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# STATEMENT OF COMPLIANCE WITH RELEVANT WRITTEN LAW

## **ENABLING LEGISLATION**

The administration of the Superannuation Fund is established under the Coal Industry Superannuation Act 1989 and Coal Industry Superannuation Regulations 1990.

## **LEGISLATION ADMINISTERED**

The Board is responsible for the administration of the enabling legislation.

## **LEGISLATION IMPACTING ON THE BOARD'S ACTIVITIES**

Anti - Corruption Commission Act 1988  
Australian Prudential Regulation Act 1998\*  
Auditor General Act 2006  
Coal Industry Superannuation Act 1989  
Coal Industry Superannuation Regulations 1990  
Corporations (Western Australia) Act 1990  
Corporations Act 2001\*  
Electoral Act 1907  
Equal Opportunity Act 1984  
Family Law Act 1975\*  
Family Law (Superannuation) Regulations 2001\*  
Financial Management Act 2006  
Financial Services Reform Act 2001\*  
Freedom of Information Act 1992  
Income Tax Assessment Act 1936\*  
Industrial Relations Act 1979  
Interpretation Act 1984  
Minimum Conditions of Employment Act 1993  
Occupational Safety and Health Act 1984  
Privacy Act 1988\*  
Public Sector Management Act 1994  
Public and Bank Holidays Act 1972  
Salaries and Allowances Act 1975  
Sex Discrimination Act 1984\*  
Stamp Act 1921  
State Records Act 2000  
Superannuation (Resolution of Complaints) Act 1993\*  
Superannuation Contributions Tax (Assessment and Collection) Act 1997  
Superannuation Guarantee (Administration Act) 1992\*  
Superannuation Guarantee Charge Act 1992\*  
Superannuation Industry Supervision Act 1993 and Regulations\*  
Trustees Act 1962  
Workers' Compensation and Rehabilitation Act 1981

\* Denotes Federal legislation

In the financial administration of the Coal Industry Superannuation Board we have complied with the requirements of the Financial Management Act and Auditor General Act and every other relevant written law and exercised controls which provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

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

\_\_\_\_\_  
**CHAIRPERSON**

\_\_\_\_\_  
**MEMBER**

\_\_\_\_\_  
**CHIEF FINANCE OFFICER**

\_\_\_\_\_  
**DATE**

# CONSTITUTION AND FUNCTIONS OF THE BOARD

The Coal Industry Superannuation Act 1989 is administered by the Coal Industry Superannuation Board which is responsible to the Honourable Minister for State Development. The Board members are designated the Accountable Authority and the Administration Manager nominated as the Principal Accounting Officer under the constraints of the Financial Management Act 2006.

The Board consists of five members.

Two employer representatives are nominated by the companies, two employee representatives are elected by the members and a Chairperson is appointed by the Governor.

As at 30 June 2007 the members of the Board were:

**Chairperson:**

Ms B E Whittle

**Employer Nominees:**

Mr I Pigott  
Manager Business Performance  
Griffin Coal Mining Company Pty Ltd

Mr S Reynolds  
Human Resources Manager  
Wesfarmers Premier Coal

**Employee Nominees:**

Mr G N Wood  
Secretary, CFMEU Mining & Energy Division WA

Mr G Della  
Griffin Coal Mining Company Pty Ltd

Mr G Faries (Alternate)  
Wesfarmers Premier Coal Ltd

***FUNCTIONS OF THE BOARD***

The main functions of the Coal Industry Superannuation Board are to:-

Apply the Coal Industry Superannuation Act fairly and equitably for its members;

Conduct the Board's operations in an efficient manner in accordance with sound administration and financial principals; and

Ensure sufficient funds are accrued to meet superannuation entitlements.



## ADMINISTRATION

### ADMINISTRATION STAFF

Administration staff of the Board are as follows:-

Administration Manager:- Mr G E Peirce

Admin. Assistant (Part-time):- Ms J Reynolds

### ADMINISTRATION EXPENSES

The expenses involved with the administration of the Fund are chargeable to the Fund under Section 9(3) of the Act.

The Fund has entered into an arrangement to provide administration services to the Coal Mining Industry Long Service Leave (Funding) Corporation (CMILSL) at a cost of \$40,000 per annum, (60,000 per annum from 1 March 2007). This is deducted from the total administration expenses.

	<u>2006/07</u>	<u>2005/06</u>
	\$	\$
Office Accommodation Exp's	16,849	15,268
Accounting & Actuarial Advice	27,286	21,873
Auditors Fees	42,900	28,168
Computer Services	39,101	29,050
Consulting Fees	7,964	46,298
FBT Tax / Bank Charges	10,071	11,638
APRA Fees	23,188	52,294
Legal Advice	3,154	7,328
Motor Vehicle Costs	3,203	3,683
Printing Postage & Stationery	19,405	11,267
Salaries & Board Remun.	117,684	111,327
Sundry Administration	8,922	6,577
Superannuation	31,720	27,323
Travelling Expenses	22,378	22,121
Trustee Liability Insurance	19,958	20,057
Workers Compensation	191	186
Reimbursement CMILSL	(46,662)	(40,000)
<b>TOTAL</b>	<b>347,312</b>	<b>374,458</b>

## REVIEW OF ACTIVITIES

### COMPLIANCE WITH GOVERNMENT SUPERANNUATION STANDARDS

The Board has made an irrevocable election to be a Regulated Superannuation Fund under the SIS legislation.

### LEGISLATION

The Coal Industry Superannuation Act and Regulations are the enabling legislation for the Fund.

### INSURANCE OF MEMBERS

The Board continued to insure with ComInsure to cover the Fund against death and total and permanent disablement for members both on and off the job to age 60 years. Insurance premiums for 2006/2007 amounted to \$ 295,393 compared to \$213,002 in 2005/2006.

### ACT & REGULATION AMENDMENTS

Amendments to the Regulations to allow contribution splitting were made in 2006/07.

### TRUSTEE INDEMNITY INSURANCE

The Board has Trustee Indemnity Insurance cover with Vero.

### ELECTORAL ACT

As per section 175ZE (1) of the Electoral Act the Coal Industry Superannuation Board report that there was no expenditure in relation to:

- Advertising Agencies
- Market research organisations
- Polling organisations
- Direct mail organisations
- Media advertising organisations



## FUND OPERATIONS

The Coal Industry Superannuation Fund provides a superannuation scheme to coal mine workers which provides:

- A defined benefit scheme based on a benchmark amount for all members.
- Cost to the member is 3% of the benchmark amount.
- Cost to the employer can range between 7% and 10% of the benchmark amount and is currently set at 8.5%.
- Administration charges are not directly deducted from members benefits but have been taken into account in the formula calculations for benefit payments by the Actuary.
- Death and disability cover is included in the benefits at no additional cost (subject to a medical report).
- Preservation of benefits is available to members.
- Member Protection is automatically provided in that no member's benefit, including preserved benefits, is diminished by fees.
- Members may make after tax contributions, salary sacrifice contributions and award contributions to an accumulation account in the Fund. No fees or charges are deducted from this account for members who have a defined benefit account. For those members with accumulation accounts only a \$1 a week administration fee is charged.
- Allocated and Term Allocated Pensions are available to members of the Fund.

### MEMBERSHIP OF THE FUND

On 30 June 2007, there were 595 **current** members, who were required to make contributions to the Fund and 327 **retained** members and 12 accumulation only members making a membership of 934 **in total** who were eligible for benefits under the Act.

The following table provides a comparison of new employees and exits over the last two years.

	2006/07	2005/06
Mine workers beginning of period	658	556
Active LWOP/Maternity	1	
New Members	60	141
Less Exits		
Retirements 60 years	2	-
Opt. Retirement 55-60 years	16	4
Opt. Retirement 62 years	-	-
Total & Permanent Disablement	1	1
Partial & Permanent Disablement	-	-
Death	1	-
Resignation, Dismissal	103	33
Retrenchment	1	-
Leave Without Pay	-	1
Mine workers at end of period	595	658

### CONTRIBUTIONS

The weekly rate of contributions payable by members and employers was 3% and 8.5% of the Benchmark Amount which was \$45,181 until 30 June 2007 when it was indexed by 3.5% to \$46,762 in line with Average Weekly Ordinary Time Earnings (AWOTE) on advice from the Actuary.

New contributions are \$53.95 p/f member and \$152.87 p/f employer. Both the employer contributions from the coal mining companies required to be contributed have been received.

Contributions paid into the Fund during the year were:

	2006/07	2005/06
	\$	\$
Member	2,187,707	886,139
Salary Sacrifice	3,163,675	2,538,932
Employer / Award	4,476,474	3,924,487
Transfers In	1,823,751	975,447
Total Contributions	11,651,607	8,325,005



## FUND OPERATIONS (cont.)

### **BENEFIT PAYMENTS**

During the year benefits paid and payable totalled \$7,480,363.

### **CONTRIBUTION / BENEFIT COMPARISON**

A comparative table of contributions received and benefits paid is shown below.

	<u>2006/07</u>	<u>2005/06</u>
	\$	\$
Contributions	11,651,607	8,325,005
Benefits	7,480,363	3,860,217
Surplus	4,171,244	4,464,788
Deficit	-	-

### **CONSULTANTS TO THE BOARD**

The Board retains the following consultants to provide advice as and when required.

#### **Accounting & Taxation**

Sharyn Long - Chartered Accountants

#### **Actuarial & Investment Advice**

PriceWaterhouse Coopers - Actuaries & Consultants

## ACTUARIAL REVIEW

A Triennial Actuarial Review of the Fund was undertaken at 30 June 2006.

The benefits of members continues to be based on the benchmark amount at the time of the benefit payment. The benchmark amount is increased each year in line with the annual increase in Average Weekly Ordinary Time Earnings. Over the three year period, the increase in the benchmark amount was an average of 4.8%.

The average investment return for the Fund over the last three years was 15.2% per annum, net of tax and investment expenses. The corresponding smoothed Fund return averaged 13.0% per annum exceeding the increase in salaries over the three years to 30 June 2006 by 8.2% per annum.

The Actuary has advised that the Fund is in a sound financial position, and the benefits of all members remain well secured by the current level of assets. Projections for the next ten years indicate that the Fund is likely to remain in a satisfactory financial position, with the current level of assets, together with the future contributions and investment earnings, being adequate to cover members accruing benefits.

The member's benefits on resignation/retirement (Minimum Vested Benefits) are all well covered by the existing assets, as are the retrenchment benefits. Details of Minimum Vested Benefits are as follows:-



### Vested Benefits

This ratio measures the extent to which the minimum entitlements of contributing members are covered by the net market value of assets of the Fund. The minimum entitlements are those benefits payable if all members voluntarily resigned or retired, where aged over 55, as at the valuation date.

For the purposes of calculating the vested benefits, the Actuary has assumed that the resignation benefit is to be the cash/transfer resignation benefit.

Before calculating this ratio, the net market value of assets must be reduced by those assets representing the accumulation account liabilities and the accumulation investment fluctuation reserve (that is the accumulation assets).

Net Market Value Assets:	\$126,837,352
less:	
Accumulation Assets	\$37,412,586

leaving:

Net market value of defined benefit Assets	<u>\$89,424,766</u>
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Vested Benefits for Defined Benefits (Category A and Retained)	<u>\$66,300,482</u>
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Minimum Vested Benefits Ratio:	135%
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A ratio of 135% represents a satisfactory level of cover for the Fund's minimum vested benefits. The vested benefits ratio at the last Actuarial Review at 30 June 2003 was 106% and has primarily increased due to strong investment returns.

## PUBLICATION AND ADVISORY INFORMATION

The Board produces and makes available to members the following:

### **Coal Industry Superannuation Fund Product Disclosure Statement**

The Product Disclosure Statement (PDS) is the Board's main advisory publication. All new members are issued with a PDS and copies can be obtained from the Board offices.

### **Members Newsletter**

A newsletter for members advising of updates and relevant news items is produced and distributed on a regular basis.

### **Coal Industry Superannuation Act and Regulations**

Copies of the Act and Regulations are available for inspection at either Colliery Office or at the Coal Industry Superannuation Board.

### **Annual Report**

Fund members are provided with a summarised Annual Report (Report to Members). Copies of the Annual Report containing full audited Financial Statements are available on request from the Board offices.

### **Web Site**

The CISF website contains general information on the Fund including publications, forms, newsletters, general superannuation information and web links. The website address is [www.cisf.com.au](http://www.cisf.com.au)

### **Members Benefit Statements**

Members are provided with Benefit Statements annually and upon request.

### **Actuarial Statement and APRA Notices**

Copies of Actuarial Statements and APRA Notices are available to members on request.



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## **Member Complaints**

Should you ever need to dispute a matter in relation to your superannuation, please contact the Administration Manager or one of the Board members. The Board has procedures in place to deal with any query or complaint within 90 days. A complaint will need to be put in writing to the Administration Manager.

## **External Complaints Tribunal**

If you are not satisfied with the handling of your complaint or the Board decision, you may contact the Superannuation Complaints Tribunal.

The Tribunal is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of complaints with Fund Trustees.

The Tribunal may be able to assist you to resolve your complaint but only if you are not satisfied with the response from the Coal Industry Superannuation Board. If the Tribunal accepts your complaint, it will attempt to resolve the matter through conciliation, which involves assisting you and the Coal Industry Superannuation Board to come to a mutual agreement. If conciliation is unsuccessful, the complaint is referred to the Tribunal for a determination which is binding.

If you wish to find out whether the Tribunal can handle your complaint and the type of information you would need to provide, telephone one of the following numbers, for the cost of a local call anywhere in Australia:

Superannuation Complaints Tribunal  
☎ 1300 884 114

Australian Prudential Regulation Authority  
☎ 1300 131060

If you require any assistance to make a complaint, please contact the Administration Manager.

## **Member Enquiries**

Members should address correspondence and enquiries to:-

The Administration Manager  
Coal Industry Superannuation Board  
242 Rokeby Road  
SUBIACO WA 6008

Telephone No: (08) 9388 1840  
Facsimile No: (08) 9388 3545  
Email: [cisb@bigpond.com](mailto:cisb@bigpond.com)





# INVESTMENTS

## **COAL INDUSTRY SUPERANNUATION FUND INVESTMENT POLICY**

The Investment Policy for the Coal Industry Superannuation Fund has been put in place by the Coal Industry Superannuation Board (CISB) to maximise long term investment returns compatible with a prudent level of risk for comparable funds. In pursuing this policy, the CISB will have regard for risk, diversification, liquidity, liabilities and cash flow.

### **INVESTMENT OBJECTIVES**

Specific objectives are:

1. To achieve a minimum long term rate of return, after taxes and fees, of 2% per annum ahead of growth in the benchmark wage. It was noted that the benchmark wage would move with Average Weekly Ordinary Time Earnings (AWOTE).
2. The required rate of return is the minimum necessary to ensure that the Fund meets its liabilities.
3. The required level of investment return will be measured over 3-year rolling periods. Measurement will commence with effect from 30 June 1995 and will be no less frequently than quarterly.
4. To outperform the average pooled superannuation trust, ignoring all fees and taxes involved in administering and advising the CISB. Measurement will take place on a 3 year rolling basis, commencing 30 June 1995 and will be measured no less frequently than quarterly.

### **INVESTMENT STRATEGY**

1. The strategy is growth orientated.
2. Investment vehicles are pooled superannuation trusts with the addition of, as necessary to achieve benchmark asset allocation, sector specific funds.

Notwithstanding the overall intention to use pooled and sector specific funds, the CISB retains the flexibility to invest in alternative specific investments. Such investments would only be made if the CISB considered them to be suitable and provided it had received the appropriate professional advice. In such cases, specific investments could comprise up to 20% of the Fund's assets.

### **INVESTMENTS AND INVESTMENT MANAGERS**

1. The type of investment management preferred is the active approach.
2. Investments will be primarily pooled superannuation trusts. Where deemed appropriate, to bring about a specific portfolio composition within the asset allocation ranges, sector specific investments may be used.
3. Investments will be selected by the CISB from a short list recommended by the investment adviser to the CISB. Sector specific investments when required can be in any of the major investment sectors as shares, listed property trusts, real property, fixed interest, cash and derivatives, provided asset backed and/or guaranteed.
4. Using derivatives to increase exposure of the portfolio to more than 100% of its value is excluded, as is investment in any fund which uses derivatives in this manner.



**ASSET ALLOCATION**

The following details the actual asset allocation of the Fund as at 30 June 2007 against the benchmark or neutral position and the acceptable ranges as set out in the Investment Policy Statement.

	Shares	Property	Fixed Interest	Cash	Growth Assets	Overseas Unhedged
<b>Range</b>	20-70%	0-10%	10-25%	0-5%	0-75%	0-20%
<b>Benchmark</b>	60%	10%	25%	5%	75%	20%
<b>Actual 2007</b>	65.9%	6.8%	18.2%	7.9%	73.9%	13.6%
<b>Actual 2006</b>	65.6%	6.8%	21.2%	6.4%	72.4%	14.5%

**PERFORMANCE**

Measured to 30 June 2006 comparative performance statistics (% p.a.) for the last five years are as follows:

	5 Year Av. %%	2006/07 %	2005/06 %	2004/05 %	2003/04 %	2002/03 %
CISB EARNING NET RATE	12.0	17.4	16.4	14.6	14.6	-1.7
CISB CREDITING RATE	10.9	17.0	15.0	11.7	11.6	0.0

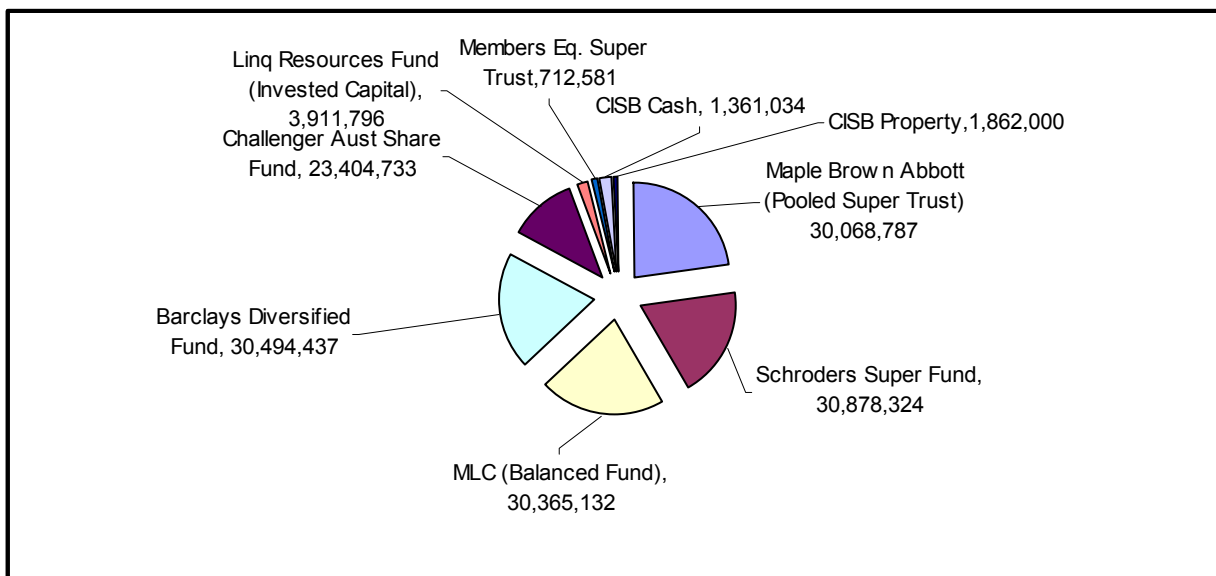
The rate of return credited to members accumulation accounts unless otherwise agreed is the Minimum Cash Return Method which involves the following:

In a year in which the fund earning rate is higher than the return on cash:

- Crediting Rate = Net cash return + 70% x (Fund return – Net cash return);
- Provided that this does not result in a reserve greater than, say, 20% of assets – in which case a higher rate would be declared.
- In a year where the Fund return is less than the return on cash:
- Crediting Rate = Net cash return
- Provided the reserves are sufficient to allow it.

For the 2006/07 year the Board of Trustees on advice from the Actuary agreed to vary the crediting rate from the Minimum Cash Return Method of 13.8% to 17% due to an increase in reserves resulting from good investment returns.

**PORTFOLIO 2006/07**





# FINANCIAL STATEMENTS

## STATEMENT OF NET ASSETS AS AT 30 JUNE 2007

	Notes	2007 \$	2006 \$
<b>ASSETS</b>			
<b>Cash &amp; cash equivalents</b>			
Cash on hand		300	300
Cash at bank		797,086	1,500,170
<b>Receivables</b>			
Trust distributions receivable		252,762	243,135
Sundry receivable		-	7,333
GST receivable		3,073	6,283
<b>Investments</b>			
Pooled Superannuation Trusts	6	91,441,548	77,539,981
Insurance Policies	7	30,365,132	25,370,641
Shares in Listed Entities	8	3,911,796	2,569,749
Units in Unit Trusts	9	24,117,314	18,575,368
Interest Bearing Investments	10	563,648	423,555
Land and Buildings	11	1,862,000	1,416,100
<b>Other Assets</b>			
Prepayments		30,358	14,878
Office equipment and furniture		14,750	7,500
Motor vehicle		30,000	24,000
Deferred tax assets	13(e)	24,391	21,202
<b>TOTAL ASSETS</b>		<b>153,414,158</b>	<b>127,720,195</b>
<b>LIABILITIES</b>			
Benefits payable		-	40,899
Creditors and accruals	12	222,071	128,115
Provision for employee entitlements		55,162	47,183
Current tax liabilities	13(c)	508,115	340,159
Deferred tax liabilities	13(d)	883,101	326,487
<b>TOTAL LIABILITIES</b>		<b>1,668,449</b>	<b>882,843</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>151,745,709</b>	<b>126,837,352</b>

The accompanying notes form an integral part of this statement.



# FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
<b>INVESTMENT REVENUE</b>			
Interest		99,197	84,145
Trust distributions	14	1,976,106	3,632,885
Rent received		25,000	18,000
Changes in net market values	15(a)	20,898,122	14,024,727
Direct investment (expenses)/rebate	16	168,666	39,651
		<u>23,167,091</u>	<u>17,799,408</u>
<b>CONTRIBUTION REVENUE</b>			
Employer contributions		4,476,474	3,924,487
Salary sacrifice contributions		3,163,675	2,538,932
Member contributions		2,187,707	886,139
Transfers in		1,823,751	975,447
		<u>11,651,607</u>	<u>8,325,005</u>
<b>OTHER REVENUE</b>			
Insurance proceeds		86,176	174,596
Changes in net market value other assets	15(b)	(13,912)	(16,813)
		<u>72,264</u>	<u>157,783</u>
<b>TOTAL REVENUE</b>		<b><u>34,890,962</u></b>	<b><u>26,282,196</u></b>
<b>EXPENSES</b>			
General administration expenses	17	347,312	374,458
Group life premiums		295,393	213,002
Contribution surcharge		14,046	71,046
Benefits paid		7,480,363	3,860,217
<b>TOTAL EXPENSES</b>		<b><u>8,137,114</u></b>	<b><u>4,518,723</u></b>
<b>CHANGES IN NET ASSETS BEFORE TAX</b>		<b><u>26,753,848</u></b>	<b><u>21,763,473</u></b>
INCOME TAX EXPENSE	13(a)(b)	1,845,491	1,199,810
<b>CHANGES IN NET ASSETS AFTER TAX</b>		<b><u>24,908,357</u></b>	<b><u>20,563,663</u></b>
NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the period		<u>126,837,352</u>	<u>106,273,689</u>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the period</b>	2	<b><u>151,745,709</u></b>	<b><u>126,837,352</u></b>

The accompanying notes form an integral part of this statement.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of Compliance

The financial report of Coal Industry Superannuation Fund ("Fund") are general purpose statements which have been drawn up in accordance with Australian accounting standards including AAS 25 "Financial Reporting Superannuation Plans" ("AAS25") as amended by AASB 2005-13 (December 2005), other applicable Accounting Standards and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations ("SIS") and the provisions of the Act as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

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

The Fund is a superannuation fund domiciled in Australia. The financial statements are presented in Australian dollars, which is the functional currency of the Fund.

The financial statements were approved by the Members of the Trustee, Coal Industry Superannuation Board, on 24<sup>th</sup> August 2007.

### (b) Basis of Preparation

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB"), being the Australian Equivalent to IFRS ("AIFRS") to distinguish from previous Australian generally accepted accounting principles ("GAAP"). Since AAS25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS25.

In accordance with Treasurer's Instruction 1101 where the requirements of AAS 25 are inconsistent with the requirements of the Treasurer's Instructions AAS 25 shall, to the extent of the inconsistency prevail.

The accounting policies set out below have been applied consistently in these financial statements.

The Fund elected to early adopt the following accounting standards and amendments:

- AASB 101 Presentation of Financial statements (October 2006)
- ED 151 Additions to and deletions from IFRSs

Other accounting standards and amendments available for early adoption have not been applied either because they do not have any impact or are not applicable to superannuation funds.

The financial statements have been prepared in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

### (c) Use of Estimates and Judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires the Trustee to exercise its judgement in the process of applying the entity's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for accrued benefits, which are not brought to account but disclosed by way of note.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

### (d) Investments

Investments of the fund are initially recognised at cost, being the fair value of the consideration given.

After the initial recognition assets of the fund are recorded at net market value, after allowing for costs of realisation, as at the reporting date and changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur.



#### **(d) Investments (continued)**

Net market values have been determined as follows:

##### Pooled Superannuation Trusts and Unit Trusts

Based on the redemption price of the units as notified by the investment managers.

##### Insurance Policies

The surrender value of insurance policies at balance date as advised by the Insurer.

##### Securities and Other Equities

The value is determined using external market price data published by the appropriate information vendors. Unlisted investments are valued on the basis of independent valuations.

##### Interest Bearing Investments

By reference to the principle invested.

##### Land and Buildings

Land and buildings are valued at independent valuation conducted at balance date.

Where material, estimated costs of realisation have been deducted.

The fair value of investments are considered to approximate net market value.

#### **(e) Income Tax**

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act and accordingly the concessional tax rate of 15% has been applied.

##### Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

##### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

#### **(e) Income Tax (continued)**

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

#### **(f) Contributions Surcharge**

The contribution surcharge is recorded as an expense in the Statement of Changes in Net Assets if an amount has been paid or an assessment has been received during the period irrespective of the period to which the surcharge related. A liability for future payments is only recognised if an assessment has been issued by the Australian Taxation Office and was unpaid at balance date.

The Superannuation Laws Amendment (Abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

#### **(g) Insurance**

The Coal Industry Superannuation Board insures against the death and total and permanent disability of members on and/or off the job to age 60 years.



#### (h) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### Changes in net market value of investments

Changes in net market value of investments are recognised as income in the Statement of Changes in Net Assets in the periods in which they occur. Changes in net market values are determined as the difference between the net market value at balance date or consideration received (if sold during the year) and the net market value at the previous balance date or the cost (if the investment was acquired during the year).

##### Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

##### Trust Distributions

Trust distribution revenue is recognised when the Fund has established that it has a right to receive the distribution.

##### Contributions

Member and employer contributions and transfers in are recognised when the control of the asset has been attained and are recorded in the period to which they relate.

Superannuation co- contributions from the Australian government are recognised on a cash basis as this is the only point at which measurement is reliable.

#### (i) Goods and Services Tax

GST incurred that is not recoverable from the Australian Taxation Office (ATO) has been recognised as part of the cost of acquisition of the asset or as part of the expense to which it relates.

Receivables and payables are stated with the amount of GST included in the value.

The amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Net Assets.

#### (j) Receivables and other Payables

Receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Fund is obligated to make future payments for services received and are carried at the net market value of the amount payable.

#### (k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and short term, highly liquid investments that are readily converted to known amounts of cash.

### 2 LIABILITY FOR ACCRUED BENEFITS

The amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the plan up to the measurement date. The figure reported is determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions.

The valuation of accrued benefits was undertaken by the Actuary as part of a comprehensive actuarial review undertaken at 30 June 2006. Accrued benefits were previously valued as part of a comprehensive actuarial review undertaken at 30 June 2003.

	2006 \$	2003 \$
Accrued Benefits	101,595,374	76,292,530
	=====	=====

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of investment return earned on the Fund's investments would be 6%
- The future rate of salary increases would be 4.5%

### 3 VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the plan (or any factor other than resignation from the plan) and include benefits which members were entitled to receive had they terminated their plan membership as at the reporting date and elected a cash benefit.

	2007 \$	2006 \$
Vested Benefits	114,475,936	102,439,681
	=====	=====

### 4 GUARANTEED BENEFITS

No guarantees have been made in respect of any part of accrued benefits.



## 5 FUNDING ARRANGEMENTS

The funding policy adopted in respect of the plan is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. As such, in framing employer and member contribution rates, the Actuary has considered long-term trends in such factors as plan membership, salary growth and average market value of plan assets.

The weekly rate of contributions payable by members and employers was 3.0% and 8.5% of the Benchmark Amount, which was \$45,181 during the year ended 30 June 2007. At 30 June 2007 the Benchmark Amount was indexed by 3.50% to \$46,762 in line with Average Weekly Ordinary Time Earnings (AWOTE) on advice from the Actuary.

## 6 POOLED SUPERANNUATION TRUSTS

	2007 \$	2006 \$
Barclays Diversified Share Fund	30,494,437	25,757,011
Maple-Brown Abbott PST	30,068,787	25,692,230
Schroders Superannuation Fund	30,878,324	26,090,740
	=====	=====
	91,441,548	77,539,981
	=====	=====

## 7 INSURANCE POLICIES

	2007 \$	2006 \$
MLC Balanced Fund	30,365,132	25,370,641
	=====	=====

## 8 SHARES IN LISTED ENTITIES

	2007 \$	2006 \$
Linq Resources Fund	3,911,796	2,497,531
Linq Resources Fund – options	-	72,218
	=====	=====
	3,911,796	2,569,749
	=====	=====

## 9 UNITS IN UNIT TRUSTS

	2007 \$	2006 \$
Challenger Australian Share Trust	23,404,733	17,880,503
Super Loans Trust	712,581	694,865
	=====	=====
	24,117,314	18,575,368
	=====	=====

## 10 INTEREST BEARING INVESTMENTS

	2007 \$	2006 \$
Bankwest Cash Management	563,648	423,555
	=====	=====

## 11 LAND AND BUILDINGS

	2007 \$	2006 \$
242 Rokeby Rd, Subiaco	1,862,000	1,416,100
	=====	=====

## 12 CREDITORS AND ACCRUALS

	2007 \$	2006 \$
Accounting fees	9,625	9,625
Actuarial fees	726	699
APRA fees	23,174	45,000
Audit fees	42,900	25,960
Board remuneration	-	7,945
Consulting fees	5,335	15,092
Direct investment expenses	5,305	5,101
Group life premiums	32,231	-
Fringe benefits tax	2,478	2,557
PAYG withholding	10,377	640
Salary & wages	89,010	14,537
Sundry expenses	910	959
	=====	=====
	222,071	128,115
	=====	=====

## 13 INCOME TAX

### (a) Major components of tax expense

	2007 \$	2006 \$
Current income tax		
- Current tax charge	1,303,118	1,119,235
- Adjustment to current tax for prior period	(11,052)	(30,356)
Deferred income tax		
- Relating to the origination and reversal of temporary differences	553,425	110,931
	=====	=====
Income Tax Expense	1,845,491	1,199,810
	=====	=====

### (b) Income tax expense

Changes in net assets before tax	26,753,848	21,763,473
	=====	=====
Tax applicable at the rate of 15% (2006 15%)	4,013,077	3,264,520
Tax effect of income that is not Assessable in determining taxable income		
- Investment income	(2,295,810)	(1,938,200)
- Capital gains discount	(277,766)	(206,342)
- Members' contributions	(328,156)	(132,921)
- Transfer In	(221,496)	(127,253)
- Insurance proceeds	(12,926)	(26,189)
Tax effect of expenses that are not deductible in determining taxable income		
- Benefit payments	1,122,054	579,033
- Contributions Surcharge	2,107	10,657
Tax effect of other adjustments		
- Exempt pension income	(40,746)	-
- Imputation & foreign tax credits	(103,795)	(193,139)
- Over provision prior periods	(11,052)	(30,356)
	=====	=====
Income Tax Expense	1,845,491	1,199,810
	=====	=====





### 13 INCOME TAX (continued)

#### (c) Current tax liabilities

	2007	2006
	\$	\$
<u>Provision for current income tax</u>		
Balance at beginning of year	340,159	290,232
Income tax paid – current period	(795,003)	(750,969)
Income tax paid – prior period	(329,107)	(287,983)
Overprovision prior periods	(11,052)	(30,356)
Current years income tax expense	1,303,118	1,119,235
	-----	-----
	508,115	340,159
	=====	=====

#### (d) Deferred tax liabilities

	2007	2006
	\$	\$
The amount of deferred tax liability recognised in the Statement of Net Assets:		
Unrealised capital gains	885,305	329,074
Balancing charge other assets	(2,204)	(2,587)
	-----	-----
	883,101	326,487
	=====	=====

#### (e) Deferred tax assets

	2007	2006
	\$	\$
The amount of deferred tax asset recognised in the Statement of Net Assets:		
Accrued Expenses	16,117	14,125
Provision for employee entitlements	8,274	7,077
	-----	-----
	24,391	21,202
	=====	=====

### 14 TRUST DISTRIBUTIONS

	2007	2006
	\$	\$
Challenger Australian Share Trust	1,706,170	3,261,097
Linq Mining Fund	-	76,338
Linq Resources Fund	251,248	256,675
Super Loans Trust	18,688	38,775
	-----	-----
Total	1,976,106	3,632,885
	=====	=====

### 15 CHANGES IN NET MARKET VALUES

#### (a) Investments

	2007	2006
	\$	\$
<u>Held at Reporting Date</u>		
Pooled Superannuation Trusts	11,523,840	9,600,901
Insurance Policies	3,783,074	3,211,737
Shares in Listed Entities	1,414,265	252,762
Unit Trusts	3,720,618	437,027
Land & Buildings	442,973	543,900
	-----	-----
<u>Realised during the period</u>		
Shares in Listed Entities	13,352	-
Unit Trusts	-	(21,600)
	-----	-----
Total	20,898,122	14,024,727
	=====	=====

#### (b) Other Assets

	2007	2006
	\$	\$
<u>Held at Reporting Date</u>		
Office Equipment	(7,560)	(10,613)
Motor Vehicles	(6,261)	(6,200)
	-----	-----
<u>Realised during the period</u>		
Office Equipment	273	-
Motor Vehicles	(364)	-
	-----	-----
Total	(13,912)	(16,813)
	=====	=====

### 16 DIRECT INVESTMENT EXPENSES/(REBATES)

	2007	2006
	\$	\$
Investment monitoring	19,393	18,783
Challenger Investment fees	-	75,183
Property expenses	16,245	22,248
	-----	-----
Fee rebates	35,638	116,214
	(204,304)	(155,865)
	-----	-----
	(168,666)	(39,651)
	=====	=====



## 17 GENERAL ADMINISTRATION EXPENSES

	2007	2006
	\$	\$
Accounting fees	18,256	14,155
Actuarial advice	9,030	7,718
APRA fees	23,188	52,294
Audit fees	42,900	28,168
Bank charges	237	255
Board remuneration	13,375	12,445
Computer support and services	39,101	29,050
Consulting fees	7,964	46,298
Electricity	3,806	4,305
Fringe benefits tax	9,834	11,383
Legal advice	3,154	7,328
Motor vehicle expenses	3,203	3,683
Office cleaning	3,457	3,357
Printing/postage/stationery	19,405	11,267
Salaries & wages	104,309	98,882
Security expenses	1,861	778
Sundry administration	8,922	6,577
Superannuation	31,720	27,323
Telephone	7,725	6,828
Travelling & accommodation expenses	3,621	5,808
Trustee and staff training & conference expenses	18,757	16,313
Trustee insurance	19,958	20,057
Workers compensation	191	186
	-----	-----
	393,974	414,458
Reimbursement CMILSL (Funding) Corporation	(46,662)	(40,000)
	-----	-----
	347,312	374,458
	=====	=====

## 18 AUDITOR'S REMUNERATION

	2007	2006
	\$	\$
Amounts paid or due and payable to the Auditor General for the following services:		
Audit Services	42,900	28,168
Other Services	-	-
	-----	-----
	42,900	28,168
	=====	=====

## 19 GENERAL DISCLOSURE

In accordance with Treasurer's Instruction 952 the following general disclosure is made:

### a) Remuneration of Members of the Accountable Authority

Members of the Accountable Authority have received \$13,375 (\$12,445 - 2006) in remuneration for attending board meetings.

### b) Remuneration Benefits of Senior Officers

	2007	2006
	\$	\$
The total remuneration of Senior Officers is:	109,148	96,493

The number of Senior Officers, other than Members of the Accountable Authority, whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, fall within the following bands are:

	2007	2006
90,000 - 100,000	1	1

### c) Retirement Benefit of Senior Officers

The following amounts in respect of retirement benefits were paid or became payable for the financial year:

	2007	2006
	\$	\$
Total retirement benefits of Senior Officers	31,720	27,323

The Trustee of the Board throughout the year was The Coal Industry Superannuation Board. The Board is considered to be the Key Management Personnel of the Fund.

## 20 SEGMENT INFORMATION

The Fund operates solely in the business of provision of benefits to members and operates in Australia only.



21 EXPLANATORY STATEMENT

(a) Estimate Comparisons

	Actual 2006/07 \$	Unaudited Estimate 2006/07 \$	Variation \$
Interest	99,197	70,000	29,197
Trust distributions	1,976,106	2,000,000	(23,894)
Rental Income	25,000	20,000	5,000
Changes in NMV	20,898,122	8,000,000	12,898,122
Direct invest expenses	168,666	10,000	158,666
Contribution revenue	11,651,607	8,700,000	2,951,607
Insurance proceeds	86,176	200,000	(113,824)
Changes NMV assets	(13,912)	(15,000)	1,088
<b>TOTAL REVENUE</b>	<b>34,890,962</b>	<b>18,985,000</b>	<b>15,905,962</b>
General admin expenses	347,312	350,000	(2,688)
Group life premiums	295,393	220,000	75,393
Contributions surcharge	14,046	5,000	9,046
Benefits paid	7,480,363	4,000,000	3,480,363
<b>TOTAL EXPENSES</b>	<b>8,137,114</b>	<b>4,575,000</b>	<b>3,562,114</b>
<b>NET SURPLUS</b>	<b>26,753,848</b>	<b>14,410,000</b>	<b>12,343,848</b>
Income Tax Expense	1,845,491	1,000,000	845,491
<b>NET SURPLUS AFTER TAX</b>	<b>24,908,357</b>	<b>13,410,000</b>	<b>11,498,357</b>
Net Assets beginning of period	126,837,352	126,408,135	429,217
Net Assets end of period	151,745,709	139,818,135	11,927,574

**Explanation of Significant Variances**

Changes in Net Market Value

Investments appreciated more than anticipated for the current year due to better investment performance by the Fund's investment managers.

Contributions

Members can elect to make additional salary sacrifice and member contributions, which the Fund estimated would be a similar amount to the previous year. Members elected to contribute more than anticipated.

Insurance Proceeds

The Fund had less insurance claims during the year than estimated because less members died or became disabled.

21 EXPLANATORY STATEMENT  
(CONTINUED)

Benefits Paid

The estimate for benefits paid was based on the previous year, however, as benefit payments are a function of members terminating employment, the Fund is unable to accurately estimate the number of members who will receive benefit payments in any period.

Income Tax Expense

Income tax expense was higher than estimated due to the improved investment performance during the financial year.

(b) Actual Comparisons

	Actual 2006/07 \$	Actual 2005/06 \$	Variation \$
Interest	99,197	84,145	15,052
Trust distributions	1,976,106	3,632,885	(1,656,779)
Rental Income	25,000	18,000	7,000
Changes in NMV	20,898,122	14,024,727	6,873,395
Direct invest expense	168,666	39,651	129,015
Contribution revenue	11,651,607	8,325,005	3,326,602
Insurance proceeds	86,176	174,596	(88,420)
Changes NMV assets	(13,912)	(16,813)	2,901
<b>TOTAL REVENUE</b>	<b>34,890,962</b>	<b>26,282,196</b>	<b>8,608,766</b>
General admin expenses	347,312	374,458	(27,146)
Group life premiums	295,393	213,002	82,391
Contributions surcharge	14,046	71,046	(57,000)
Benefits paid	7,480,363	3,860,217	3,620,146
<b>TOTAL EXPENSES</b>	<b>8,137,114</b>	<b>4,518,723</b>	<b>3,618,391</b>
<b>NET SURPLUS</b>	<b>26,753,848</b>	<b>21,763,473</b>	<b>4,990,375</b>
Income Tax Expense	1,845,491	1,199,810	645,681
<b>NET SURPLUS AFTER TAX</b>	<b>24,908,357</b>	<b>20,563,663</b>	<b>4,344,694</b>
Net Assets beginning of period	126,837,352	106,273,689	20,563,663
Net Assets end of period	151,745,709	126,837,352	24,908,357

**Explanation of Significant Variances**

Trust Distributions

Trust distributions are dependent on the investment performance of the underlying unit trust. Distributions are declared at the discretion of the Trustee and are a function of the revenue earned by the trust in a particular reporting period.



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This amount will vary from year to year depending on the circumstances of the trust.



## 21 EXPLANATORY STATEMENT (CONTINUED)

### Changes in Net Market Value

Investments appreciated more during the financial year than the previous year due to better investment performance by the Fund's investment managers.

### Contribution Revenue

Members can elect to make additional salary sacrifice contributions and member contributions at their discretion. Members elected to contribute more than they did in the previous year.

### Insurance Proceeds

Less members became entitled to claim insurance benefits in 2007 than was the case for the previous financial year.

### Benefits Paid

Benefit payments are higher than the previous year due to more members leaving the Fund.

### Income Tax Expense

Income tax expense was higher than the prior year due to the to the improved investment performance during the financial year.

## 22 FINANCIAL INSTRUMENTS

Investments of the Fund, (other than cash held for liquidity purposes), comprise units in collective investments such as life insurance policies, pooled superannuation trusts and other unitised investments. The Trustee has determined that this type of investment is appropriate for the Fund and is in accordance with the Fund's published investment strategy.

The investment managers of the collective investments will have invested in a variety of financial instruments including derivatives, which expose the Fund's investments to a variety of investment risks including market risk, credit risk, interest rate risk and currency risk.

All investment managers provide regular reports on the Fund's investments to the Trustee.

The Trustee seeks information from the manager of each proposed collective investment (and may also seek independent advice from other qualified persons) so as to determine the nature and extent of any risks and expected returns associated with each investment prior to determining its suitability as an investment for the Fund. This includes receipt of formal Derivative Risk Statements as required by the Australian Prudential Regulation Authority.

The Fund's only exposure to interest rate risk is via the bank account, which had an average interest rate of 4.1% during the year (2006:4.3%).

## 23 ACTUARIAL REPORT

A Triennial Actuarial Review of the Fund was undertaken at 30 June 2006.

The benefits of members continue to be based on the benchmark amount at the time of the benefit payment. The benchmark amount is increased each year in line with the annual increase in Average Weekly Ordinary Time Earnings. Over the three year period, the increase in the benchmark amount was an average of 45.8%.

The average investment return for the Fund over the last three years to 30 June 2006 was 15.2% per annum, net of tax and investment expenses.

The corresponding smoothed Fund return averaged 13.0% per annum. The increase in the benchmark amount over the three years to 30 June 2006 exceeded the smoothed investment return by 8.2% per annum.

The Fund's Actuary is Janice Jones, FIAA.

The Actuary has advised that the Fund is in a sound financial position, and the benefits of all members remain well secured by the current level of assets. Projections for the next ten years indicate that the Fund is likely to remain in a satisfactory financial position, with the current level of assets, together with the future contributions and investment earnings, being adequate to cover members accruing benefits.

The member's benefits on resignation/retirement (Minimum Vested Benefits) are all well covered by the existing assets, as are the retrenchment benefits. Details of Minimum Vested Benefits are as follows:-

### **Minimum Vested Benefits**

This ratio measures the extent to which the minimum entitlements of contributing members are covered by the net market value of assets of the Fund. The minimum entitlements are those benefits payable if all members voluntarily resigned or retired, where aged over 55, as at the valuation date.

For the purposes of calculating the vested benefits, the Actuary has assumed that the resignation benefit is to be the cash/transfer resignation benefit.



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23 ACTUARIAL REPORT (CONTINUED)

Before calculating this ratio, the net market value of assets must be reduced for the liabilities relating to non contributing defined benefit members and additional accumulation balances.

In the case of retained members, it was assumed that the retained benefit was transferred out of the Fund, using the current discount rate of 0% per annum.

	\$
Net Market Value Assets:	126,837,352
less:	
Accumulation Assets	37,412,586
leaving:	_____
Net market value of DB Assets	89,424,766
Vested Benefits for Defined Benefits (Category A and Retained)	66,300,482
	_____
Minimum Vested Benefits Ratio:	135%

A ratio of 135% represents a good level of cover for the Fund's minimum vested benefits.



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## CERTIFICATION OF FINANCIAL STATEMENTS

"The accompanying financial statements of the Coal Industry Superannuation 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 year ending 30 June 2007 and the financial position as at 30 June 2007.

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

\_\_\_\_\_  
CHAIRPERSON

\_\_\_\_\_  
DATE

\_\_\_\_\_  
MEMBER

\_\_\_\_\_  
DATE

\_\_\_\_\_  
G E PEIRCE  
CHIEF FINANCE OFFICER

\_\_\_\_\_  
DATE



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**AUDITOR'S OPINION - FINANCIAL STATEMENTS /  
PERFORMANCE INDICATORS**



## PERFORMANCE INDICATORS

The Coal Industry Superannuation Board's primary outcome is to:

Apply the Coal Industry Superannuation Act fairly and equitably for its members. In doing so, ensuring benefit payments are made in accordance with the Coal Industry Superannuation Act, compliance with other relevant legislation and maintaining the viability of the Fund for both current and future members.

### EFFECTIVENESS INDICATORS

#### PERFORMANCE INDICATOR

**'TO ENSURE COMPLIANCE WITH COMMONWEALTH GOVERNMENT SUPERANNUATION STANDARDS TO ENABLE THE FUND TO BE TAXED AT THE REDUCED RATE OF 15% TAXATION IN LIEU OF THE TOP MARGINAL RATE OF 45%'**

From 1 July 1988 superannuation funds such as the Coal Industry Superannuation Fund have been liable to taxation on all earnings of the Fund. The Coal Industry Superannuation Fund has been granted compliance status by the Commissioner of Taxation as a complying superannuation fund since inception to 30 June 1994 and the Coal Industry Superannuation Board has made an irrevocable election to be a Regulated Superannuation Fund under the SIS legislation.

As a complying fund, the Fund has been taxed at the reduced rate of 15% in lieu of the top marginal rate of 45% thus ensuring members funds are protected.

No audit report required pursuant to the Superannuation Industry Supervision (SIS) legislation has ever reported any breaches.

#### NOTES:

This indicator is a key indicator in ensuring the Fund's compliance with Commonwealth Government Superannuation Standards ensuring a reduced taxation rate. Compliance also covers other administrative aspects of the Fund relating to:

- (a) Trustee issues
- (b) Trust Deed Amendments
- (c) Investments
- (d) Information Disclosure
- (e) Contributions
- (f) Benefit Issues
- (g) Administrative Matters
- (h) Employer Issues
- (i) Actuaries and Auditors

#### PERFORMANCE INDICATOR

**'THE EXTENT TO WHICH THE FUND'S LIABILITIES ARE COVERED BY THE ASSETS'**

A triennial Actuarial Review of the Fund was undertaken as at 30 June 2006.

The Actuary has indicated that the Fund is in a sound financial state and that assets are sufficient to cover:

#### Minimum Vested Benefits

This ratio measures the extent to which the minimum entitlements of contributing members are covered by the net market value of assets of the Fund. The minimum entitlements are those benefits payable if all members voluntarily resigned or retired, where aged over 55, as at the valuation date.

For the purposes of calculating the vested benefits, the Actuary has assumed that the resignation benefit is to be the cash/transfer resignation benefit.

Before calculating this ratio, the net market value of assets must be reduced by those assets representing the accumulation account liabilities and the accumulation investment fluctuation reserve (that is the accumulation assets).

Minimum Vested Benefits Ratio: 135%

A ratio of 135% represents a good level of cover for the Fund's minimum vested benefits.

#### NOTES:

This indicator has been derived to ensure the viability of the Fund is monitored, therefore allowing adjustments to benefits or contributions to be made if necessary.



**EFFICIENCY INDICATORS**

**(i) TO ENSURE MEMBERS RECEIVE PROMPT BENEFIT PAYMENTS.**

Payments to Fund members are processed by the Board immediately the Board receives coal mining companies fortnightly contribution returns which provide Fund members ceasing details.

**'AVERAGE TIME TAKEN TO PROVIDE A BENEFIT PAYMENT TO FUND MEMBERS.'**

A total of 81 benefit payments were made during 2006/07 compared to 58 benefit payments during 2005/06. The following comparative tables reflect the time taken to process benefits once the members ceasing details are received. Payments made later than 14 days were due to members indecision on benefit rollovers.

<b>2006/07</b>		
Days	No. of Benefits	%
1 - 5 days	59	73
6 - 14 days	18	22
15 - 28 days	4	5
over 28 days	-	-
	<u>81</u>	<u>100</u>

<b>2005/06</b>		
Days	No. of Benefits	%
1 - 5 days	40	69
6 - 14 days	15	26
15 - 28 days	3	5
over 28 days	-	-
	<u>58</u>	<u>100</u>

<b>2004/05</b>		
Days	No. of Benefits	%
1 - 5 days	34	62
6 - 14 days	17	31
15 - 28 days	3	5
over 28 days	1	2
	<u>55</u>	<u>100</u>

<b>2003/04</b>		
Days	No. of Benefits	%
1 - 5 days	22	41
6 - 14 days	22	41
15 - 28 days	4	7
over 28 days	6	11
	<u>54</u>	<u>100</u>

<b>2002/03</b>		
Days	No. of Benefits	%
1 - 5 days	37	42
6 - 14 days	36	40
15 - 28 days	11	12
over 28 days	5	6
	<u>89</u>	<u>100</u>

**(ii) THE EXTENT TO WHICH THE COST OF ADMINISTERING THE FUND IS MINIMISED.**

	<b>2006/07</b>	<b>2005/06</b>
Administration expenses	\$347,312	\$374,458
Percentage of Contributions received	2.98%	4.50%
Percentage of Total assets	0.23%	0.29%

	<b>2005/06</b>	<b>2004/05</b>
Administration expenses	\$374,458	\$339,334
Percentage of Contributions received	4.50%	5.62%
Percentage of Total assets	0.29%	0.32%

	<b>2004/05</b>	<b>2003/04</b>
Administration expenses	\$339,334	\$329,668
Percentage of Contributions received	5.62%	4.75%
Percentage of Total assets	0.32%	0.35%

	<b>2003/04</b>	<b>2002/03</b>
Administration expenses	\$329,688	\$276,182
Percentage of Contributions received	4.75%	3.85%
Percentage of Total assets	0.35%	0.34%

	<b>2002/03</b>	<b>2001/02</b>
Administration expenses	\$276,182	\$227,230
Percentage of Contributions received	3.85%	3.71%
Percentage of Total assets	0.34%	0.27%

## CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Coal Industry Superannuation Board's performance, and fairly represent the performance of the Coal Industry Superannuation Board for the financial year ended 30 June 2007.

\_\_\_\_\_  
**CHAIRPERSON**

\_\_\_\_\_  
**DATE**

\_\_\_\_\_  
**MEMBER**

\_\_\_\_\_  
**DATE**



## ANNUAL ESTIMATES 2007/08

(NOT SUBJECT TO AUDIT)

	Estimate 2007/08	Actual 2006/07
<u>Investment Revenue</u>		
Interest	70,000	99,197
Trust Distributions	2,000,000	1,976,106
Rent Received	15,000	25,000
Changes in Net MV	15,000,000	20,898,122
Direct Invest Expense	100,000	168,666
	<hr/>	<hr/>
	17,185,000	23,167,091
	<hr/>	<hr/>
<u>Contribution Revenue</u>		
Employer Contributions	4,200,000	4,476,474
Salary Sacrifice Conts	3,500,000	3,163,675
Member Contributions	1,000,000	2,187,707
Transfers In	1,145,000	1,823,751
	<hr/>	<hr/>
	9,845,000	11,651,607
	<hr/>	<hr/>
<u>Other Revenue</u>		
Insurance Proceeds	100,000	86,176
Changes NMV Other Assets	(15,000)	(13,912)
	<hr/>	<hr/>
	85,000	72,264
	<hr/>	<hr/>
TOTAL REVENUE	27,115,000	34,890,962
	<hr/>	<hr/>
EXPENSES		
Administration Expenses	420,000	347,312
Group Life Premiums	250,000	295,393
Contributions Surcharge	5,000	14,046
Benefits Paid	5,000,000	7,480,363
	<hr/>	<hr/>
Total Expenses	5,675,000	8,137,114
	<hr/>	<hr/>
CHANGES IN NET ASSETS		
BEFORE TAX	21,440,000	26,753,848
Income Tax Expense	1,900,000	1,845,491
	<hr/>	<hr/>
CHANGES IN NET ASSETS AFTER TAX	19,450,000	24,908,357
Net Assets Available to Pay Benefits (Beg. of Period)	151,745,709	126,837,352
	<hr/>	<hr/>
Net Assets Available to Pay Benefits (End of Period)	171,285,709	151,745,709
	=====	=====

## OUTCOME MEASURES

(NOT SUBJECT TO AUDIT)

### Outcome:

To provide superannuation and related benefits to members of the Fund in accordance with legislative requirements.

### Output:

Provision of Superannuation service to members.

### Description:

This output involves the induction of new members, receipt of contributions, investment of funds, reporting to members and payment of benefits.

### Output Measures:

#### Quantity

Number of members serviced

2006-07 Actual	2007-08 Target
934	940

Assets under management

2006-07 Actual	2007-08 Target
\$151M	\$171M

#### Quality

Number of Audit Exceptions

2006-07 Actual	2007-08 Target
Nil	Nil

Investment return compared to median fund manager

2006-07 Actual	2007-08 Target
+2.6%	+1.0%

#### Timeliness

Average time to satisfy member queries

2006-07 Actual	2007-08 Target
24 Hours	24 Hours

#### Cost

Management Expense Ratio (MER)

2006-07 Actual	2007-08 Target
0.58	0.58



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## AUDITOR'S OPINION - PERFORMANCE INDICATORS





## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### **COAL INDUSTRY SUPERANNUATION BOARD FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007**

I have audited the accounts, financial statements, controls and key performance indicators of the Coal Industry Superannuation Board.

The financial statements comprise the Statement of Net Assets as at 30 June 2007, and the Statement of Changes in Net Assets 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 "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.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.

**Coal Industry Superannuation Board**  
**Financial Statements and Key Performance Indicators for the year ended 30 June 2007**

**Audit Opinion**

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Coal Industry Superannuation Board at 30 June 2007 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 2007.



JOHN DOYLE  
ACTING AUDITOR GENERAL  
21 September 2007