------------|----------------|
| Valuation as per AASB 137 | (i) | 73,020 | 66,294 |
| Vested Benefits | (ii) | 65,006 | 56,392 |

- (i) The Valuation as per AASB 137 is the value of expected benefit payments from the Scheme arising from service up to the valuation date and payable over the future working lifetime of the current workers, which are then discounted to the date of the valuation. In determining these payments as at 30 June 2022, the following key assumptions were adopted:
- Discount Rate 3.7% (2021: 1.5%). The scheme liability has been discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the liability.
 - Future wage increases: 5.0% up to age 40, and 4.0% for ages 40 and above (2021: 4.0% up to age 40, and 3.0% for ages 40 and above).
 - Rate of future accrual of service (only used to determine if a worker qualifies for a benefit): 365 days per year (2021: 365 days per year).
 - Exits due to withdrawal, retirement, death and disability: based on historical evidence (2021: the same).
 - Active Worker: based on experience of other funds as little experience to date (2021: the same).
 - Inforce Inactive Worker: 70% of their vested benefit which was based on the value of expected benefits using a run-off table (2021: 80% of their vested benefit).
 - Incurred but Not Reported Service (IBNR): Nil (2021: Nil).
- (ii) The Actuaries categorise the workers as Active if they had service in last 2 years or Inactive.

The CCI Scheme has only been in force since 1 July 2011. Therefore in the valuation, when determining the appropriate claims pattern for CCI Inactive Workers, the Actuaries have adopted the claims pattern of the BCI scheme as a proxy. The liability for these Inactive Workers was also increased to allow for the uncertainties involved in applying the BCI scheme as a proxy for the CCI Scheme.

As the data for most workers does not include the last quarter of the 2022 financial year, these categories are estimated from earlier data. The Actuaries allow for the late reporting of service by using estimates for Incurred But Not Reported (IBNR) Service.

- (iii) The Vested Benefits are the amount of benefits payable if service ceased on the valuation date and the worker has more than five years eligible service. Service includes service prior to the commencement date.

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

| | 2022 | 2021 |
|---|----------------|----------------|
| Number of workers: | | |
| Active | 36,463 | 33,168 |
| Inforce inactive | 86,228 | 74,359 |
| Total number of workers valued | 122,691 | 107,527 |
| | | |
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Expected timing of settlement | | |
| Not later than one year | 6,021 | 6,153 |
| Later than one year and not later than five years | 20,983 | 26,166 |
| Later than five years | 46,016 | 33,975 |
| Total | 73,020 | 66,294 |

The Calculation of Scheme Liability table below reconciles the liability at the start and the end of the financial year. The "unwinding of discount rate" arises because the liability for workers at the end of the financial year will have one year less discounting to their expected payment date compared to the beginning of the financial year. The scheme liability expenses being adjustments as a result of changes in "discount rate" and "assumptions apart from the discount rate" arise due to revaluing the previous financial year's data but using the current financial year's assumptions while "additional provisions" is the additional service accruing over the financial year.

| Calculation of scheme liability | Actuarial Valuation CCI | |
|--|-------------------------|---------------|
| Report as at | 30-Jun-22 | 30-Jun-21 |
| | \$'000 | \$'000 |
| Carrying amount at the beginning of the financial year | 66,294 | 60,678 |
| Unwinding of discount rate | 994 | 546 |
| Scheme liability expenses being adjustments as a result of changes in: | | |
| - discount rate | (3,397) | (679) |
| - assumptions apart from the discount rate | 2,988 | (1,304) |
| - additional provisions | 9,832 | 10,365 |
| Claims Paid | (3,691) | (3,312) |
| Carrying amount at the end of the financial year | 73,020 | 66,294 |

13. COMMITMENTS

There are no commitments as at 30 June 2022 (2021 \$Nil)

14. CONTINGENT ASSETS AND LIABILITIES

There were no known contingent assets or liabilities as at the end of the financial year (2021: \$Nil).

15. BUDGET REVIEW

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the financial year. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

Net Result

The actual net result is a deficit of \$19.2 million (2021: \$271.5 million surplus) which was unfavourable to the budgeted net result by \$7.2 million. The major variations to budget are:

Total Revenue was \$188.0 million unfavourable to budget, due to Long Service Corporation Investment Fund Trust (LSCIFT) returns being lower than expected. The LSCIFT incurred a negative return of (6.8%) for the financial year compared to a budgeted return of 5%.

Total Expenses were \$180.8 million favourable to budget, primarily due to decreased Scheme expenses as a result of changes in the values in the actuarial assumptions including changes in the discount rate.

Assets and liabilities

The actual net assets of \$506.8 million (2021: \$526.0 million) was favourable to budget by \$102.6 million. The main variations to budget are:

Total investments were \$76.7 million lower than budget expectations due to the negative investment returns offset by the additional deposits made during the year.

Scheme Liabilities were \$183.0 million lower than budget due to changes in the values in the actuarial assumptions including changes in the discount rate.

Cash flows

Net decrease in cash during the year was \$74.8 million which was unfavourable with the budgeted net increase in cash of \$13.2 million due to the investment of surplus cash funds in the LSCIFT.

16. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

| | 2022 \$'000 | 2021 \$'000 |
|--|-----------------|----------------|
| Net cash used in operating activities | 66,077 | 93,786 |
| Depreciation and amortisation | (243) | (44) |
| Allowance for impairment | (39) | (91) |
| Net gain / (loss) on investments | (149,769) | 172,194 |
| Net gain / (loss) on disposal of assets | - | (70) |
| Increase / (decrease) in Long Service payments liability expense | 50,899 | 21,913 |
| (Increase) / decrease in contract liabilities | - | 43 |
| Increase / (decrease) in finance costs | (24,465) | (14,954) |
| Increase / (decrease) in receivables | 34,389 | (377) |
| (Increase) / decrease in payables | 3,931 | (869) |
| Net result | (19,220) | 271,531 |

Non-Cash Investing Activities

Non-cash additions to investments during the year amounted to \$98.3m (2021 \$104.5m) which were financed by distribution income declared.

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Investments acquired by distribution income | 98,334 | 104,468 |

17. FUND INFORMATION

| Fund | Building & Construction Industry | | | Contract Cleaning Industry | | Total | |
|---------------------------------|----------------------------------|-----------|---------|----------------------------|--------|-----------|---------|
| | Notes | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expenses excluding losses | | | | | | | |
| Personnel services expenses | 2(a) | 6,074 | 5,916 | 1,408 | 1,346 | 7,482 | 7,262 |
| Other operating expenses | 2(b) | 10,917 | 7,053 | 2,823 | 1,970 | 13,740 | 9,023 |
| Depreciation and amortisation | 2(c) | 243 | 35 | - | 9 | 243 | 44 |
| Finance costs | 2(d) | 23,471 | 14,408 | 994 | 546 | 24,465 | 14,954 |
| Scheme liability expenses | 2(e) | 42,361 | 68,860 | 9,423 | 8,382 | 51,784 | 77,242 |
| Total expenses excluding losses | | 83,066 | 96,272 | 14,648 | 12,253 | 97,714 | 108,525 |
| Revenue | | | | | | | |
| Investment revenue | 3(a) | (142,909) | 165,204 | (6,783) | 7,168 | (149,692) | 172,372 |
| Long service levy income | 3(b) | 217,005 | 193,892 | 10,426 | 13,580 | 227,431 | 207,472 |
| Other revenue | 3(c) | 533 | 278 | 222 | 4 | 755 | 282 |
| Total Revenue | | 74,629 | 359,374 | 3,865 | 20,752 | 78,494 | 380,126 |
| (Loss) / gain on disposal | | 4 | - | (67) | - | (3) | (70) |
| Total comprehensive income | | (8,437) | 263,035 | (10,783) | 8,496 | (19,220) | 271,531 |

| Fund | Notes | Building & Construction Industry | | Contract Cleaning Industry | | Total | |
|--------------------------------|-------|----------------------------------|-----------|----------------------------|---------|-----------|-----------|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Cash and cash equivalents | 5 | 23,652 | 94,545 | 1,994 | 5,885 | 25,646 | 100,430 |
| Receivables | 6 | 22,183 | 3,405 | 2,241 | 3,091 | 24,424 | 6,496 |
| Total Current Assets | | 45,835 | 97,950 | 4,235 | 8,976 | 50,070 | 106,926 |
| Non-Current Assets | | | | | | | |
| Financial assets at fair value | 7 | 1,949,689 | 1,962,669 | 91,276 | 91,064 | 2,040,965 | 2,053,733 |
| Receivables | 6 | 16,422 | - | - | - | 16,422 | - |
| Plant and equipment | 8a | 6 | - | 2 | - | 8 | - |
| Right-of-use assets | 8b | - | - | - | - | - | - |
| Intangible assets | 9 | 5,170 | 2,073 | - | - | 5,170 | 2,073 |
| Total Non-Current Assets | | 1,971,287 | 1,964,742 | 91,278 | 91,064 | 2,062,565 | 2,055,806 |
| Total Assets | | 2,017,122 | 2,062,692 | 95,513 | 100,040 | 2,112,635 | 2,162,732 |

| Fund | Notes | Building & Construction Industry | | Contract Cleaning Industry | | Total | |
|-------------------------------|-------|----------------------------------|-----------|----------------------------|--------|-----------|-----------|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| LIABILITIES | | | | | | | |
| Current Liabilities | | | | | | | |
| Payables | 11 | 567 | 4,542 | 701 | 1,169 | 1,268 | 5,711 |
| Provisions | 12 | 1,298,885 | 1,311,899 | 60,638 | 54,717 | 1,359,523 | 1,366,616 |
| Total Current Liabilities | | 1,299,452 | 1,316,441 | 61,339 | 55,886 | 1,360,791 | 1,372,327 |
| Non-Current Liabilities | | | | | | | |
| Provisions | 12 | 232,694 | 252,840 | 12,382 | 11,577 | 245,076 | 264,417 |
| Total Non-Current Liabilities | | 232,694 | 252,840 | 12,382 | 11,577 | 245,076 | 264,417 |
| Total Liabilities | | 1,532,146 | 1,569,281 | 73,721 | 67,463 | 1,605,867 | 1,636,744 |
| Net Assets | | 484,976 | 493,411 | 21,792 | 32,577 | 506,768 | 525,988 |
| EQUITY | | | | | | | |
| Accumulated Funds | | 484,976 | 493,411 | 21,792 | 32,577 | 506,768 | 525,988 |
| Total Equity | | 484,976 | 493,411 | 21,792 | 32,577 | 506,768 | 525,988 |

18. FINANCIAL INSTRUMENTS

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

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

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Corporation on a continuous basis.

(a) Financial Instrument Categories

| Financial Assets | Note | Category | 2022 \$'000 | 2021 \$'000 |
|--------------------------------|-------------|--|--------------------|--------------------|
| | | | Carrying Amount | Carrying Amount |
| Class: | | | | |
| Cash and cash equivalents | 5 | Amortised Cost | 25,646 | 100,430 |
| Receivables ⁽ⁱ⁾ | 6 | Amortised Cost | - | - |
| Financial assets at fair value | 7 | Fair value through profit or loss | 2,040,965 | 2,053,733 |
| Financial Liabilities | Note | Category | | |
| Class: | | | | |
| Payables ⁽ⁱⁱ⁾ | 11 | Financial liabilities measured at amortised cost | 1,247 | 5,162 |

(i) Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

(ii) Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

The Corporation 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.

(b) Derecognition of financial assets and financial liabilities

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

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

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

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

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

(c) Offsetting financial instruments

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

(d) Financial Risk

(i) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash, receivables, and authority deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

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

Cash and cash equivalents

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

Accounting policy for impairment of trade debtors and other financial assets

Receivables – Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

There is no expected credit loss on the Corporation's trade receivables.

Receivables – Other receivables

Collectability of other receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. The Corporation considers other receivables in default when the receivable is over 90 days and there is no agreed payment plan in place.

The Corporation has recognised a provision for expected credit losses on its other receivables of \$195k (2021 \$156k). The Corporation is not materially exposed to concentrations of credit risk to a single debtor or group of debtors as at 30 June 2022 and 2021.

(ii) Liquidity Risk

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

During the current and prior year, there were no defaults of borrowings. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12.

For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made not later than the end of the month following the month in which an invoice or statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an Authority (or person appointed by the Head of an Authority) may automatically pay the supplier simple interest.

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

| | \$'000 Nominal Amount (i) | \$'000 Interest Rate Exposure | | | \$'000 Maturity Dates | | |
|-------------------------|------------------------------------|----------------------------------|------------------------------|-----------------------------|--------------------------|--------------|-----------|
| | | Fixed Interest Rate | Variable Interest Rate | Non- interest Bearing | < 1 Year | 1-5 Years | > 5 Years |
| | | | | | | | |
| 2022 Payables | | | | | | | |
| | 1,247 | - | - | 1,247 | 1,247 | - | - |
| | 1,247 | - | - | 1,247 | 1,247 | - | - |
| 2021 Payables | \$'000 Nominal Amount (i) | \$'000 Interest Rate Exposure | | | \$'000 Maturity Dates | | |
| | | Fixed Interest Rate | Variable Interest Rate | Non- interest Bearing | < 1 Year | 1-5 Years | > 5 Years |
| | | | | | | | |
| 2021 Payables | | | | | | | |
| | 5,162 | - | - | 5,162 | 5,162 | - | - |
| | 5,162 | - | - | 5,162 | 5,162 | - | - |

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

(iii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through interest rate risk on the Corporation's borrowings and other price risks associated with the movement in the unit price of the LSCIFT. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e. until the end of the next financial year). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2021. The analysis assumes that all other variables remain constant.

Interest Rate Risk

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

The following table demonstrates the sensitivity to a reasonable possible change in interest rates:

| | \$'000 | | | | |
|-----------------------------|-----------------|------------------|--------------|------------------|--------------|
| | Carrying Amount | Net Result -1.0% | Equity -1.0% | Net Result +1.0% | Equity +1.0% |
| 2022 | | | | | |
| <i>Financial Assets (i)</i> | | | | | |
| Cash and cash equivalents | 25,646 | (256) | (256) | 256 | 256 |
| 2021 | | | | | |
| <i>Financial Assets (i)</i> | | | | | |
| Cash and cash equivalents | 100,430 | (1,004) | (1,004) | 1,004 | 1,004 |

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

Other Price risk – TCorp Funds

Exposure to 'other price risk' primarily arises through the investment in the Long Service Corporation Investment Fund Trust (LSCIFT), which is held for strategic rather than trading purposes. The Corporation's only direct equity investment is in the LSCIFT.

| Fund | Investments | Investment Horizon | 2022 \$'000 | 2021 \$'000 |
|--------|--|--------------------|-------------|-------------|
| LSCIFT | Cash, money market instruments, Australian bonds, listed property, Australian and international shares | 7 years and over | 2,040,965 | 2,053,733 |

The unit price is equal to the total fair value of the net assets held by the fund divided by the number of units on issue. Unit prices are calculated and published daily. The Corporation holds 100% of the units issued by the Long Service Corporation Investment Fund Trust (LSCIFT).

TCorp as trustee for the LSCIFT is required to act in the best interest of the unit holders and to administer the funds in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of the fund in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets. A significant portion of the administration of the fund is outsourced to an external custodian.

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

TCorp provides sensitivity analysis information for each of the investment funds including the LSCIFT, which is used to demonstrate the impact on the funds net assets as a result of a change in the unit price. The impact is based on a sensitivity rate of 10%, multiplied by the redemption value as at 30 June each year for each fund (balance from TCorp Fund Statement). Actual movements in the price risk variables may differ to the sensitivity rate used due to a number of factors. The funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

| | Impact on Profit / Loss | | | |
|--------|-------------------------|------------|----------------------|------------|
| | 2022 | | 2021 | |
| | Change in Unit price | \$'000 | Change in Unit price | \$'000 |
| LSCIFT | +/-10% | +/-204,097 | +/-10% | +/-205,373 |

(e) **Fair Value Measurement**

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

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

There are no financial instruments where the fair value differs from the carrying amount.

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

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

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

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

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

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$ | Total |
|---------------------------------------|-------------------|-------------------|---------------|------------------|
| 2022 | | | | |
| Financial Assets at fair value | | | | |
| LSCIFT | - | 2,040,965 | - | 2,040,965 |
| Total | - | 2,040,965 | - | 2,040,965 |
| 2021 | | | | |
| Financial Assets at fair value | | | | |
| LSCIFT | - | 2,053,733 | - | 2,053,733 |
| Total | - | 2,053,733 | - | 2,053,733 |

The value of the LSCIFT is based on the Corporation's share of the value of the underlying assets of the fund, based on the market value. The LSCIFT is valued using 'redemption' pricing.

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

19. RELATED PARTY DISCLOSURES

Key management personnel

During the year, the Corporation incurred \$195k (2021: \$220k) in respect of key management personnel services that are provided by a separate management entity (Department of Customer Service).

Other related party transactions

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

| Nature of transaction | | 2022 \$'000 | | 2021 \$'000 | |
|---|------------------------------------|--|---|--|---|
| | | Transaction value income/ (expense) \$'000 | Net receivable/ (payable) \$'000 | Transaction value income/ (expense) \$'000 | Net receivable/ (payable) \$'000 |
| Purchases of goods/ services and other payments | Department of Customer Service | (13,887) | (786) | (13,184) | (3,529) |
| Purchases of goods/ services and other payments | Property NSW | - | - | (3) | - |
| Purchases of goods/ services and other payments | Crown Solicitors Office | - | - | (49) | (16) |
| Purchases of goods/ services and other payments | NSW Self Insurance Corporation | (60) | - | (44) | - |
| Purchases of goods/ services and other payments | State Archives & Records Authority | (24) | (2) | (24) | (2) |
| Purchases of goods/ services and other payments | Audit Office of NSW | (105) | (78) | (156) | (49) |
| Purchases of goods/ services and other payments | Roads and Maritime Service | - | - | (4) | - |
| Purchases of goods/ services and other payments | NSW Police | (2) | - | - | - |

20. EVENTS AFTER BALANCE DATE

Adjusting Events

There are no known events after the end of the financial year which would give rise to a material impact on the reported results or financial position of the Corporation as at 30 June 2022.

END OF AUDITED FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

Long Service Corporation Investment Fund

To the Treasurer and Directors of the Trustee

Opinion

I have audited the accompanying financial report of the Long Service Corporation Investment Fund (the Fund), which comprises the Statement of comprehensive income for the year ended 30 June 2022, the Statement of financial position as at 30 June 2022, the Statement of changes in equity and the Statement of cash flows for the year then ended, notes comprising a Summary of significant accounting policies and other explanatory information, and the Statement by the Trustee.

In my opinion, the financial report:

- has been prepared in accordance with Australian Accounting Standards
- presents fairly the Fund's financial position, financial performance and cash flows
- is in accordance with the requirements of the Fund's Constitution.

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

Basis for Opinion

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

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

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

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

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

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

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

The Trustee's Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

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

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



David Daniels
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 October 2022
SYDNEY

Statement by the Trustee

In the opinion of the directors of the Trustee

- (a) The financial statements and notes of the Fund are in accordance with the requirements of the Fund Constitution, and:
 - (i) are properly drawn up so as to present fairly the Fund's financial position as at 30 June 2022 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the year ended on that date; and
 - (ii) comply with Australian Accounting Standards and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe the Fund will be able to pay its debts as and when they become due and payable.
- (c) The directors are not aware of any circumstances as at the date of this statement, which would render any particulars included in the financial report misleading or inaccurate.

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



M J Dwyer
Director



D M Deverall
Director

Sydney
30 September 2022

Long Service Corporation Investment Fund
Statement of comprehensive income
For the year ended 30 June 2022

| | Notes | 30 June 2022 \$ | 30 June 2021 \$ |
|---|-------|-----------------------------|---------------------------|
| Investment income | | | |
| Interest income from financial assets at fair value through profit or loss | | 8,335 | - |
| Trust distribution income | | 51,044,910 | 69,322,826 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | 12 | <u>(201,382,923)</u> | <u>105,877,174</u> |
| Total net investment income/(loss) | | <u>(150,329,678)</u> | <u>175,200,000</u> |
| Expenses | | | |
| Trustee fees | 14 | 1,589,668 | 1,365,514 |
| Expense recovery fees | 14 | 33,134 | 30,750 |
| Management fees | | 23,331 | - |
| Custody fees | | 35,147 | 27,321 |
| Transaction costs | | 24,070 | 16,796 |
| Other operating expenses | | <u>22,007</u> | <u>39,831</u> |
| Total operating expenses | | <u>1,727,357</u> | <u>1,480,212</u> |
| Profit/(loss) for the year | | (152,057,035) | 173,719,788 |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u>(152,057,035)</u> | <u>173,719,788</u> |

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

Long Service Corporation Investment Fund
Statement of financial position
As at 30 June 2022

| | Notes | 30 June 2022 \$ | 30 June 2021 \$ |
|---|-------|-----------------------------|-----------------------------|
| Assets | | | |
| Cash and cash equivalents | 11 | 20,131,736 | 8,169,026 |
| Margin and collateral accounts | | 6,895,636 | 832,252 |
| Receivables | 9 | 61,322 | 28,694 |
| Financial assets held at fair value through profit or loss | 6 | <u>2,032,784,556</u> | <u>2,046,122,898</u> |
| Total assets | | <u>2,059,873,250</u> | <u>2,055,152,870</u> |
| Liabilities | | | |
| Margin and collateral accounts | | 154,093 | - |
| Payables | 10 | 23,993 | 13,345 |
| Financial liabilities held at fair value through profit or loss | 7 | <u>19,767,176</u> | <u>154,502</u> |
| Total liabilities | | <u>19,945,262</u> | <u>167,847</u> |
| Net assets attributable to unitholders - equity | 5 | <u>2,039,927,988</u> | <u>2,054,985,023</u> |

The above Statement of financial position should be read in conjunction with the accompanying notes.

Long Service Corporation Investment Fund
Statement of changes in equity
For the year ended 30 June 2022

| | Notes | 30 June 2022 \$ | 30 June 2021 \$ |
|--|-------|-----------------------------|-----------------------------|
| Total equity at the beginning of the financial year | | 2,054,985,023 | 1,781,265,235 |
| Comprehensive income for the year | | | |
| Profit/(loss) for the year | | (152,057,035) | 173,719,788 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | (152,057,035) | 173,719,788 |
| Transactions with unitholders | | | |
| Applications | 5 | 137,000,000 | 100,000,000 |
| Units issued upon reinvestment of distributions | 5 | 98,334,005 | 104,468,001 |
| Distributions paid and payable | 5 | (98,334,005) | (104,468,001) |
| Total transactions with unitholders | | 137,000,000 | 100,000,000 |
| Total equity at the end of the financial year | | <u>2,039,927,988</u> | <u>2,054,985,023</u> |

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

Long Service Corporation Investment Fund
Statement of cash flows
For the year ended 30 June 2022

| | Notes | 30 June 2022 \$ | 30 June 2021 \$ |
|---|-------|-----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | | 942,143,602 | 550,506,657 |
| Purchase of financial instruments held at fair value through profit or loss | | (1,069,919,927) | (654,196,173) |
| Trust distributions received | | 4,472,426 | 11,394,074 |
| Interest received | | 506 | 332 |
| Trustee fees paid | | (1,589,668) | (1,365,514) |
| Expense recovery fees paid | | (30,750) | (30,750) |
| Management fees paid | | (22,683) | - |
| Transaction costs paid | | (24,070) | (16,796) |
| Custody fees paid | | (27,530) | (28,859) |
| Payment of other operating expenses | | <u>(46,807)</u> | <u>(41,777)</u> |
| Net cash inflow/(outflow) from operating activities | 15(a) | <u>(125,044,901)</u> | <u>(93,778,806)</u> |
| Cash flows from financing activities | | | |
| Proceeds from applications by unitholders | | <u>137,000,000</u> | <u>100,000,000</u> |
| Net cash inflow/(outflow) from financing activities | | <u>137,000,000</u> | <u>100,000,000</u> |
| Net increase/(decrease) in cash and cash equivalents | | 11,955,099 | 6,221,194 |
| Cash and cash equivalents at the beginning of the year | | 8,169,026 | 1,931,780 |
| Effects of foreign currency exchange rate changes on cash and cash equivalents | | <u>7,611</u> | <u>16,052</u> |
| Cash and cash equivalents at the end of the year | 11 | <u>20,131,736</u> | <u>8,169,026</u> |
| Non-cash operating activities | 15(b) | <u>46,572,484</u> | <u>57,928,752</u> |
| Non-cash financing activities | 15(b) | <u>98,334,005</u> | <u>104,468,001</u> |

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

1 General information

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

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

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

The financial statements were authorised for issue by the directors of the Trustee on 30 September 2022. The Trustee has the power to amend and reissue the financial report.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

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

(b) New accounting standards and interpretations

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

Further, there are no standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(c) Financial instruments

(i) Classification

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

- Financial instruments held at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments unlisted managed investment funds.

Financial assets and financial liabilities held at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund’s documented investment strategy. The Fund’s policy is for the Trustee to evaluate the information about these financial instruments on a fair value basis with other related financial information.

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

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

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

(iii) Measurement

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

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

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

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

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

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

(iv) Offsetting financial instruments

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

(d) Net assets attributable to unitholders

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

For the Statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(f) Investment income

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

Trust distributions are recognised on an entitlements basis.

(g) Expenses

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

(h) Income tax

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

The benefit of any imputation credits and foreign tax paid are passed on to unitholders as their individual circumstances allow for these to be passed on.

(i) Distributions

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

(j) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included within the net gains or losses on financial instruments at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(k) Due from/to brokers

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

(l) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of the last payment in accordance with the policy set out in Note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

(m) Payables

Payables include liabilities and accrued expenses owing by the Fund and redemption payable which are unpaid as at the end of the reporting period.

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

(n) Applications and redemptions

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

(o) Goods and services tax (GST)

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

(p) Use of estimates and significant judgement

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

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

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

(q) Margin and collateral accounts

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

3 Financial risk management

The Fund is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds. The Trustee is responsible for managing these risks and does so through a process of ongoing identification, measurement and monitoring.

Risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably foreseeable changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept.

This information is prepared and regularly reported to relevant parties within the Trustee.

As part of its risk management strategy, the Fund may use derivatives to manage certain risk exposures.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Trustee monitors the Fund's exposures to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(a) Market risk

Market risk is defined as the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Fund's investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Fund buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks.

(i) Price risk

The Fund is exposed to equity securities and derivatives price risk. This arises from investments held by the Fund for which prices in the future are uncertain. These investments are classified on the Statement of financial position at fair value through profit or loss. The fair value of the investments represents the Fund's maximum price risk.

The Fund mitigates price risk by diversifying exposure across a range of investment managers and markets. Benchmarks are established for each investment manager and the Trustee monitors performance and tracking errors relative to those benchmarks.

(ii) Foreign exchange risk

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

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

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

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

| | 30 June 2022 AUD equivalent in exposure by currency \$ | 30 June 2021 AUD equivalent in exposure by currency \$ |
|--------------------------|---|---|
| Assets | | |
| US Dollars | 880,807 | 1,746,882 |
| Euro | 53,753 | 231,350 |
| British Pounds | 4,461 | 67,983 |
| Japanese Yen | 12,513 | 62,952 |
| Other Currencies | 89,003 | 132,545 |
| Total assets | 1,040,537 | 2,241,712 |
| | | |
| | 30 June 2022 AUD equivalent in exposure by currency \$ | 30 June 2021 AUD equivalent in exposure by currency \$ |
| Liabilities | | |
| US Dollars | (16,802,617) | (83,352) |
| Euro | (1,092,076) | (24,131) |
| British Pounds | (150,746) | (7,376) |
| Japanese Yen | (91,082) | (13,462) |
| Other Currencies | (1,093,194) | (3,162) |
| Total liabilities | (19,229,715) | (131,483) |

(iii) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk is primarily measured and managed using duration.

The Fund is exposed to interest rate risk on cash and cash equivalents which is not considered material.

3 Financial risk management (continued)

(b) Summarised sensitivity analysis

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

| | Impact on operating profit/net assets attributable to unitholders | | | |
|--------------|---|-------------|-----------------------|---------|
| | Price risk * | | Foreign exchange risk | |
| | -10% | +10% | -10% | +10% |
| | \$ | \$ | \$ | \$ |
| 30 June 2022 | (203,138,935) | 203,138,935 | 3,739 | (3,739) |
| | -10% | +10% | -10% | +10% |
| | \$ | \$ | \$ | \$ |
| 30 June 2021 | (204,577,367) | 204,577,367 | (186,122) | 186,122 |

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

(c) Credit risk

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

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

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

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

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

The Fund may obtain, or provide, collateral to support amounts due under derivative transactions with certain counterparties. These arrangements are agreed between the Fund and each counterparty and take the form of annexures to the standard industry agreement governing the underlying derivative transaction.

The exposure to credit risk for cash and cash equivalents are low as all counterparties have a rating of A-1 (as determined by Standard and Poor's) or higher.

(d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow risk is the risk that future cash flows associated with financial instruments will fluctuate in amount or timing.

The Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

Financial liabilities of the Fund comprise trade and other payables and derivative financial instruments. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days of the obligation arising. Payment obligations in respect of derivative financial instruments arise and are met pursuant to their terms of issue.

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

3 Financial risk management (continued)

(d) Liquidity risk (continued)

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

| At 30 June 2022 | Less than 1 month \$ | 1-6 months \$ | 6-12 months \$ | Over 12 months \$ | Total \$ |
|------------------------------------|----------------------------|---------------------|-------------------|----------------------|---------------------|
| Liabilities | | | | | |
| Forward foreign exchange contracts | | | | | |
| Inflows | 126,994,066 | 424,819,931 | - | - | 551,813,997 |
| (Outflows) | (132,593,383) | (438,295,252) | - | - | (570,888,635) |
| Equity futures | | | | | |
| (Outflows) | - | (25,038) | - | - | (25,038) |
| Interest rate futures | | | | | |
| (Outflows) | - | (667,500) | - | - | (667,500) |
| Margin and collateral accounts | (154,093) | - | - | - | (154,093) |
| Payables | (23,993) | - | - | - | (23,993) |
| Total liabilities | (5,777,403) | (14,167,859) | - | - | (19,945,262) |
| At 30 June 2021 | Less than 1 month \$ | 1-6 months \$ | 6-12 months \$ | Over 12 months \$ | Total \$ |
| Liabilities | | | | | |
| Forward foreign exchange contracts | | | | | |
| Inflows | 10,498,674 | - | - | - | 10,498,674 |
| (Outflows) | (10,603,210) | - | - | - | (10,603,210) |
| Equity futures | | | | | |
| (Outflows) | - | (27,853) | - | - | (27,853) |
| Interest rate futures | | | | | |
| (Outflows) | - | (22,113) | - | - | (22,113) |
| Payables | (13,345) | - | - | - | (13,345) |
| Total liabilities | (117,881) | (49,966) | - | - | (167,847) |

(e) Fair value estimation

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

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

- Fair value in an active market

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

3 Financial risk management (continued)

(e) Fair value estimation (continued)

- *Fair value in an active market (continued)*

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

- Fair value in an inactive or unquoted market

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

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques which are discussed in Note 3(f).

(f) Fair value measurement

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

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

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

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

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

The following tables present the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2022 and 30 June 2021.

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|------------------|----------------------|--------------------|----------------------|
| As at 30 June 2022 | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Forward foreign exchange contracts | - | 1,367,022 | - | 1,367,022 |
| Equity futures | 118,441 | - | - | 118,441 |
| Interest rate futures | 3,143 | - | - | 3,143 |
| Unlisted managed investment funds | - | 1,791,397,798 | 239,898,152 | 2,031,295,950 |
| Total | 121,584 | 1,792,764,820 | 239,898,152 | 2,032,784,556 |
| Financial liabilities | | | | |
| Forward foreign exchange contracts | - | (19,074,638) | - | (19,074,638) |
| Equity futures | (25,038) | - | - | (25,038) |
| Interest rate futures | (667,500) | - | - | (667,500) |
| Total | (692,538) | (19,074,638) | - | (19,767,176) |

3 Financial risk management (continued)

(f) Fair value measurement (continued)

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|-----------------|----------------------|--------------------|----------------------|
| As at 30 June 2021 | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Forward foreign exchange contracts | - | 321,372 | - | 321,372 |
| Equity futures | 59,122 | - | - | 59,122 |
| Unlisted managed investment funds | - | 1,848,589,858 | 197,152,546 | 2,045,742,404 |
| Total | 59,122 | 1,848,911,230 | 197,152,546 | 2,046,122,898 |
| Financial liabilities | | | | |
| Forward foreign exchange contracts | - | (104,536) | - | (104,536) |
| Equity futures | (27,853) | - | - | (27,853) |
| Interest rate futures | (22,113) | - | - | (22,113) |
| Total | (49,966) | (104,536) | - | (154,502) |

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

There were no transfers between levels of the fair value hierarchy during the year ended 30 June 2022 and 30 June 2021.

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

Valuation techniques

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

Fair value measurements using significant unobservable inputs (Level 3)

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the year.

| | Unlisted managed investment funds |
|---|--|
| 30 June 2022 | \$ |
| Opening balance | 197,152,546 |
| Purchases | 23,663,705 |
| Gains/(losses) recognised in the Statement of comprehensive income | 19,081,901 |
| Closing balance | 239,898,152 |
| Total unrealised gains/(losses) for the year included in the Statement of comprehensive income for financial assets and liabilities held at the end of the year | 19,081,901 |
| 30 June 2021 | Unlisted managed investment funds |
| | \$ |
| Opening balance | 169,183,485 |
| Purchases | 23,535,489 |
| Gains/(losses) recognised in the Statement of comprehensive income | 4,433,572 |
| Closing balance | 197,152,546 |
| Total unrealised gains/(losses) for the year included in the Statement of comprehensive income for financial assets and liabilities held at the end of the year | 4,433,572 |

3 Financial risk management (continued)

(f) Fair value measurement (continued)

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

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

| | Fair value at 30 June 2022 \$ | Unobservable inputs | Reasonable possible shift +/- (absolute value) | Change in valuation \$ |
|-----------------------------------|-------------------------------------|--------------------------------|--|------------------------------|
| Unlisted managed investment funds | 239,898,152 | Published redemption prices | +/-10% | 23,989,815/ (23,989,815) |
| | Fair value at 30 June 2021 \$ | Unobservable inputs | Reasonable possible shift +/- (absolute value) | Change in valuation \$ |
| Unlisted managed investment funds | 197,152,546 | Published redemption prices | +/-10% | 19,715,254/ (19,715,254) |

4 Offsetting financial assets and financial liabilities

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

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

4 Offsetting financial assets and financial liabilities (continued)

| | Gross amount of financial instruments presented in the Statement of financial position | Amounts subject to master netting arrangements | Net amount excluding collateral | Cash collateral received/posted | Net amount |
|------------------------------------|--|--|---------------------------------------|------------------------------------|----------------------------|
| 30 June 2022 | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Forward foreign exchange contracts | 1,367,022 | (1,198) | 1,365,824 | - | 1,365,824 |
| Equity futures | 118,441 | (25,038) | 93,403 | - | 93,403 |
| Interest rate futures | 3,143 | (3,143) | - | - | - |
| Margin and collateral accounts | <u>6,895,636</u> | <u>(150,980)</u> | <u>6,744,656</u> | <u>(667,470)</u> | <u>6,077,186</u> |
| Total | <u>8,384,242</u> | <u>(180,359)</u> | <u>8,203,883</u> | <u>(667,470)</u> | <u>7,536,413</u> |
| Financial liabilities | | | | | |
| Forward foreign exchange contracts | (19,074,638) | 1,198 | (19,073,440) | - | (19,073,440) |
| Equity futures | (25,038) | 25,038 | - | - | - |
| Interest rate futures | (667,500) | 3,143 | (664,357) | 664,357 | - |
| Margin and collateral accounts | <u>(154,093)</u> | <u>150,980</u> | <u>(3,113)</u> | <u>3,113</u> | <u>-</u> |
| Total | <u>(19,921,269)</u> | <u>180,359</u> | <u>(19,740,910)</u> | <u>667,470</u> | <u>(19,073,440)</u> |
| | | | | | |
| | Gross amount of financial instruments presented in the Statement of financial position | Amounts subject to master netting arrangements | Net amount excluding collateral | Cash collateral received/posted | Net amount |
| 30 June 2021 | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Forward foreign exchange contracts | 321,372 | (104,536) | 216,836 | - | 216,836 |
| Equity futures | 59,122 | - | 59,122 | - | 59,122 |
| Margin and collateral accounts | <u>832,252</u> | <u>-</u> | <u>832,252</u> | <u>-</u> | <u>832,252</u> |
| Total | <u>1,212,746</u> | <u>(104,536)</u> | <u>1,108,210</u> | <u>-</u> | <u>1,108,210</u> |
| Financial liabilities | | | | | |
| Forward foreign exchange contracts | (104,536) | 104,536 | - | - | - |
| Equity futures | (27,853) | - | (27,853) | - | (27,853) |
| Interest rate futures | <u>(22,113)</u> | <u>-</u> | <u>(22,113)</u> | <u>-</u> | <u>(22,113)</u> |
| Total | <u>(154,502)</u> | <u>104,536</u> | <u>(49,966)</u> | <u>-</u> | <u>(49,966)</u> |

5 Net assets attributable to unitholders

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

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

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

| | Year ended | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 30 June 2022 | 30 June 2021 | 30 June 2022 | 30 June 2021 |
| | No. | No. | \$ | \$ |
| Opening balance | 1,957,296,594 | 1,763,445,859 | 2,054,985,023 | 1,781,265,235 |
| Profit/(loss) for the year | - | - | (152,057,035) | 173,719,788 |
| Applications | 129,191,301 | 94,418,007 | 137,000,000 | 100,000,000 |
| Units issued upon reinvestment of distributions | 105,505,192 | 99,432,728 | 98,334,005 | 104,468,001 |
| Distributions paid and payable | - | - | (98,334,005) | (104,468,001) |
| Closing balance | <u>2,191,993,087</u> | <u>1,957,296,594</u> | <u>2,039,927,988</u> | <u>2,054,985,023</u> |
| Published Unit Price | | | 0.9311 | 1.0506 |

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

As stipulated in the Fund Constitution, each unit represents a right to an equal undivided interest in the Fund and does not extend to a right to the underlying assets in the Fund.

Capital risk management

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

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

6 Financial assets held at fair value through profit or loss

| | As at | |
|---|-----------------------------|-----------------------------|
| | 30 June 2022 | 30 June 2021 |
| | Fair value | Fair value |
| | \$ | \$ |
| Equity futures | 118,441 | 59,122 |
| Interest rate futures | 3,143 | - |
| Forward foreign exchange contracts | 1,367,022 | 321,372 |
| Unlisted managed investment funds | <u>2,031,295,950</u> | <u>2,045,742,404</u> |
| Total financial assets held at fair value through profit or loss | <u>2,032,784,556</u> | <u>2,046,122,898</u> |

7 Financial liabilities held at fair value through profit or loss

| | As at | |
|--|----------------------------|-------------------------|
| | 30 June 2022 | 30 June 2021 |
| Equity futures | (25,038) | (27,853) |
| Interest rate futures | (667,500) | (22,113) |
| Forward foreign exchange contracts | <u>(19,074,638)</u> | <u>(104,536)</u> |
| Total financial liabilities held at fair value through profit or loss | <u>(19,767,176)</u> | <u>(154,502)</u> |

8 Derivative financial instruments

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

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

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

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

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

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

(a) Futures

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

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

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

(b) Forward foreign exchange contracts

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

8 Derivative financial instruments (continued)

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

| | Contract/notional | Fair Value | |
|------------------------------------|-------------------|------------------|---------------------|
| | \$ | Assets | Liabilities |
| | | \$ | \$ |
| 30 June 2022 | | | |
| Forward foreign exchange contracts | 543,648,871 | 1,367,022 | (19,074,638) |
| Equity futures | 7,564,457 | 118,441 | (25,038) |
| Interest rate futures | 150,698,435 | <u>3,143</u> | <u>(667,500)</u> |
| | | <u>1,488,606</u> | <u>(19,767,176)</u> |
| | | | |
| | Contract/notional | Fair Value | |
| | \$ | Assets | Liabilities |
| | | \$ | \$ |
| 30 June 2021 | | | |
| Forward foreign exchange contracts | (5,801,847) | 321,372 | (104,536) |
| Equity futures | 7,891,570 | 59,122 | (27,853) |
| Interest rate futures | 4,548,600 | - | <u>(22,113)</u> |
| | | <u>380,494</u> | <u>(154,502)</u> |

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

9 Receivables

| | As at | |
|---------------------|---------------|---------------|
| | 30 June 2022 | 30 June 2021 |
| | \$ | \$ |
| Interest receivable | 8,227 | 398 |
| GST receivable | <u>53,095</u> | <u>28,296</u> |
| Total | <u>61,322</u> | <u>28,694</u> |

10 Payables

| | As at | |
|-------------------------|---------------|---------------|
| | 30 June 2022 | 30 June 2021 |
| | \$ | \$ |
| Management fees payable | 3,031 | - |
| Custody fees payable | <u>20,962</u> | <u>13,345</u> |
| Total | <u>23,993</u> | <u>13,345</u> |

11 Cash and cash equivalents

| | As at | |
|--------------|--------------------------|-------------------------|
| | 30 June 2022 | 30 June 2021 |
| | \$ | \$ |
| Cash at bank | <u>20,131,736</u> | <u>8,169,026</u> |
| Total | <u>20,131,736</u> | <u>8,169,026</u> |

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

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

| | Year ended | |
|--|-----------------------------|---------------------------|
| | 30 June 2022 | 30 June 2021 |
| | \$ | \$ |
| Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss (including FX gains/(losses)) | <u>(201,382,923)</u> | <u>105,877,174</u> |
| | <u>(201,382,923)</u> | <u>105,877,174</u> |

13 Auditor's remuneration

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

| | Year ended | |
|-----------------------------------|----------------------|----------------------|
| | 30 June 2022 | 30 June 2021 |
| | \$ | \$ |
| Audit of the financial statements | <u>15,762</u> | <u>15,195</u> |
| Total | <u>15,762</u> | <u>15,195</u> |

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

14 Related party transactions

Trustee

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

Ultimate parent entity

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

Key management personnel

Directors

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

Key management personnel compensation

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

14 Related party transactions (continued)

Key management personnel loan disclosures

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

Other transactions

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

Cabinet Ministers

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

Other New South Wales Government entities

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

Trustee fees and other transactions

Under the terms of the Fund Constitution for the Fund, the Trustee is entitled to receive trustee fees monthly. Trustee fees for all TCorp related Funds invested into were paid and accrued directly by this Fund, based on its percentage holding.

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

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

| | Year ended 30 June 2022 \$ | Year ended 30 June 2021 \$ |
|--|-------------------------------------|-------------------------------------|
| Expense recovery fees for the year | 33,134 | 30,750 |
| Trustee fees for the year | 1,589,668 | 1,365,514 |
| Management fees for the year | 23,331 | - |
| Aggregate amounts payable to the Trustee at the reporting date | 3,031 | - |

14 Related party transactions (continued)

Investments

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

| 30 June 2022 | Fair value of investment \$ | Interest held % | Distributions/ Interest received or receivable during the year \$ |
|---|--------------------------------|--------------------|---|
| TCorplm Alternative Risk Premia Fund | - | - | 1,076 |
| TCorplm Australian Share Fund | 79,934,112 | 1.62 | 14,373,100 |
| TCorplm Australian Inflation Linked Bond Fund | 505,647,298 | 72.94 | 6,017,298 |
| TCorplm Australian Bond Fund | 194,077,578 | 6.14 | 797,231 |
| TCorplm Liquidity Cash Fund | 127,792,922 | 3.25 | 120,090 |
| TCorplm Short Term Income Fund | 40,173,616 | 1.86 | 1,411,104 |
| TCorplm Emerging Market Share Fund | 36,973,559 | 1.28 | 1,109,203 |
| TCorplm Unlisted Property Fund | 88,111,347 | 3.03 | 1,201,262 |
| TCorplm Unlisted Infrastructure Fund | 88,117,626 | 2.41 | 574,083 |
| TCorplm Defensive Alternatives Fund | 101,062,017 | 3.11 | - |
| TCorplm Bank Loan Fund | 85,163,829 | 2.05 | 5,889,826 |
| TCorplm Emerging Market Debt Fund | 79,683,832 | 3.59 | 575,469 |
| TCorplm Opportunistic Fund A | 35,746,602 | 7.78 | 4,472,427 |
| TCorplm Core Alternatives Fund | 83,060,391 | 1.20 | 2,719,387 |
| TCorplm Developed Market Property Fund | 15,457,755 | 1.18 | 30,092 |
| TCorplm Opportunistic Fund B | 8,488,054 | 2.49 | 18,343 |
| TCorplm Developed Markets Equities (Sovereign Investor - Hedged) Fund | 359,050,182 | 2.81 | 10,559,043 |
| TCorplm Opportunistic Fund E | 2,533,677 | 1.79 | - |
| TCorplm Direct Investment Fund N | 1,182,550 | 0.64 | 27,194 |
| TCorplm Global Credit Fund | 63,632,306 | 2.09 | 604,039 |
| TCorplm High Yield Fund | 35,146,156 | 2.06 | 544,645 |

The Fund held \$10,000,000 (2021: nil) in cash deposits with New South Wales Treasury Corporation as at 30 June 2022.

14 Related party transactions (continued)

Investments (continued)

| 30 June 2021 | Fair value of investment \$ | Interest held % | Distributions/ Interest received or receivable during the year \$ |
|---|--------------------------------|--------------------|---|
| TCorpIM Alternative Risk Premia Fund | 20,919,312 | 2.04 | - |
| TCorpIM Australian Share Fund | 188,440,999 | 2.51 | 13,063,513 |
| TCorpIM Australian Inflation Linked Bond Fund | 201,744,968 | 57.05 | 7,025,884 |
| TCorpIM Australian Bond Fund | 499,048,503 | 27.27 | 26,501,596 |
| TCorpIM Liquidity Cash Fund | 109,093,485 | 2.93 | 68,649 |
| TCorpIM Short Term Income Fund | 203,053,116 | 9.27 | 2,041,358 |
| TCorpIM Emerging Market Share Fund | 44,411,277 | 1.48 | 1,270,883 |
| TCorpIM Unlisted Property Fund | 77,240,182 | 4.36 | 1,697,031 |
| TCorpIM Unlisted Infrastructure Fund | 77,164,622 | 4.17 | 6,017,177 |
| TCorpIM Multi-Asset Class Fund | 39,623,923 | 3.80 | 2,465,111 |
| TCorpIM Bank Loan Fund | 79,571,333 | 2.46 | 4,664,426 |
| TCorpIM Emerging Market Debt Fund | 82,612,999 | 3.15 | - |
| TCorpIM Opportunistic Fund A | 30,011,744 | 7.78 | 4,295,136 |
| TCorpIM Core Alternatives Fund | 20,413,431 | 0.38 | - |
| TCorpIM Developed Market Property Fund | 8,148,019 | 1.18 | 96,487 |
| TCorpIM Opportunistic Fund B | 4,587,979 | 2.58 | 115,577 |
| TCorpIM Developed Markets Equities (Sovereign Investor - Hedged) Fund | 360,690,657 | 2.78 | - |

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

| | Year ended 30 June 2022 \$ | 30 June 2021 \$ |
|--|-------------------------------------|----------------------------|
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | | |
| Profit/(loss) for the year | (152,057,035) | 173,719,788 |
| Net (gains)/losses on financial instruments held at fair value through profit or loss (including FX (gains)/losses) | 201,382,923 | (105,877,174) |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 942,143,602 | 550,506,657 |
| Purchases of financial instruments held at fair value through profit or loss | (1,069,919,927) | (654,196,173) |
| Dividends/distributions reinvested | (46,572,484) | (57,928,752) |
| Net change in receivables and other assets | (32,628) | (1,614) |
| Net change in accounts payables and accrued liabilities | 10,648 | (1,538) |
| Net cash inflow/(outflow) from operating activities | <u>(125,044,901)</u> | <u>(93,778,806)</u> |
| (b) Non-cash activities | | |
| During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | 98,334,005 | 104,468,001 |
| During the year, the following acquisitions were satisfied by participation in dividend and distribution reinvestment plan | <u>46,572,484</u> | <u>57,928,752</u> |
| | <u>144,906,489</u> | <u>162,396,753</u> |

16 Structured entities

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

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

17 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period up to the date of signing the Annual Financial Report which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2022 or on the results and cash flows of the Fund for the year ended on that date.

18 Contingent assets, contingent liabilities and commitments

There are no outstanding contingent assets, contingent liabilities or commitments as at 30 June 2022 (30 June 2021: Nil).

Compliance checklist

| Compliance requirement | Section in the annual report | Page |
|---|---|----------------|
| Access | | 2 |
| Aims and objectives | Who we are | 8 |
| | What we do | 9 |
| Auditor's Report | Independent Auditor's Report | 44 |
| Budgets | Financial highlights | 24 |
| Charter | Who we are | 8 |
| Consultants | Consultants | 30 |
| Consumer response | Consumer response | 31 |
| Corporate objectives | Performance review | 14 |
| Cyber security Annual Attestation Statement | Cyber security Annual Attestation Statement | 40 |
| Disability Inclusion Action Plan | Exemptions from the reporting provisions | 42 |
| Disclosure of controlled entities | Financial Statements - Long Service Corporation Investment Fund | 79 |
| Disclosure of subsidiaries | Other disclosures | 41 |
| Economic and other factors | Secretary's message | 6 |
| | Highlights and achievements | 12 |
| Financial statements | Financial statements - Long Service Corporation | 43 |
| Funds granted to non-government community organisations | Other disclosures | 41 |
| <i>Government Information (Public Access) Act 2009</i> | Accessing LSC information | 28 |
| Human Resources | Employment and senior executive statistics | 32 |
| Identification of audited financial statements | Financial statements - Long Service Corporation | 43 |
| Implementation of Price Determination | | Not Applicable |
| Internal Audit and Risk Management Policy Attestation | Internal Audit and Risk Management Attestation Statement | 38 |
| Investment performance | Financial Statements - Long Service Corporation Investment Fund | 79 |
| Land disposal | Other disclosures | 41 |
| Legal change | Legislative changes | 36 |
| Legislation | Legislation administered | 35 |
| Letter of submission | | 3 |
| Liability management performance | | Not Applicable |

Compliance checklist

| Compliance requirement | Section in the annual report | Page |
|---|--|------|
| Management and activities | Highlights and achievements | 12 |
| | Governance | 26 |
| Management and structure | What we do | 9 |
| | Principal officers | 11 |
| Multicultural Policies and Services Program | Exemptions from the reporting provisions | 42 |
| Organisational structure | Organisational structure | 10 |
| Production costs of Annual Report | | 2 |
| Promotion | Other disclosures | 41 |
| Protecting privacy and personal information | Accessing LSC information | 28 |
| Public interest disclosures | Public interest disclosures | 37 |
| Research and development | Other disclosures | 41 |
| Risk management and insurance activities | Audit and risk management and insurance activities | 27 |
| Senior Executive grades and remuneration | Employment and senior executive statistics | 32 |
| Senior Executives | Principal officers | 11 |
| Summary review of operations | Operations review | 17 |
| Website address | | 2 |
| Workforce diversity | Exemptions from the reporting provisions | 42 |
| Work Health and Safety (WHS) | Exemptions from the reporting provisions | 42 |

