WESTERN AUSTRALIA
CONSTRUCTION INDUSTRY
LONG SERVICE LEAVE
PAYMENTS BOARD

ANNUAL
REPORT
2009

Directory

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

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ACTUARIES:	Price Waterhouse Coopers
AUDITORS:	Auditor-General's Office
BUSINESS HOURS:	8.30 am to 5.00 pm Monday to Friday
PUBLICATIONS:	Pamphlets and other material explaining the Scheme are available from the Board's Office and the Board's web site.

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Honourable Troy Buswell MLA
Treasurer; Minister for Commerce;
Science and Innovation; Housing and Works
21st Floor Governor Stirling Tower
197 St George's Terrace
PERTH WA 6000

Minister

In accordance with Section 63 of the Financial Management Act 2006, we hereby submit for your information and presentation to Parliament the Annual Report of the Construction Industry Long Service Leave Payments Board for the financial year ending 30 June 2009.

The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006.

T. Lang
Chairman

G. Thomson
Member

OVERVIEW

Executive Summary

In the year ending 30 June 2009 the Board had a significant level of activity and this has resulted in record numbers of registered employers and employees. The number of employees has increased 5% to 62,260 and number of employers has increased 3% to 5194. During the year contributions were received on average for 56,562 employees every three month reporting period. This represents approximately 90% of the number of employees registered with the Board and confirms the high level of activity in the construction industry in WA.

Employee wage growth was +8.4% which was in excess of the assumed long term rate of 5.5%. This above average rate of wage growth has a significant adverse impact on the Board's actuarial liability for employee long service leave entitlements.

Our outlook for 2010 and beyond is for more subdued activity in the construction industry and as such the record levels have most likely peaked and may reduce in the financial year to 30 June 2010.

The number of long service leave claims processed during the year was 2,080 and this is virtually line ball with the number processed last year.

The continuing global financial crisis has meant that the Board has had to proactively manage the investment portfolio to minimise losses. The Board made a decision to take a defensive strategy and reduce the investment of surplus bank deposits into growth assets. Those deposits have been held for reinvestment into growth assets once stability returns to the financial market. During the year the Board worked with our investment adviser on the effective management of this defensive strategy. The outcome of the strategy was to reduce the loss which would have otherwise been achieved if the Board had continued to adhere to its prevailing Investment Policy Statement and asset allocation benchmark percentages.

Overall investment return for the year was –5.8%. Whilst the loss is unsatisfactory the result is significantly better than the benchmark return of –13.1% which was achieved by comparable investment growth funds. In considering the investment return it is also relevant to note that the financial environment in which the Board has been managing its investment portfolio has been exceedingly difficult – during the year the All Ordinaries Index fell 26% which is the biggest fall since 1982 and the fifth biggest fall recorded.

During the year the Board formally approved a revised investment strategy which will result in the progressive reinvestment of existing bank deposits into growth assets but with a smaller number of investment fund managers. In turn this will reduce portfolio administration and expense and will enable greater flexibility and timeliness of funds management / asset reallocation. The Board considers it important to implement the revised investment strategy in light of early signs that the market may be commencing a recovery phase. In addition the current defensive strategy would mean limited returns on bank deposit funds because of record low official interest rates.

Effective from 1 January 2009 the Contribution levy increased to 2.25% (from 1.25%). Whilst the Board was aware of the adverse impact on our employer stakeholders the increase was necessary to ensure an effective strategy was in place to progressively eliminate the Balance Sheet deficit which was -$28.3million at the commencement of the financial year.

As a result of the –5.8% investment return and the updated actuarial calculation of long service leave liability the Balance Sheet deficit as at 30 June 2009 was -$41.2million. Notwithstanding this deficit the Board has significant liquid bank deposits to meet claims for long service leave payments as they are requested (in line with previous years actual results). Secondly, the Board has a sound strategy in place to eliminate the deficit in the short to medium term subject to stability in financial markets being maintained.

Whilst the year presented significant challenges, the Board generated an investment return better than market benchmark, delivered its services in a cost effective manner and commenced the implementation of an investment strategy for the long term benefit of all Scheme stakeholders.

Operational Structure

Enabling Legislation

The Construction Industry Long Service Leave Scheme (the Scheme) was established by 'The Construction Industry Portable Paid Long Service Leave Act, 1985' (the Act) which was assented to on 13 December 1985.

The Act and the Regulations prescribing the Awards to be included in the Scheme were proclaimed on 19 December 1986. The Scheme commenced by Ministerial Order on the appointed day of 6 January 1987.

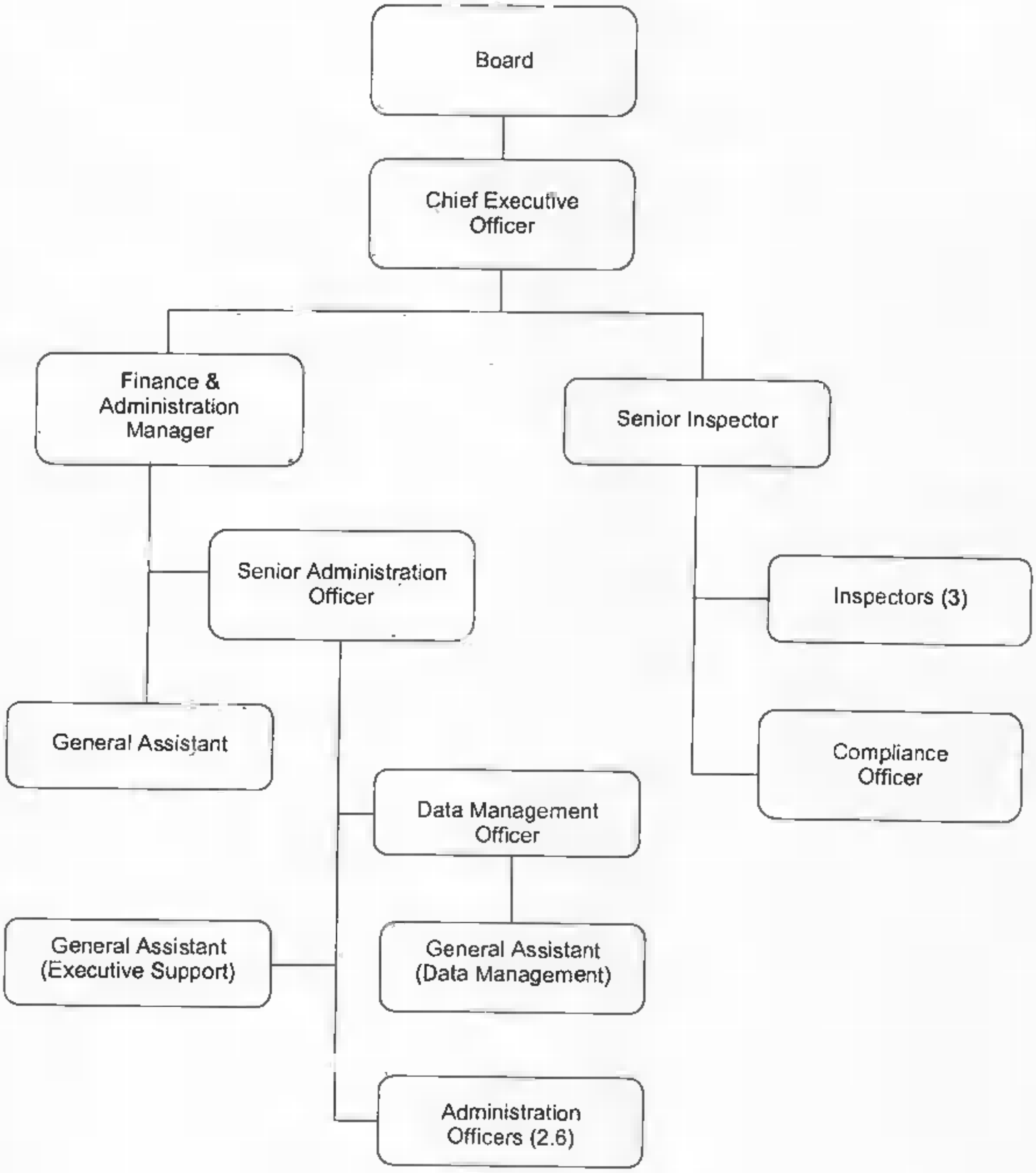
Responsible Minister

The Hon Troy Buswell MLA, Treasurer; Minister for Commerce; Science and Innovation; Housing and Works.

Mission

To provide a financially sustainable portable Long Service Leave Scheme for eligible Western Australian construction industry employees.

Organisational Chart



The Board

Formal title: Construction Industry Long Service Leave Payments Board (the Board)

Appointment:

The Act provides for the Scheme to be administered by the Board which is a body corporate comprising of seven members. The members of the Board are appointed by the responsible Minister for a period of 2 years. Current Board member appointments end on 24 September 2009.

In accordance with the provisions of the Act, three members representing employers are selected by the responsible Minister from nominations by the Master Builders Association of W.A. and the Chamber of Commerce and Industry of W.A. To represent employees three members are selected from nominations by Unions W.A. and the Building Trades Association of Unions of W.A.

The Chairman is a separate appointment by the Minister.

Board Members

CHAIRMAN

Mr T. A. Lang FCA.

MEMBERS

Nominated under section 6(b) of the Act to represent employers:-

Mr M. McLean
Mr R. Sputore
Mr G. Thomson

Nominated under section 6(c) of the Act to represent employees:-

Mr J. Ferguson (to 8 May 2009)
Mr S McCartney (appointed 25 May 2009)
Mr L. McLaughlan
Mr K. Reynolds

SENIOR OFFICERS

Mr F. J. Youens CPA, F Fin, MAICD (appointed 4 August 2008)
Chief Executive Officer

Mr L.R. Symonds CPA.
Finance & Administration Manager

Board Meetings Attendance

	NUMBER OF MEETINGS ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr T Lang (Chairman)	6	6
Mr J Ferguson	6	2
Mr S McCartney	-	-
Mr L McLaughlan	6	4
Mr M McLean	6	5
Mr K Reynolds	6	4
Mr R Sputore	6	4
Mr G Thomson	6	6

Key Legislation Impacting on Activities

Financial Management Act 2006

Freedom of Information Act

Public Sector Management Act 1994

State Records Act 2000

Trustees Act 1962

In the financial administration of the Scheme the Board has complied with the requirements of the Financial Management Act and other relevant written law and exercised controls which provide reasonable assurance that the receipt and expenditure of monies and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.
At the date of signing the Board is not aware of any circumstances which would render the particulars included in this statement misleading or inaccurate.

Performance Management Framework

Outcome Based Management Framework

A financially sustainable portable Long Service Leave Scheme for eligible Western Australian construction industry employees.

Changes to the Outcome Based Management Framework

The Board's Outcome Based Management Framework did not change during 2008/2009.

Shared Responsibilities with Other Agencies

The Board does not share responsibilities with any other agencies.

Report on Operations

Financial Targets: Actual performance compared to the Board's Budget Estimates.

	2008-09 Estimate (1) $000	2008-09 Actual $000	2008-09 Variation $000
Contribution From Employers	$23,543	$37,720	$14,177 (a)
Investment Income	$4,838	($6,320)	($11,158) (b)
Total Equity	($14,199)	($41,228)	($27,029) (c)

(1) As per the Board's Budget estimates.

(a) The number of employees in the construction industry contributed for and the average rate of pay were higher than estimated. In addition the contribution levy increased from 1.25% to 2.25% from 1 January 2009.

(b) The investment return was (5.8)% compared to the estimate of 4%.

(c) The Scheme liability was higher than that forecast by the Board's actuaries resulting in reduced equity.

Key Performance Indicators: Actual performance compared to the Board's Budget Forecasts.

	2008-09 Estimate (1)	2008-09 Actual	2008-09 Variation
Outcome: A financially sustainable portable Long Service Leave Scheme for eligible Western Australian construction industry employees.			
Key Effectiveness Indicators:			
(i) construction industry employers who have registered with the Board.	4,745	5,124	379
(ii) eligible and registered construction industry employees for whom contributions have been made.	48,824	56,562	7,738
(iii) qualifying service profile of construction industry employees for whom contributions have been made:-			
- Total number of employees qualified for a long service leave benefit	9,713	9,341	(372)
(iv) construction industry employees who have received a long service leave payment.	2,401	2,080	(30)
(v) construction industry employers long service leave contribution rate.	1.25%	1.75%	0.5%
(vi) annual return derived from the Board's investments.	4%	(5.8)%	(9.8)%
Service: Management of the Construction Industry Long Service Leave Scheme.			
Key Efficiency Indicators:-			
(i) average administrative cost per registered construction industry employee.	$42.83 p.a	$44.73 p.a	$1.90 p.a
(ii) full time equivalent staff employed per thousand of registered Western Australian construction industry employees.	0.24	0.24	-

(1) As per the Board's Budget, internal modelling and actuarial forecasts.

The Key Effectiveness Indicators show that the Board has exceeded its estimates for the numbers of employers registered and the number of employees registered and receiving qualifying service. However the difficult year for investments resulted in the Board not meeting its estimated return on investments

The Key Efficiency Indicators show that the Board has met its estimates for the financial year.

Significant Issues and trends

Current and emerging issues and trends.

As detailed under heading "Executive Summary" the Board currently has a record number of both registered employers and employees as a result of the growth and level of activity in the construction industry in WA. The strong demand for labour has been reflected in employee wage rates above the long term average and in turn this materially increases the Board's actuarial liability due to employees. The Board's actuarial liability to employees at 30 June 2009 is at a record level of $160.7million and this is an increase of +$21.6 million since 30 June 2008. Furthermore our forecast shows this liability to be in excess of $200 million by 30 June 2013.

Investment fund levels are currently at close to record levels however negative returns have now been generated in the past two consecutive years. Furthermore the short to medium term outlook is for modest investment returns and there remains an air of uncertainty that financial markets have commenced a period of sustained growth. In line with this market sentiment the Board has taken a conservative view on short / medium term forecast investment returns.

The Board is committed to a revised investment strategy to take advantage of a recovery in financial markets. In addition to this the Board will continue to work closely with our investment adviser to ensure the investment strategy is monitored to enable timely reinvestment into growth funds in the event of a sustained market upturn.

In conjunction with the above key aspects of the actuarial liability for employee payments and total investment funds the Board has a Balance Sheet deficit of -$41.2million. The deficit will be initially ameliorated by revenue from employers (Contribution levy) and our forecasts show a sustained / realistic level of construction industry activity in the short / medium term. On this basis our forecasts show that the current Contribution levy of 2.25% is adequate for the period of our forecasts.

The Board is cautiously optimistic that our key assumptions of stability in wage rate growth, stability of financial markets and continuance of a sustained / realistic level of construction activity will result in our Balance Sheet deficit being eliminated in the short / medium term. In turn this will place the Board on a very sound financial basis for the longer term.

Changes in Written Law

There were no changes in any written law that affected the Board during the financial year.

Likely Developments

Changes to the legislation have been sought which the Minister has advised are being progressed. The changes sought while important in improving the operation of the Scheme will not impact significantly on the operations of the Board

DISCLOSURES AND LEGAL COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2009

FINANCIAL STATEMENTS

CERTIFICATION STATEMENT:

The accompanying financial statements of the Construction Industry Long Service Leave Payments Board have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2009 and the financial position as at 30 June 2009.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.

Signed this 25th day of August, 2009

T. Lang
Chairman

G Thomson
Member

R Symonds
Chief Finance Officer

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EXAMINED WHK HORWATH

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $000	2008 $000
INCOME			
Revenue			
Contribution from employers		37,720	24,453
Employer surcharges		30	24
Net investment revenue	6	4,551	8,443
Interest revenue	7	809	414
Property revenue		40	22
Other revenue		-	2
Gains			
Gains on disposal of investments	9	-	392
Total Income		43,150	33,750
EXPENSES			
Expenses			
Long service leave payments		14,399	15,075
Impairment losses of investments		10,871	19,552
Employee benefits expense	10	1,208	1,174
Supplies and services	11	890	1,011
Depreciation and amortisation expense	12	60	78
Finance costs	13	99	47
Accommodation expenses	14	310	172
Property expenses		5	1
Accrued long service leave liability	8	26,170	18,725
Losses on disposal of investments	9	1,880	-
Other expenses	15	218	118
Total expenses		56,110	55,953
Loss for the period		(12,960)	(22,203)

The Income Statement should be read in conjunction with the accompanying notes.

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CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $000	2008 $000
ASSETS			
Current Assets			
Cash and cash equivalents	25	32,602	8,290
Receivables	16	140	122
Other current assets	18	11,158	5,911
Available-for-sale financial assets	17	82,184	98,396
Total Current Assets		126,084	112,719
Non-Current Assets			
Property, plant and equipment	19	79	127
Intangible assets	20	8	20
Total Non-Current Assets		87	147
Total Assets		126,171	112,866
LIABILITIES			
Current Liabilities			
Accrued long service leave benefits liability	8	106,149	96,857
Payables	22	392	288
Provisions	23	153	179
Total Current Liabilities		106,694	97,324
Non-Current Liabilities			
Accrued long service leave benefits liability	8	60,665	43,787
Provisions	23	40	23
Total Non-Current Liabilities		60,705	43,810
Total Liabilities		167,399	141,134
NET ASSETS		(41,228)	(28,268)
EQUITY			
Fair value reserve	24	-	-
Accumulated losses	24	(41,228)	(28,268)
TOTAL EQUITY		(41,228)	(28,268)

The Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $000	2008 $000
Balance of equity at start of period		(28,268)	(226)
RESERVES	24		
Fair Value Reserve			
Balance at start of period		-	5,839
Losses from fair value movement		-	(5,839)
Balance at end of period		-	-
ACCUMULATED LOSSES	24		
Balance at start of period		(28,268)	(6,065)
Loss for the period		(12,960)	(22,203)
Balance at end of period		(41,228)	(28,268)
Balance of equity at end of period		(41,228)	(28,268)
Total income and expense for the period[(a)]		(12,960)	(28,042)

(a) The aggregate net amount attributable to each category of equity is: deficit $12,960,457 (2008: $22,203,676) and losses from fair value movement $nil (2008: $5,839,452).

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $000	2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from employers		32,461	23,259
Interest received		809	414
GST receipts from taxation authority		6	2
Other receipts		40	24
Payments			
Employee benefits		(1,216)	(1,254)
Supplies and services		(768)	(941)
Finance costs		(99)	(47)
Accommodation		(310)	(173)
GST payments to taxation authority		-	-
Payments for long service leave		(14,400)	(15,075)
Other payments		(223)	(120)
Net cash (used in)/provided by operating activities	25	16,300	6,089
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		-	(12)
Purchase of non-current intangible assets		-	(9)
Proceeds from sale of investments		8,012	10,551
Purchase of investments		-	(10,605)
Net cash provided by/(used in) investing activities		8,012	(75)
Net (decrease)/increase in cash and cash equivalents		24,312	6,014
Cash and cash equivalents at the beginning of period		8,290	2,276
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	25	32,602	8,290

The Cash Flow Statement should be read in conjunction with the accompanying notes.

1. Australian equivalents to International Financial Reporting Standards

General

The Construction Industry Long Service Leave Payments Board's ("the Board") financial statements for the year ended 30 June 2009 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Board has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early adoption of standards

The Board cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Board for the annual reporting period ended 30 June 2009.

2. Summary of significant accounting policies

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions ("TI"). Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except that the following assets are stated at their fair value: financial instruments classified as available-for-sale.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000).

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included at Note 4 'Key sources of estimation uncertainty'.

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(b) Basis of Preparation (continued)

At 30 June 2009 the Board has an excess of liabilities over assets of $41.2 million. This was a direct result of an increase of $26.2 million in actuarial valuation of Accrued Long Service Leave Benefits at year end and a loss of 5.8% on the Available-for-Sale Financial Assets (Investments) for the year.

While there are sufficient funds to meet the Current Liabilities, the Board is very concerned with its financial position and is taking action to return the Scheme to a fully funded position approximately within the next 3 years.

This can be achieved by changing the compulsory contribution levy and changing the structure and objectives of the investments. The contribution levy was increased from 1.25% to 2.25% effective from 1 January 2009 following the Minister's approval in October 2008. We have commenced discussions with our Investment advisers and the Actuary with the goal of achieving a fully-funded position.

(c) Reporting Entity

The reporting entity comprises the Construction Industry Long Service Leave Payments Board.

(d) Income

Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Contribution from employers

Contributions from employers are due at the end of each 3 month period. Consequently contributions due in respect of the quarterly period to 30 June 2009 have been accrued.

Investment revenue

Investment revenue comprises distributions received from managed funds investments and is recognised when the Board becomes entitled to receive the distributions.

Interest

Revenue is recognised as the interest accrues.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and gains on redemptions of investments in managed funds.

(e) Income Tax

The Board does not operate within the national tax equivalent regime ("NTER") whereby an equivalent amount in respect of income tax is payable to the WA Treasury. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

As a consequence of non-participation in the NTER, the Board is not required to comply with AASB 112 "Income Taxes".

(f) Finance costs

Finance costs are comprised of bank charges on the bank accounts held by the Board.

(g) Property, Plant and Equipment

Capitalisation/Expensing of assets

Items of property, plant and equipment costing $5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than $5,000 are expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total). In previous years this limit was $1,000. The current $5,000 limit was effective from 1 July 2008.

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

Subsequent measurement

After recognition as an asset, the Board uses the cost model for the measurement of property, plant and equipment. All items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation on assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Leasehold improvements	5 years
Furniture and fittings	10 years
Office equipment	3 to 5 years
Motor vehicles	6 to 7 years

(h) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing $5,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than $5,000 are immediately expensed directly to the Income Statement. This limit was effective from 1 July 2008. Prior to this the limit was $1,000.

All acquired and internally developed intangible assets are initially measured at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Board have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Licences	3 to 5 years

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(h) Intangible Assets (continued)

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Computer software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset.

(i) Impairment of Assets

Financial assets

A financial asset is assessed at reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence exists that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Board is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

(i) Impairment of Assets (continued)

Non-financial assets (continued)

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each balance sheet date.

(j) Leases

The Board has entered into a number of operating lease arrangements for the rent of the office building and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Lease payments are expensed on a straight line basis over the lease terms as this is representative of the pattern of benefits to be derived from the leased property and motor vehicles.

(k) Financial Instruments

In addition to cash, the Board has four categories of financial instrument:

- Loans and receivables;
- Term Deposits;
- Financial liabilities measured at amortised cost; and
- Available-for-sale financial assets (includes units in quoted managed investment funds).

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Receivables
- Amounts receivable for services
- Units in quoted managed investment funds
- Term deposits

Financial Liabilities

- Payables

Initial recognition and measurement is at fair value. The transaction cost or face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material. Fair value of the available-for-sale financial assets are based on current bid prices.

(l) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These include cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

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(m) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Board will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(n) Investments and Other Financial Assets

The Board classifies its investments into the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each balance sheet date. Investments not at fair value are initially recognised at cost being the fair value of consideration given, including directly attributable transaction costs.

(i) Loans and receivables

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable units in managed investment funds, are non-derivatives that are either designated in this category or not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on available-for-sale financial assets are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Fair value of quoted investments are based on current bid prices.

Purchases and sales of investments are recognised on trade-date – the date on which the Board commits to purchase or sell the asset. Investments are initially recognised at fair value being the fair value, including transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Board has transferred substantially all the risks and rewards of ownership.

The Board assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(o) Payables

Payables are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

(p) Provisions

Provisions are liabilities of uncertain timing and amount. The Board only recognises a provision where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date.

Other Provisions

Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the Board's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.

(q) Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by eligible employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave (liability to workers who are entitled to claim their long service leave benefits within 12 months of balance sheet date) provisions are classified as current liabilities as the Board does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. Employees commencing employment prior to 16 April 2007 who are not members of either the Pension Scheme or the GSS Schemes become non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Board makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

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(q) Employee Benefits (continued)

Superannuation (continued)

Prior to July 1991 the Board had a private superannuation scheme for employees. This has since been wound up with all assets and members entitlements transferred to Asgard. The Board contributes to Asgard for those members still employed by the Board and the contributions made to this scheme extinguish any future liability for the Board. Employees who commenced working with the Board after July 1991 are only able to join the West State Superannuation Scheme (WSS) and when joining the Board after 16 April 2007 employees must join the GESB Super Scheme (GESBS). Both Schemes are operated by GESB.

The GSS Scheme, the WSS Scheme and the GESBS Scheme, where the current service superannuation charge is paid by the Board to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS Scheme, the WSS Scheme and the GESBS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

(r) Superannuation expense

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

(s) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Board considers the carrying amount of accrued salaries to be equivalent to the net fair value.

(t) Comparative Figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

3. Judgements made by management in applying accounting policies

There have been no judgements made by management in applying accounting policies that have significant effect.

4. Key sources of estimation uncertainty

The are no key estimates and assumptions made concerning the future that will or may have a significant effect on the amounts recognised in the financial statements.

5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard
There were no new or revised Standards or Interpretations effective after 1 July 2008 that impacted on the Board.

Voluntary changes in Accounting Policy
There have been no significant voluntary changes in accounting policy.

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5. Disclosure of changes in accounting policy and estimates (continued)

Future impact of Australian Accounting Standards not yet operative
The Board cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Board has not applied early the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the Board but are not yet effective. Where applicable the Board plans to apply these Standards and Interpretations from their application date:

Title	Operative for reporting periods beginning on/after
AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Board does not expect any financial impact when the Standard is first applied.	1 January 2009
AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 10]. This Standard amends AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. The Board does not expect any financial impact when the Standard is first applied prospectively.	1 July 2009

	2009 $000	2008 $000

6. Net investment revenue

Distributions from managed funds	4,551	8,443
	4,551	8,443

7. Interest revenue

Bank account and term deposit interest	809	414
	809	414

8. Accrued long service leave benefits liability

The Scheme's long service leave liability at 30 June 2009 has been calculated by the actuaries as $166.814 million (as per AASB 119)		
Opening balance	140,644	121,919
Increase in provision	26,170	18,725
Closing balance	166,814	140,644

The liability is allocated as follows:

Current		
Accrued long service leave benefits liability	106,149	96,857
Non-current		
Accrued long service leave benefits liability	60,665	43,787
Total	166,814	140,644

The 2 key assumptions applied by the actuaries in calculating the liability are:

(a) The rate of members' future pay increases is estimated at 5% (2008:5.5%) per annum;

(b) The discount rate is 4.6% (2008: 6.7%) as quoted by the government bond rate for a 2.6 (2008: 3) year term.

9. (Losses)/gains on disposal of investments

Costs of disposal of investments	9,892	10,159
Proceeds from disposal of investments	8,012	10,551
Net gain	(1,880)	392

10. Employee benefits expense

Wages and salaries[a]	682	694
Superannuation – defined contribution plans	380	351
Long service leave[b]	54	112
Annual Leave[b]	92	17
	1,208	1,174

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

(b) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 15 'Other Expenses'. The employment on-costs liability is included at note 23 'Provisions'.

11. Supplies and Services

Communications	154	158
Consultants and contractors	513	538
Consumables	74	116
Travel	42	39
Other	107	160
	890	1,011

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	2009 $000	2008 $000

12. Depreciation and amortisation expense

	2009 $000	2008 $000
Depreciation		
Plant, equipment and vehicles	33	50
Leased plant, equipment and vehicles	15	15
Total depreciation	48	65
Amortisation		
Intangible assets	12	13
Total amortisation	12	13
Total depreciation and amortisation	60	78

13. Finance costs

	2009 $000	2008 $000
Bank fees	99	47
	99	47

14. Accommodation expenses

	2009 $000	2008 $000
Lease rentals	299	158
Repairs and maintenance	1	2
Light and power	10	12
	310	172

15. Other expenses

	2009 $000	2008 $000
Board members fees	75	66
Employment on-costs[(a)]	36	33
Annual leave provision	47	17
Long service leave provision	(52)	(91)
Doubtful debts expense	29	-
Bad debts expense	16	17
Insurances	40	45
Motor vehicle expenses	27	31
	218	118

(a) Includes workers' compensation insurance, payroll tax and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 23 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

16. Receivables

	2009 $000	2008 $000
Current		
Employer debtors	111	79
Allowance for impairment of employer debtors	(47)	(18)
	64	61
Other debtors	46	25
GST receivable	30	36
	140	122
Reconciliation of changes in the allowance for impairment of employer debtors:		
Balance at start of year	18	18
Doubtful debts expense recognised in the income statement	29	-
Amounts written off during the year	-	-
Balance at end of year	47	18

$15,835 of bad debts, where an allowance for impairment was not previously raised, were written off during the year directly against employer debtors (2008: $16,982).

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	2009 $000	2008 $000

16. Receivables (continued)

During the year ended 30 June 2009 the Board renegotiated the terms of two employer debtors who had a combined amount owing of $2,096.

Other than specific debtor write off provisions, and using debtor payment history, the Board believes that no other impairment allowance is necessary for trade receivables not past due or past due by up to 60 days.

	2009 $000	2008 $000
Credit Risk		
Ageing of receivables past due but not impaired, based on the information provided to senior management, at the balance sheet date:		
Not more than 3 months	44	20
More than 3 months but less than 6 months	13	1
More than 6 months but less than 1 year	9	-
More than 1 year	11	-
	77	21
Receivables individually determined as impaired at the balance sheet date:		
Carrying amount, before deducting any impairment loss	47	16
Impairment loss	(47)	(16)
	-	-

The above receivables are considered to be impaired as they relate to debtors that have either gone into liquidation or have not been able to be contacted.

The Board does not hold any collateral as security or other credit enhancements relating to Receivables.

See also note 2(m) 'Receivables' and note 30 'Financial Instruments'.

17. Available-for-sale financial assets

	2009 $000	2008 $000
At valuation:		
- Credit Suisse Cash Fund	6,617	6,278
- Credit Suisse International Fund	-	9,602
- Credit Suisse Fixed Interest	26,777	24,212
- Maple Brown Abbott	9,273	10,623
- Macquarie Property Securities	5,114	8,388
- Macquarie True Index Global	6,739	6,109
- Bernstein Global Value Trust	3,034	4,341
- Morgan Stanley Global Fund	4,837	4,718
- Schroder Australian Equity Trust	9,145	10,319
- Ausbill Australian Active Equity Fund	8,830	10,807
- AMP Property Trust	1,818	2,999
	82,184	98,396

18. Other assets

	2009 $000	2008 $000
Current		
Accrued contributions	11,120	5,855
Prepayments	38	56
	11,158	5,911

	2009 $000	2008 $000

19. Property, plant and equipment

	2009 $000	2008 $000
Furniture and fittings		
At cost	30	31
Accumulated depreciation	(8)	(6)
	22	25
Leasehold improvements		
At cost	73	73
Accumulated depreciation	(43)	(28)
	30	45
Office equipment		
At cost	106	151
Accumulated depreciation	(92)	(113)
	14	38
Motor vehicles		
At cost	56	56
Accumulated depreciation	(43)	(37)
	13	19
	79	127

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the reporting period are set out below.

	Furniture and fittings $000	Leasehold improvements $000	Office equipment $000	Motor vehicles $000	Total $000
2009					
Carrying amount at start of year	25	45	38	19	127
Additions	-	-	-	-	-
Depreciation	(3)	(15)	(24)	(6)	(48)
Carrying amount at end of year	22	30	14	13	79

	Furniture and fittings $000	Leasehold improvements $000	Office equipment $000	Motor vehicles $000	Total $000
2008					
Carrying amount at start of year	26	60	66	28	180
Additions	2	-	10	-	12
Depreciation	(3)	(15)	(38)	(9)	(65)
Carrying amount at end of year	25	45	38	19	127

	2009 $000	2008 $000

20. Intangible assets

	2009 $000	2008 $000
Licences		
At cost	45	45
Accumulated amortisation	(37)	(25)
	8	20
Reconciliation		
Licences		
Carrying amount at start of year	20	24
Additions	-	9
Amortisation expense	(12)	(13)
Carrying amount at end of year	8	20

21. Impairment of assets

There were no indications of impairment to Property; plant and equipment and intangible assets at 30 June 2009.

The Board held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

There were no surplus assets held at 30 June 2009.

22. Payables

	2009 $000	2008 $000
Current		
Trade payables	268	189
Accrued expenses & salaries	124	99
	392	288

23. Provisions

	2009 $000	2008 $000
Current		
Employee benefits provision		
Annual leave[(a)]	87	41
Long service leave[(b)]	58	121
	145	162
Other provisions		
Employment on-costs[(c)]	8	17
	153	179
Non-current		
Employee benefits provision		
Long service leave[(b)]	35	20
	35	20
Other provisions		
Employment on-costs[(c)]	5	3
	40	23

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2009 $000	2008 $000
Within 12 months of reporting date	59	41
More than 12 months after reporting date	28	-
	87	41

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	2009 $000	2008 $000

23. Provisions (continued)

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2009 $000	2008 $000
Within 12 months of reporting date	32	95
More than 12 months after reporting date	61	46
	93	141

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included at note 15 'Other expenses'.

Movement in Other Provisions

Movement in the Employment on-costs provision during the financial year is set our below.

	2009 $000	2008 $000
Carrying amount at start of the year	20	13
Additional provision recognised	-	7
Payments/other sacrifices of economic benefits	7	-
Carrying amount at end of year	13	20

24. Equity

Reserves
Fair value reserve:

	2009 $000	2008 $000
Balance at start of year	-	5,839
Fair value increments/(decrements):		
Investments	-	(5,839)
Balance at end of year	-	-

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

Accumulated Losses

	2009 $000	2008 $000
Balance at start of year	(28,268)	(6,065)
Result for the period	(12,960)	(22,203)
Balance at end of year	(41,228)	(28,268)

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	2009 $000	2008 $000

25. Notes to the Cash Flow Statement

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2009 $000	2008 $000
Cash and cash equivalents	32,602	8,290
	32,602	8,290

Reconciliation of loss to net cash flows (used in)/provided by operating activities

	2009 $000	2008 $000
Loss	(12,960)	(22,203)
Non-cash items:		
Depreciation and amortisation expense	60	77
Investment income reinvested	(4,551)	(8,443)
Doubtful debts expense	29	-
Net (gain)/loss on sale of investments	1,880	(392)
Change in net market value of investments	10,871	19,552
(Increase)/decrease in assets:		
Current receivables	(48)	(64)
Other current assets	(5,265)	(1,180)
Increase/(decrease) in liabilities:		
Current payables	80	71
Current provisions	(26)	(59)
Other current liabilities	42	25
Non-current provisions	18	(20)
Accrued LSL benefits liability	26,170	18,725
Net cash provided by/(used in) operating activities	16,300	6,089

26. Commitments

Lease commitments

	2009 $000	2008 $000
Commitments in relation to leases contracted for at the reporting date but not recognised in the financial statements as liabilities are payable as follows:		
Within 1 year	288	289
Later than 1 year and not later than 5 years	277	565
	565	854
Representing:		
Non-cancellable operating leases	565	854
	565	854

Non-cancellable operating lease commitments

	2009 $000	2008 $000
Commitments for minimum lease payments are payable as follows:		
Motor vehicles		
Within 1 year	12	13
Later than 1 year and not later than 5 years	5	17
	17	30
Property lease		
Within 1 year	276	276
Later than 1 year and not later than 5 years	272	548
	548	824

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	2009 $000	2008 $000

26. Commitments (continued)

The property lease is a non-cancellable lease with a five-year term, with rent payable in advance. Contingent rent provisions within the lease agreement require that the rent is reviewed on the first and third anniversaries to market rental. The lease agreement provides for the rent to be reviewed to market rent on the commencement of the option period and on the second and fourth anniversaries

	2009 $000	2008 $000
Other expenditure commitments contracted for at the reporting date but not recognised as liabilities, are payable as follows:		
Advertising		
Within 1 year	1	10
Printing & stationery		
Within 1 year	1	1
Subscriptions		
Within 1 year	-	3
Miscellaneous equipment		
Within 1 year	-	1
Consultancy reviews,		
Within 1 year	-	-
	2	15

27. Contingent liabilities and contingent assets

There were no significant contingent liabilities or contingent assets existing at reporting date.

28. Events occurring after the balance sheet date

There were no significant events occurring after the balance sheet date that require disclosure.

29. Explanatory statement

This statement provides details of any significant variations between estimates and actual results for 2009 and between the actual results for 2008 and 2009. Significant variations are considered to be those greater than 10% or $100,000.

Significant variances between estimate and actual results for the financial year

	2009 Estimate $000	2009 Actual $000	Variation $000
INCOME			
Contribution from employers	23,543	37,720	(14,177)[a]
Investment revenue	4,838	4,551	287[b]
EXPENSES			
Long service leave payments	17,638	14,399	3,239[c]
Change in net market value of investments	-	10,871	(10,871)[d]
OTHER			
Increase in long service leave liability	6,800	26,170	(19,370)[e]

(a) The contribution levy was increased from 1.25% to 2.25% from 1 January 2009 and was not included in the Estimate projections.

(b) The investment revenue received was reduced due to the poor financial markets.

(c) The number of claims for long service leave and the average payout were less than anticipated.

(d) No separate Estimate projection was made for change in net market value of investments. This was included in the Estimate of Investment revenue of $4.838 million.

(e) The Increase in the long service leave liability provided by the Board's actuary was greater than estimated.

	2009 $000	2008 $000

29. Explanatory statement (continued)

Significant variances between actual and prior year actual – revenues and expenditures

	2009 $000	2008 $000	Variance $000
INCOME			
Contribution from employers	37,720	24,453	13,267[a]
Net Investment revenue	4,551	8,443	(3,892)[b]
Interest revenue	809	414	395[c]
Gains on disposal of investments	-	392	(392)[d]
EXPENSES			
Long service leave payments	14,399	15,075	(676)[e]
Change in net market value of investments	10,871	19,552	(8,681)[f]
Increase in long service leave liability	26,170	18,725	7,445[g]
Losses on disposal of investments	1,880	-	1,880[d]

(a) The contribution levy was increased from 1.25% to 2.25% from 1 January 2009.

(b) Distributions received from managed funds were reduced as a result of the depressed economic and financial markets.

(c) Additional funds were invested in short term bank deposits due to the uncertainty of the financial markets.

(d) The Board is rationalizing its investments and withdrew from an International equity managed fund.

(e) There were less claims for long service leave payments than during the previous year.

(f) Financial markets were more stable than the previous year resulting in reduced write downs to market value.

(g) The actuarial liability increased due to higher than expected rates of pay, a substantial increase in the number of employees and a decrease in the discount rate.

30. Financial Instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Board are cash and cash equivalents, term deposits, available-for-sale financial assets, receivables and payables. The Board has limited exposure to financial risks. The Board's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Board's receivables defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 30(c).

The Board trades only with recognised, creditworthy third parties and invests with couterparties that have a high credit rating. Receivable balances are monitored on an ongoing basis with the result that the Board's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Board procedure is to contact debtors with debts outstanding at 30 days. If payment is not received within the following 7 days the debt is passed to a commercial collection agency for collection.

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 16 'Receivables'.

Liquidity risk

The Board is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Board is unable to meet its financial obligations as they fall due.

The Board's objective is to maintain a positive cash flow. The Board has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

The Board does not trade in foreign currency. Other than as detailed in the interest rate sensitivity analysis table at Note 30(c), the Board has limited exposure to interest rate risk because it is not permitted to have borrowings.

Equity price risk arises from available-for-sale equity securities held for meeting the Board's long service leave obligations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the fund manager.

The primary goal of the Board's investment strategy is to maximize investment returns in order to meet the Board's long service leave obligations.

(b) Categories of Financial Instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

	2009 $000	2008 $000
Financial Assets		
Cash and cash equivalents	32,602	8,290
Receivables	140	122
Other assets	38	56
Available-for-sale financial assets	82,184	98,396
Financial Liabilities		
Payables	392	288

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30. Financial Instruments (continued)

(c) Financial Instrument disclosures

Credit Risk, Liquidity Risk and Interest Rate Risk Exposure

The following table details the exposure to liquidity risk and interest rate risk as at the balance sheet date. The Board's maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial assets as shown on the following table. The table is based on information provided to senior management of the Board. The contractual maturity amounts in the table are representative of the undiscounted amounts at the balance sheet date. An adjustment for discounting has been made where material.

The Board does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

				Contractual Maturity Dates:							
	Weighted Average Effective Interest Rate %	Variable Interest Rate	Non-Interest Bearing	Within 1 year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More than 5 Years	Adjustment for discounting	Total
2009		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Financial assets											
Cash and cash equivalents	3.66	3,593	-	29,009	-	-	-	-	-	-	32,602
Receivables	-	-	140	-	-	-	-	-	-	-	140
Other assets	-	-	38	-	-	-	-	-	-	-	38
Available-for-sale financial assets	-	-	82,184	-	-	-	-	-	-	-	82,184
		3,593	82,362	29,009	-	-	-	-	-	-	114,964
Financial liabilities											
Payables	-	-	392	-	-	-	-	-	-	-	392
	-	-	392	-	-	-	-	-	-	-	392

				Contractual Maturity Dates:							
	Weighted Average Effective Interest Rate %	Variable Interest Rate	Non-Interest Bearing	Within 1 year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More than 5 Years	Adjustment for discounting	Total
2008		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Financial assets											
Cash and cash equivalents	7.15	4,516	-	3,774	-	-	-	-	-	-	8,290
Receivables	-	-	122	-	-	-	-	-	-	-	122
Other assets	-	-	56	-	-	-	-	-	-	-	56
Available-for-sale financial assets	-	-	98,396	-	-	-	-	-	-	-	98,396
		4,516	98,574	3,774	-	-	-	-	-	-	106,864
Financial liabilities											
Payables	-	-	288	-	-	-	-	-	-	-	288
		-	288	-	-	-	-	-	-	-	288

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilites.

30. Financial Instruments (continued)

(c) Financial Instrument disclosures (continued)

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Board's financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

		-1% change		+1% change	
	Carrying amount	Profit	Equity	Profit	Equity
2009	$000	$000	$000	$000	$000
Financial Assets					
Cash and cash equivalents	32,602	(326)	(326)	326	326
Total Increase/(Decrease)		(326)	(326)	326	326

		-1% change		+1% change	
	Carrying amount	Profit	Equity	Profit	Equity
2008	$000	$000	$000	$000	$000
Financial Assets					
Cash and cash equivalents	8,290	(83)	(83)	83	83
Total Increase/(Decrease)		(83)	(83)	83	83

30. Financial Instruments (continued)

(c) Financial Instrument disclosures (continued)

Fair Values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

Investments in equity securities
The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

31. Remuneration of members of the Accountable Board and senior officers

Remuneration on Members of the Accountable Board
The number of members of the Accountable Board, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are

$		
0 – 20,000	7	6
The total remuneration of members of the Accountable Board is:	82	72

The superannuation included here represents the superannuation expense incurred by the Board in respect of the members of the Accountable Board.

No members of the Accountable Board are members of the Pension Scheme.

Remuneration of Senior Officers
The number of senior officers, other than senior officers reported as members of the Accountable Board, whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

$		
100,001 – 130,000	1	-
130,001 – 140,000	-	1
140,001 – 170,000	1	1
The total remuneration of senior officers is:	281	276

The superannuation included here represents the superannuation expense incurred by the Board in respect of senior officers other than senior officers reported as members of the Accountable Board.

No senior officers are members of the Pension Scheme.

32. Remuneration of auditor

Remuneration payable to the Auditor General for the financial year is as follows:

Auditing the accounts, financial statements and performance indicators	23	22

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EXAMINED WHK HORWATH

STATEMENT:

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Construction Industry Long Service Leave Payments Board's performance and fairly represent the performance of the Construction Industry Long Service Leave Payments Board for the financial year ended 30 June 2009.

Signed this 25th day of August 2009

T Lang
Chairman of the Board

G Thomson
Member of the Board

DESIRED OUTCOME

A financially sustainable portable Long Service Leave Scheme for eligible Western Australian construction industry employees.

The Board has developed six Key Effectiveness Indicators which when interpreted together provide evidence of the level of achievement of the Desired Outcome.

As the Board is a self-funded Statutory Authority it is vital that all potential sources of its funding are identified and existing funding sources are secured and maximized. In accordance with our enabling legislation it is compulsory for all employers in the Construction industry to register and to pay contributions for all of their eligible employees. Increasing the number of registered employers and eligible employees for whom contributions have been paid will ensure this element of the Board's funding is maximized. Key Effectiveness Indicators (i) and (ii) below show that while the number of registered employers in the Scheme has increased by 4.7% in the past year, the increase of 8.4% in the number of employees being contributed for is less than the growth in the industry as reported by the Australian Bureau of Statistics.

The contribution levy which must be used by employers when assessing their quarterly payments to the Board has a direct influence on the Board's finances. In accordance with its legislation, the Board is required to have an annual Actuarial valuation which reviews the adequacy of the current levy and will make recommendations for changes from time to time. The levy was increased from 1.25% to 2.25% effective from 1 January 2009 resulting in an average levy for the year ended 30 June 2009 of 1.75% as shown in (iii) below.

A further influence on the Board's financial sustainability is the annual return received from its investments of surplus funds. Increased investment returns will usually generate surpluses which relieves the pressure on the contribution levy and vice versa. The target return of 4% for this year see item (iv) below was not achieved because the Board's investments are in managed funds and as a consequence are directly affected by adverse changes in the financial markets.

It is also necessary to focus on the beneficiaries of the Scheme, the eligible employees, to determine the extent they are receiving any benefit. This can be measured simply in terms of the number of employees who receive a long service leave payment during the year and by measuring the service being accumulated by employees each year which shows the overall progress achieved by them towards qualifying for a payment of their long service leave entitlement. Key Effectiveness Indicators (v) and (vi) below show that the number of employees claiming their long service leave entitlement was less than projected and is an indication of the high level of activity in the construction industry.

KEY EFFECTIVENESS INDICATORS

(i) CONSTRUCTION INDUSTRY EMPLOYERS WHO HAVE REGISTERED WITH THE BOARD.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2009 Target	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Registered Employers – Average for the year (Number)	4,745	5,124	4,891	4,673	4,401
Change in Number of Registered Employers. (%)		4.7%	4.7%	6.2%	8.6%
Growth in Firms in the Industry. (%) (IBISWORLD Pty Ltd)		*	3.5%	4.6%	9.1%

* 2008/2009 statistics were not available at the time of preparation of this report.

(ii) ELIGIBLE AND REGISTERED CONSTRUCTION INDUSTRY EMPLOYEES FOR WHOM CONTRIBUTIONS HAVE BEEN MADE.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2009 Target	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Employees contributed for - Average for the year. (number)	48,824	56,562	52,169	45,022	40,224
Change in number of Employees contributed for. (%)		8.4%	15.9%	11.9%	15.1%
Change in number of Employees in the industry.* (%)		17.1%	12.2%	16.8%	8.86%

* Based on construction industry employment statistics published by the Australian Bureau of Statistics.

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EXAMINED WHK HORWATH

(iii) **CONSTRUCTION INDUSTRY EMPLOYERS LONG SERVICE LEAVE CONTRIBUTION RATE.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2009 Target	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Contribution Rate (%)	1.75%	1.75%*	1.25%	1.25%	1.00%

* The contribution rate was increased from 1.25% to 2.25% with effect from 1 January 2009.

(iv) **ANNUAL RETURN DERIVED FROM THE BOARD'S INVESTMENTS.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2009 Target	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Board's Investment Return (%)	4%	(5.8%)	(12.8)%	15.1%	15.6%
Investment Return - (Average) Pooled Growth Funds (%)		(13.1%)	(13.2)%	16.4%	15.5%

(v) **CONSTRUCTION INDUSTRY EMPLOYEES WHO HAVE RECEIVED A LONG SERVICE LEAVE PAYMENT.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2009 Target	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Employees Registered in the Scheme (number)	54,590	62,260	59,547	53,012	53,120
Number of Employees paid a benefit (number) *	2,401	2,080	2,171	2,483*	1,059

* 2006/2007 statistics are not comparable to previous years as the minimum qualifying service period for long service leave was reduced from 10 years to 7 years in October 2006 resulting in a large increase in the number of employees lodging a claim due to their being newly qualified under the revised entitlement provisions.

(vi) **QUALIFYING SERVICE PROFILE OF CONSTRUCTION INDUSTRY EMPLOYEES FOR WHOM CONTRIBUTIONS HAVE BEEN MADE.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2009 Target	2009 Actual	2008 Actual	2007 Actual	2006 Actual
Employees Registered in the Scheme (number)	54,590	62,260	59,547	53,012	53,120
Employees with less than the required minimum of 7 years of qualifying service to obtain a benefit. (number)	44,877	52,919	50,371	43,853	N/A*
Employees qualified for a pro rata long service leave benefit - 7 to 10 years of service. (number)	7,046	3,876	3,831	3,916	N/A*
Employees qualified for a long service leave benefit - more than 10 years of service. (number)	2,667	5,465	5,345	5,243	5,352

* These figures prior to 2007 are not available as the minimum qualifying service period for a long service leave benefit prior to 2007 was 10 years of service. This changed in October 2006 when the minimum qualifying period of service was reduced from a minimum of 10 years to a minimum of 7 years of service.

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EXAMINED WHK HORWATH

SERVICE

Management of the construction industry long service leave scheme.

KEY EFFICIENCY INDICATORS

(i) **AVERAGE ADMINISTRATIVE COST PER REGISTERED CONSTRUCTION INDUSTRY EMPLOYEE.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2009	2008	2007	2006
W.A. Scheme Cost per Employee ($)	$44.73	$43.68	$44.14	$35.60
Other State Schemes (average) ($)	*	$54.45	$56.65	$60.34

* 2008/2009 figures not available at the time of preparation of the Report.

(ii) **FULL TIME EQUIVALENT STAFF EMPLOYED PER THOUSAND OF REGISTERED WESTERN AUSTRALIAN CONSTRUCTION INDUSTRY EMPLOYEES.**

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2009	2008	2007	2006
Staff per thousand employees (number)	0.24	0.25	0.27	0.21
Other State Schemes (average) (number)	*	0.38	0.42	0.48

* 2008/2009 figures not available at the time of preparation of the Report.

Ministerial Directives

No Ministerial directives were received during the financial year.

Other Financial Disclosures

Capital Works

No capital works were undertaken during 2008/2009.

Employment and Industrial Relations

Staff Profile

	2008/2009	2007/2008
Full time Permanent	14	14
Part Time Measured on a FTE Basis	0.6	0.6
Total	14.6	14.6

Staff Development

The Board encourages its employees to maintain and improve their skills and to that end funds appropriate training courses and the membership of professional bodies.

Workers Compensation

No compensation claims have been made in this or the previous financial year.

Governance Disclosures

Contracts with Senior Officers

Other than normal contracts of employment, no Senior Officers or firms of which Senior Officers are members or entities in which Senior Officers have substantial interests had any interests in existing or proposed contracts with the Board.

Insurance premiums paid to indemnify members of the Board

A insurance policy has been taken out to indemnify members of the Board against any liability incurred under sections 13 or 14 of the Statutory Corporations (Liability of Directors) Act 1996. The amount of the insurance paid for 2008/2009 was $17,521.

Other Legal Requirements

Compliance with Public Sector Management Act Section 31 (1)

The Board complies with the provisions of the Public Sector Management Act and has no compliance issues or breaches to report.

Electoral Act Section 175ZE Statement

The Board has not incurred any expenditure required to be reported under this section.

Recordkeeping Plan

The Board's current Recordkeeping Plan was reviewed in November 2008. Training is undertaken by an external consultant followed by individual staff evaluation and a report prepared for management review. The latest full staff training and evaluation was conducted in 2007. Other than induction training for new employees, the Board provides ongoing training and education to all staff annually.

Corruption Prevention

The Board's policies and procedures relating to the financial management processes it follows, the management of its computer information systems data, its risk management plan, the extensive use of independent external advisors and auditors together with regular Board oversight of operations fosters a strong corporate culture of accountability across the organisation which minimises the risk of misconduct and corrupt behaviour.

Occupational Safety and Health

The Board has developed an Occupational Safety and Health Manual which contains policies and procedures for all workplace related health and safety matters. The Board places the highest priority on the well-being and safety of its staff at all times and confirms compliance with injury management requirements of the Workers' Compensation and Injury Management Act 1981.

The reportable statistics for the year are:

Indicator	Target for 2008/2009	Actual for 2008/2009
Number of fatalities	Zero	Zero
Lost time injury	Zero	Zero
Lost time injury severity rate	Zero	Zero

Disability Access and Inclusion

The Board's information, services available to the public, access to the office and opportunity to make complaints and participate in public consultation are all fully available to people with disabilities.

Annual Estimates

The Minister has approved the following estimates for the 2009/2010 financial year:

Income	**$000**
Contribution from employers.	42,000
Net investment revenue	-
Total income	42,000

Expenses	**$000**
Long service leave payments	16,000
Employee benefits expense	1,210
Supplies and services	835
Depreciation and amortisation expense	53
Finance costs	250
Accommodation expenses	325
Increase in long service leave liability	9,056
Other expenses	340
Total expenses	28,069

Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2009

I have audited the accounts, financial statements, controls and key performance indicators of the Construction Industry Long Service Leave Payments Board.

The financial statements comprise the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Board's Responsibility for the Financial Statements and Key Performance Indicators
The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

Audit Opinion

In my opinion,

(i) the financial statements are based on proper accounts and present fairly the financial position of the Construction Industry Long Service Leave Payments Board at 30 June 2009 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;

(ii) the controls exercised by the Board provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and

(iii) the key performance indicators of the Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended 30 June 2009.

Matter of Significance

Without qualification to the audit opinion expressed above, I draw attention to the financial position of the Board. At 30 June 2009 the Board had an excess of liabilities over assets of $41.2 million. Although the annual actuarial assessment of the Construction Industry Long Service Leave Scheme has reported that vested benefits are fully covered by the value of the Scheme's assets, I am highlighting this matter because of the potential impact on the long term financial position of the Board. Note 2(b) to the financial statements provides information relative to this matter.

COLIN MURPHY
AUDITOR GENERAL
28 August 2009