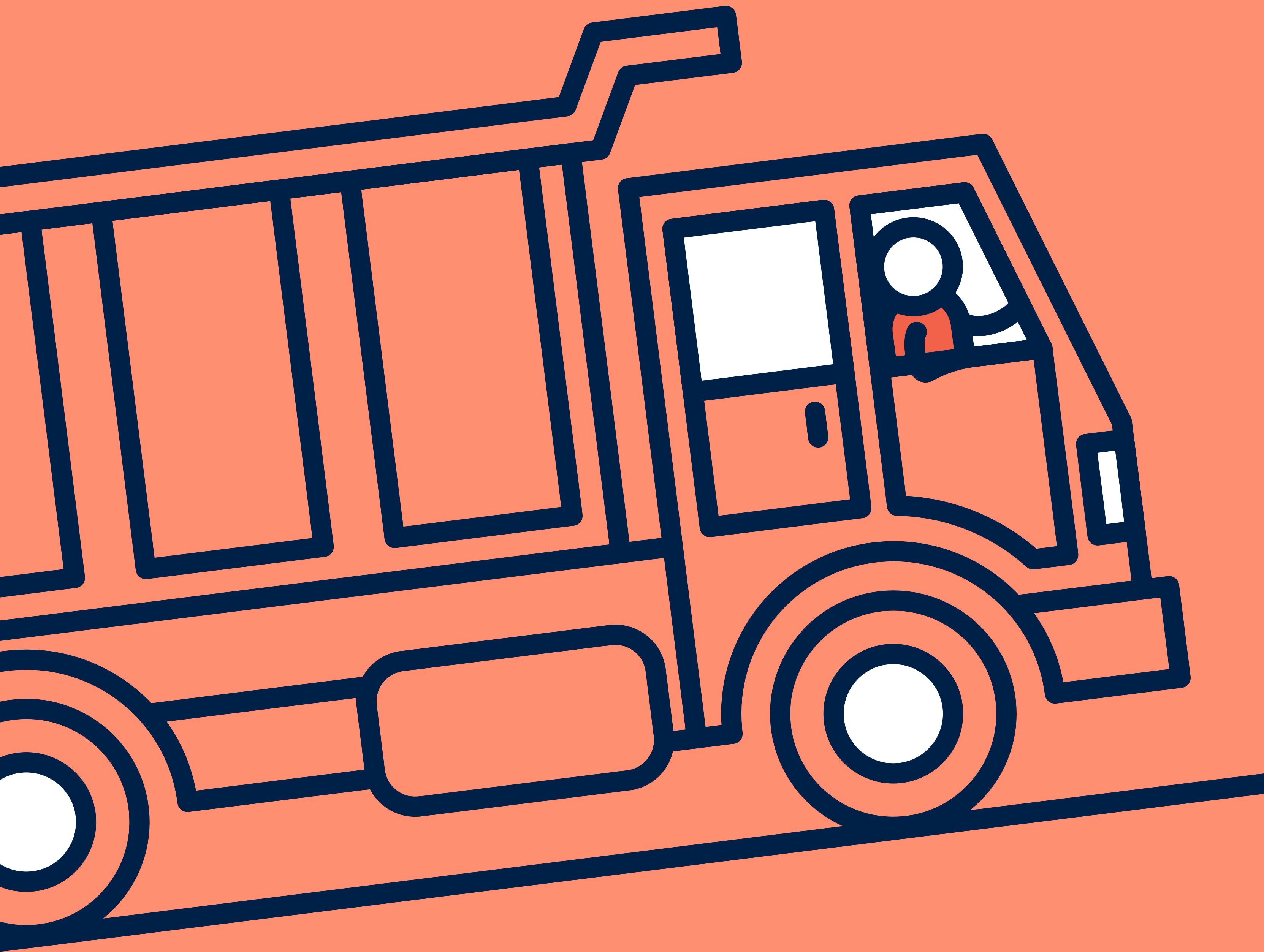

FY 2022
On Track

Portable Long Service Leave

Annual Report – 2021/2022
Construction Industry
Long Service Leave Board

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Presiding Officer’s Report

I am pleased to provide the annual report for the financial year 2022, which marks the end of the current Board's term of appointment.

Over the past five years, the Board has seen a 25% increase in registered workers and a 17% increase in registered employers. The Board's levy collections increased consistent with its growth in worker registrations.

A significant objective of the current Board when it was first appointed and which has been achieved is the Information Technology Environment Transformation Project which delivered:

— Cloud based technology solutions of: Accounting system, leave entitlement management system and CRM, records management and collaboration system and board meeting software

— Increased focus on cyber security, prevention, recovery and best practice.

The adoption of the cloud-based leave entitlement management system and CRM is particularly important as it replaces a 25-year-old bespoke product. It provides significant improvements to customers and increased efficiencies to the management and administration of the construction industry long service leave scheme (Scheme) including:

- Online lodgement and approval of long service leave claims
- A more modern and secure technological platform and enhancements
- Automated completion and processing of employer returns
- Enhanced visibility of accrued entitlements for workers online reducing the need for annual statements and improved security options
- Reduction in paper and postage

The Scheme's identity and website refresh was also completed further enhancing communication and compliance activities.

Throughout the Board's term of appointment there has been a review of all key partners and suppliers to ensure value for money, best practice and performance including auditors, actuarial services, and information technology providers. Importantly the Board achieved an unqualified audit in each of the last 5 years.

The Board has focussed on ensuring its governance approach continues to meet the highest standards as identified by the Australian Institute of Company Directors. Board members are continuously encouraged and supported to obtain professional development in investment, financial and governance issues.

The past five years have delivered significant challenges within both an operational and investment context, not least the COVID pandemic which emerged early in 2020 and the war in Ukraine.

The Board actively reviewed its investment strategy during these complex times, increasing its exposure to unlisted infrastructure, property, and environmental, social and governance assets.

The Board periodically reviewed its investment managers within the context of financial performance, customer service, and value for money.

The next year will be challenging as investment markets continue to be dynamic in the face of global and domestic issues. I have no doubt that the new Board will continue to monitor developments closely and make appropriate decisions with the specialist assistance of its investment managers.

As we enter the third year of the global pandemic the Board's strategic decisions particularly relating to information technology enabled it to be resilient and nimble in dealing with periods of staff working from home, staff turnover or illness, retaining its high level of customer service satisfaction and performance.

It is clear to the Board that the legislation remains complex, and we continued to hold discussions with industry groups regarding the application of the Act. We will continue to advocate for legislative amendments to make the Act clearer for industry participants.

Thank you to all of the Board Members and Deputy Board Members who served over the last five years ensuring that we operated with integrity, attention to detail and for the benefit of the construction industry.

Thank you to the CEO and staff of Portable Long Service Leave (present and past) who have continued to provide excellent customer service to workers, employers and the Board often under very difficult circumstances.

I wish the new Board, the CEO and staff of the Scheme continued success into the future.

Marie Boland
Presiding Officer

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CEO Report

I would like to echo the sentiments of our Presiding Officer and the recognition of the Board's achievements over the last 5 years amidst challenging conditions.

2022 felt a welcome return to normality as social distancing measures eased, handshakes returned, and people migrated back to the office (at least in part).

The South Australian construction sector remained strong in terms of completed and future work despite the challenges of material and labour shortages and inflationary pressures. This was reflected in Scheme registrations with a 6% increase in Employer and Worker registrations. The average industry ordinary weekly pay increased by 4.1% and levy revenues increased commensurately to $20M, the highest per annum amount collected to date. It's worthwhile to note that the Scheme has increased in size by 25% in the last 5 years and has managed this growth within its existing resource levels.

Long service leave claims returned to more normal levels following a brief hiatus last year, and it was pleasing to see employees using their accrued entitlement.

A challenging investment environment presented itself across all asset classes with inflation being a key area of risk. The emerging war in Ukraine dented a post pandemic recovery and added to already increasing inflation associated with the COVID pandemic. Growth assets of equities remained expensive with high valuations, and traditional defensive assets such as bonds offered a low yield with downside risk. Cash assets returned a negative real rate of return as inflation eroded its purchasing power. Maintaining the principle of diversification when most asset classes posed risk and headwinds was challenging.

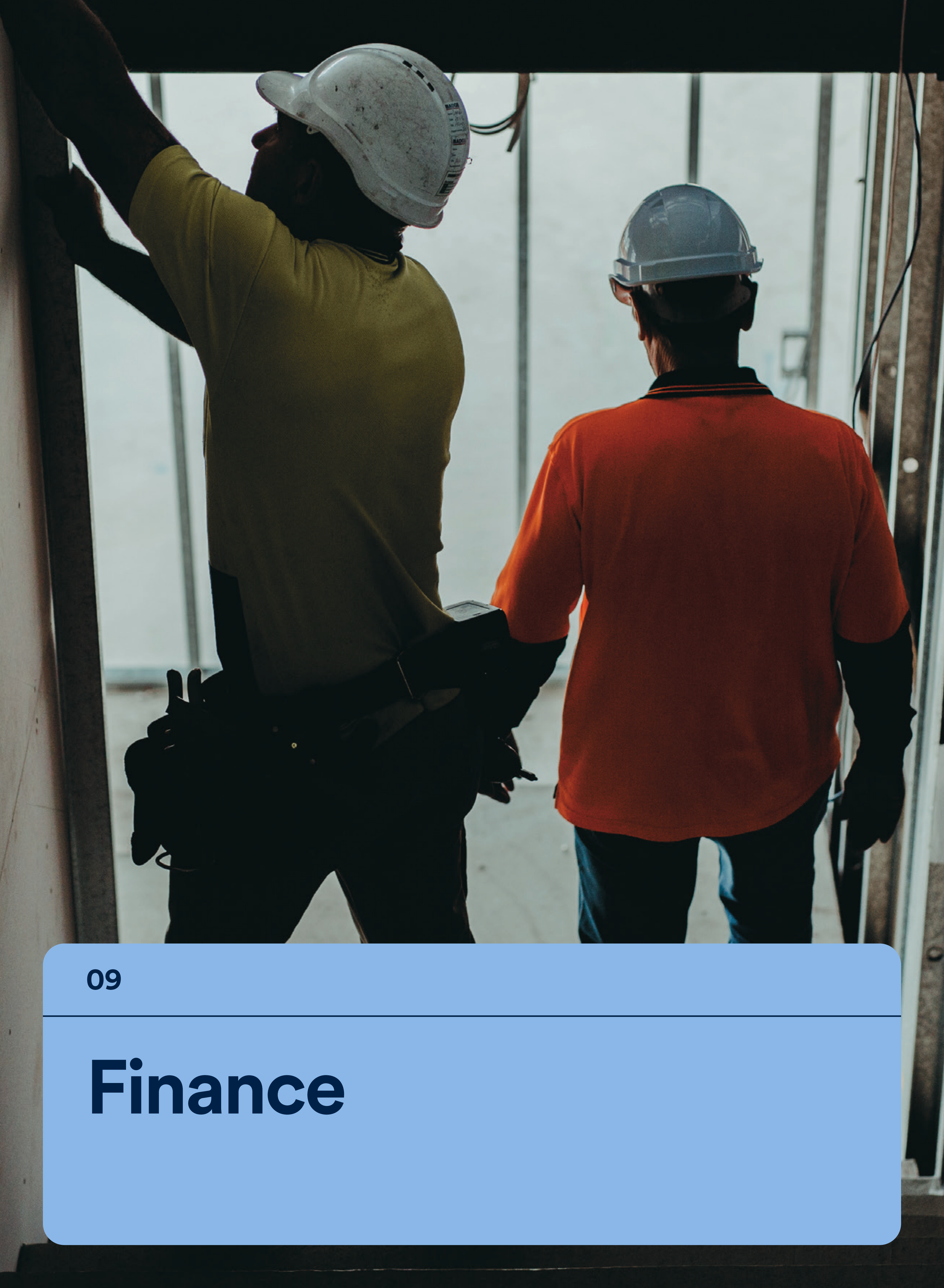
As the Board's investment portfolio is structured defensively, the combination of high inflation and an increase in interest rates led to negative bond returns coupled with negative returns in the growth side of equities. The fall in the Australian dollar against the US dollar and the Board's unlisted property and infrastructure investments provided some relief but the full year returns was -4.6%, the first negative return in the last 13 financial years. Despite this disappointing result the Board is still achieving its investment goals over the medium and long term and maintains a healthy solvency ratio and a sound financial position.

On the compliance front activities returned to normal and we commenced prosecution and debt recovery actions for a number of parties for non-lodgement of Employer Returns or non-payment of levies.

At an administrative level expenditure remained stable. We juggled some employee movements and periods of parental leave, and continued to bed down our new information system and make incremental improvements. We also changed our information technology managed service provider, rationalised our telephony, internet and support services and commenced a program to increase our cyber resilience.

My thanks as always goes to the small portable long service leave team for their dedication and hard work and to the Board for their leadership and guidance.

Adam Warchol
CEO



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Finance

FINANCIAL YEAR	2022	2021	2020	2019	2018
Clients					
Active registered workers (workers with an accrued entitlement)	34,692	32,601	31,604	30,743	27,815
Currently employed registered workers	26,075	23,089	23,820	22,816	21,777
Registered employers	2,909	2,755	2,620	2,567	2,486
Self Employed Contractors/Working Directors registered	546	595	611	643	654
Operations & Administration					
Salaries & related on costs	$932,000	$948,000	$891,000	$895,000	$945,000
Administration	$1,042,000	$887,000	$665,000	$754,000	$767,000
Total administration costs	**$1,974,000**	**$1,835,000**	**$1,556,000**	**$1,649,000**	**$1,712,000**
Claims					
No of long service leave claim	2,132	1,880	2,304	2,187	1,963
Value of long service leave claims	$15,814,258	$13,489,031	$15,042,775	$13,608,273	$13,173,111
Financial					
Total assets	$174,766,000	$179,489,000	$161,528,000	$157,897,000	$147,496,000
Total liabilities	$155,721,000	$147,305,000	$135,419,000	$129,862,000	$116,707,000
Funds under management	$164,569,000	$170,411,000	$154,404,450	$149,411,000	$140,575,000
Investment income	($7,962,000)	$13,673,000	$1,627,000	$7,800,000	$9,684,000
Investment return	(4.6%)	8.8%	1.1%	5.5%	6.8%
Levy rate	2.00%	2.00%	2.00%	2.00%	2.15%
Levy income	$20,809,000	$18,857,000	$18,469,000	$17,755,000	$16,204,000
Self Employed Contractors/Working Directors contribution rate	$260	$255	$245	$240	$235
Self Employed Contractors/Working Directors interest rate	0.20%	2.00%	2.00%	2.30%	2.00%
Operating cashflow excluding investment income	$3,680,000	$2,861,000	$2,120,000	$2,217,000	$914,000
Fund Surplus/(Deficit)	$19,045,000	$32,184,000	$26,109,000	$28,035,000	$30,789,000
People					
FTE headcount	10.6	10.0	10.0	9.6	9.6
Economic					
CPI	6.1%	3.2%	0.8%	1.4%	2.1%
Industry wage growth	4.1%	2.5%	4.0%	2.2%	2.5%
Average weekly earnings	$1,457	$1,399	$1,365	$1,312	$1,284
Performance Indicators					
Administration cost per client	$51.68	$51.04	$44.67	$48.57	$55.31
Management expense ratio	1.1%	1.0%	1.0%	1.0%	1.2%
Benefits expense ratio	88.9%	88.0%	90.6%	89.2%	88.5%
Leave utilisation rate	6.1%	5.8%	7.3%	7.1%	7.1%
Solvency ratio	112.2%	121.8%	119.3%	121.6%	126.4%
	3.52%	5.99%	4.65%	6.23%	7.45%

**Due to accounting standard changes implemented in FY2019 some financial figures have been restated to provide meaningful comparatives.

State of the Fund

As at 30th June 2022 the Fund has an accumulated Surplus of $19.0M and a solvency ratio of 112.2%.

Summary of Financial Year

In FY2022 the Board incurred an operating deficit of $13M driven by a challenging investment environment and its solvency ratio decreased to 112.2%.

Levy revenue increased 10% from FY2021 to $20.8M. The increase was representative of increased worker registrations along with an increase in wage inflation at 4.1%.

Unrealised investment losses totalled $14.6M offset by realised investment gains of $6.7M representing a total -4.6% return on investment as all asset classes apart from unlisted property and infrastructure struggled.

The volume of Worker Payment claims increased by 8.6% from FY2021 as more workers used their long service leave entitlement - most likely driven by travel restrictions associated with the COVID pandemic easing.

The Worker Payment Provision increased by $8.2M from FY2021. This was due to the increase in worker registrations, and a minor revision of economic assumptions by the Actuary.

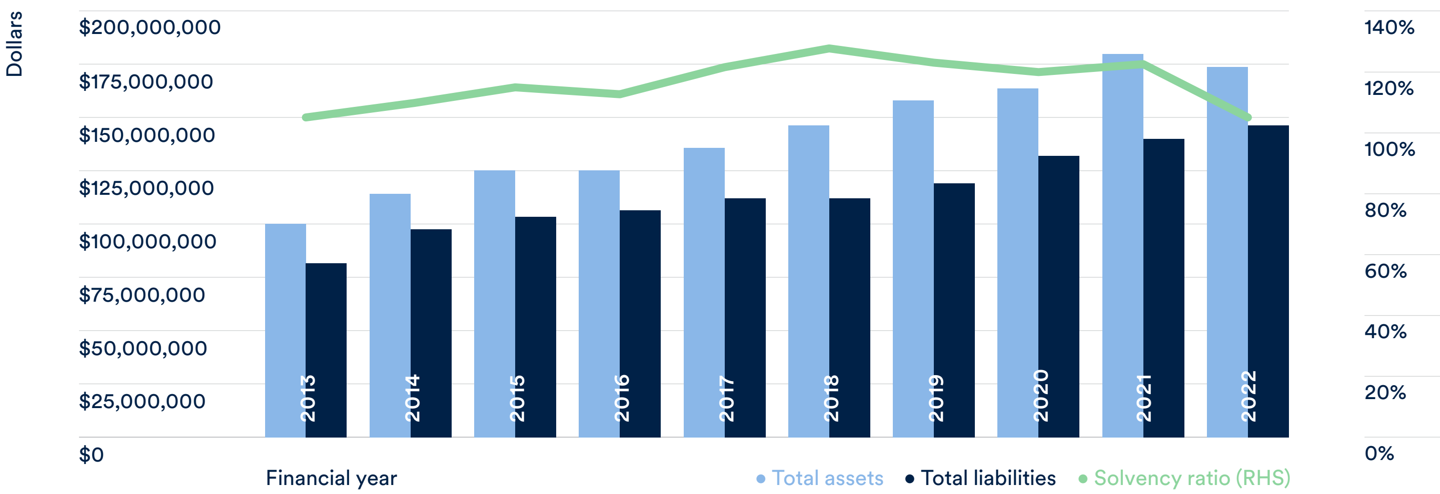
Total operating expenses increased by 7.5% mainly attributed to legal and information technology spend.

Total assets decreased to $175M reflecting the challenging investment performance.

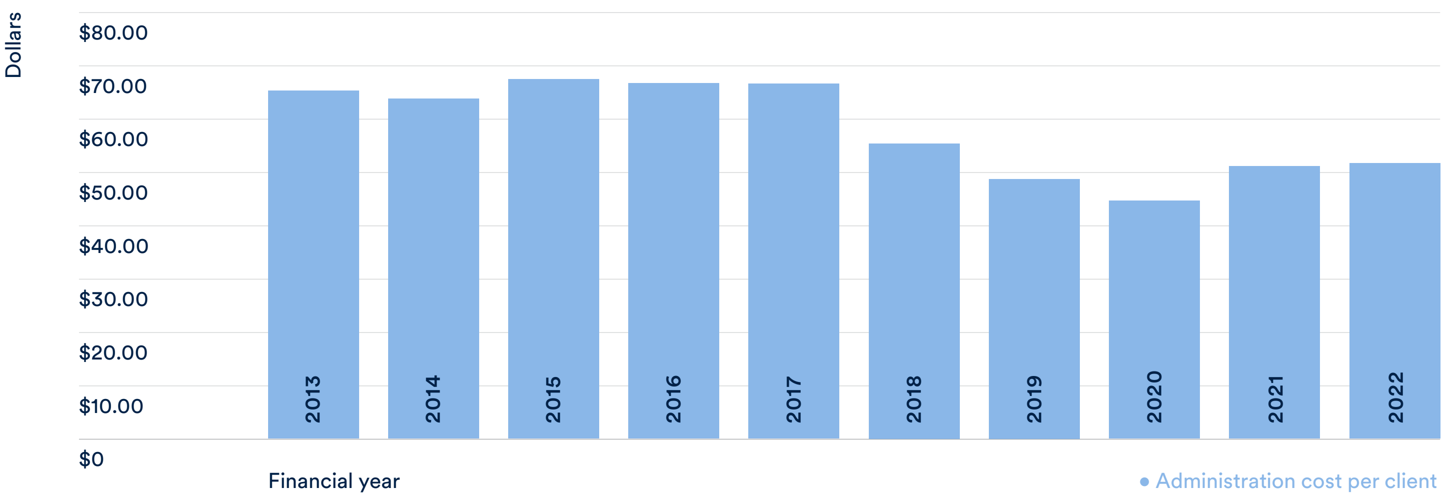
Cash flows from operating activities (excluding investment income) were positive in FY2022 reflecting increased levy collections during the year. Additional funds were added to the managed investment portfolio during the year and no redemptions were required from investments to supplement operating cash flows.

	Actual 2021/22 ($ Million)	Budget 2021/22 ($ Million)
Income		
Levies	20.81	18.26
Investments (including cash holdings)	(7.96)	10.92
Other	0.00	0.00
Total Income	12.85	29.18
Expenditure		
Long Service Leave Payments	15.81	16.00
Increase in accrued LSL liability	8.21	7.00
Salaries & Related Costs	0.93	0.97
Operating Costs	1.05	0.98
Total Expenditure	26.00	24.95
Surplus/(Deficit)	(13.15)	4.23

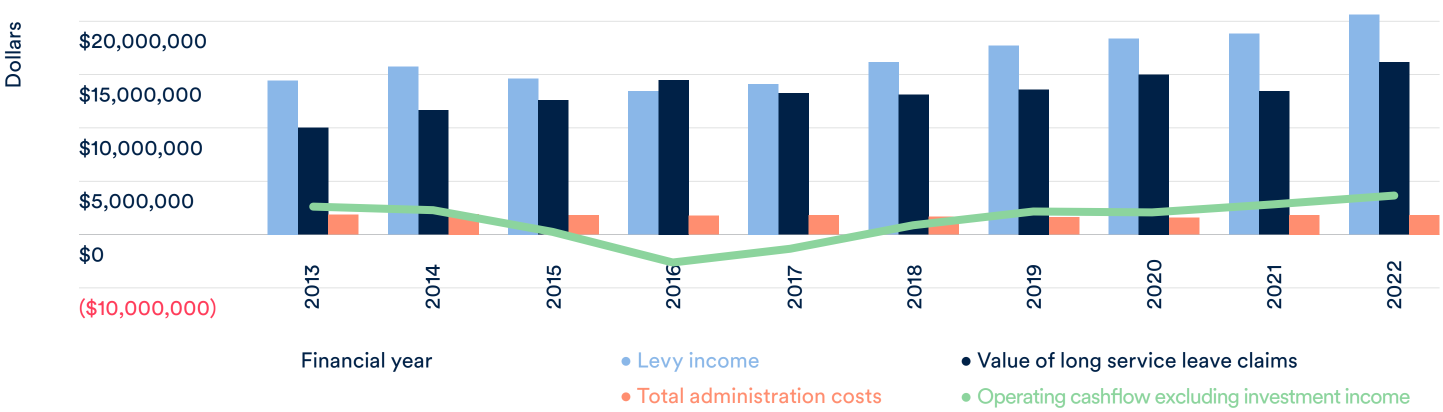
Asset & Liability — 10 Year Trend



Administration Cost Per Client — 10 Year Trend



Operating Cashflow excluding Investment Income



Investment

Investment returns form a vital element of the Scheme, supplementing levy revenues to ensure the Fund can meet future long service liabilities.

As part of its broader organisational strategy, the Board utilises an implemented consultancy investment model to achieve its investment objectives. Being a small organisation, this strategy is the most effective to leverage the wide research and investment skills required to manage over one hundred and sixty-five million dollars of investment. JANA Investment Advisers have a long-standing relationship with the Board as its primary investment consultant and are an industry leader in their field.

During the year the Board's investment objectives remained unchanged:

- A high probability the net return exceeds the inflation rate (CPI) by at least 2% per annum over rolling five-year periods.
- Limiting the probability of a negative annual return to one year in every four years, on average.
- A high probability that the Fund will maintain a solvency between 100% and 115%.

Performance

Following a strong first half to the financial year led by a post COVID pandemic recovery, investment markets struggled in the second half with poor performance across the asset classes of equities and debt.

The impact of inflation became prominent due to supply chain issues associated with the Russian invasion of Ukraine, continued impacts to the global economy due to the COVID pandemic, and quantitative easing and fiscal stimulus in developed countries. The sustained (rather than transitory) inflationary trend caught central banks and markets by surprise with central bank interest rate policy increases soon following.

Equities and debt (bonds) both performed poorly in this environment breaking their historic negative correlation and resulting in both growth and defensive assets making negative returns. The combination of high government bond rates and large credit spreads saw some of the largest negative returns for bonds ever.

The Board's defensively positioned portfolio saw more volatility than traditionally expected in its defensive assets resulting in an overall negative return of -4.6%.

Accordingly, the Board did not achieve its investment objective of CPI plus 2% for the year but importantly the solvency ratio remained within its target range of 100%-115%.

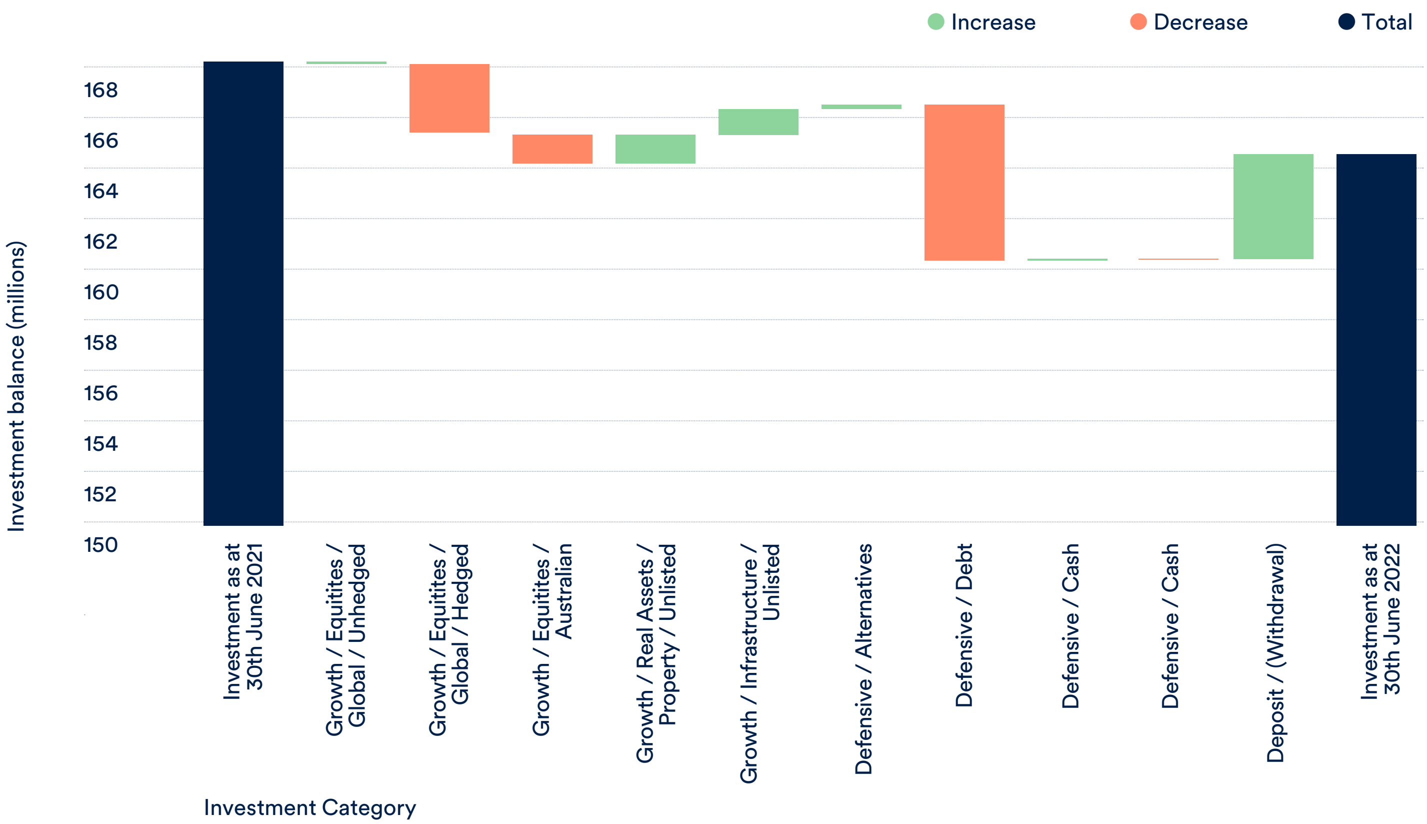
FY2022 Asset Allocation and Performance

Category						Asset Allocation at 30/06/2022	Investment Gain/Loss	Withdrawals / Deposits	Performance
All investments	Construction Industry Fund	Growth	Equities	Global	Unhedged	$24,769,367	($2,814,622)	$-	(10.20%)
					Hedged	$-	$-	$-	-%
				Australian		$21,148,076	($1,123,803)	$1,405,600	(4.82%)
			Real Assets	Property	Unlisted	$8,188,556	$1,142,570	$-	12.90%
				Infrastructure	Unlisted	$10,335,735	$968,917	$-	10.34%
			Sub Total			$64,441,734	($1,826,937)	$1,405,600	(2.69%)
		Defensive	Alternatives			$7,462,222	$180,957	$-	2.49%
			Debt			$85,672,246	($6,248,925)	$2,594,400	(6.79%)
			Cash			$-	$-	$-	-%
			Sub Total			$93,134,468	($6,067,968)	$2,594,400	(6.11%)
		Total				$157,576,202	($7,894,905)	$4,000,000	(4.74%)
	Self-Employed Contractor and Working Director Fund	Defensive	Cash			$6,992,411	($17,870)	$400,000	(0.27%)
	Total					$164,568,613	($7,912,775)	$4,400,000	(4.56%)

Note: Performance is calculated on a weighted rate of return and may vary slightly from values published by individual Investment Advisors or Trusts.

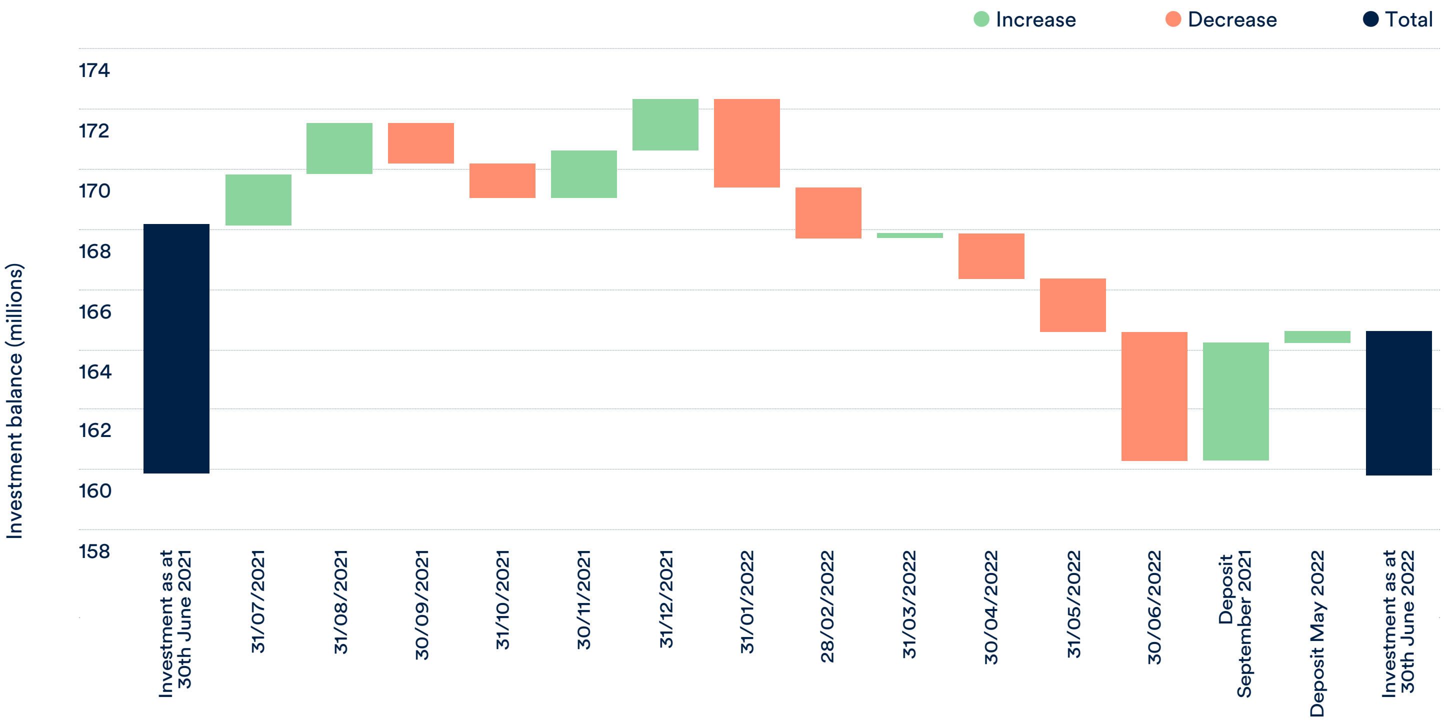
FY2022 Movement in Investments (Gain/Loss) By Category

This graph illustrates the monthly movement of the Scheme's total investments from the start of the financial year to 30th June 2022. The blue bars illustrate an increase in value and the red bars illustrate a decrease in value.



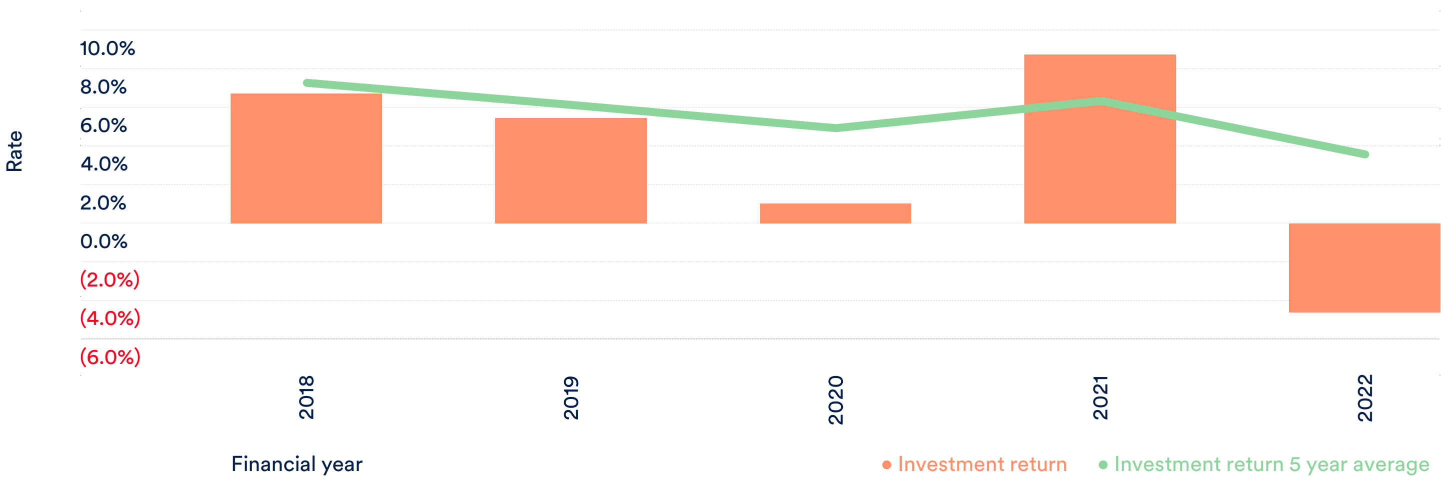
FY2022 Investment Movement by Month

This graph illustrates the monthly movement of the Scheme's total investments from the start of the financial year to 30th June 2022. The blue bars illustrate an increase in value and the red bars illustrate a decrease in value.



5 Year Investment Return

The five-year average return on investments held by the Board is 3.52%.



Self-Employed Contractor / Working Director Fund

The Self-Employed Contractor / Working Director Fund is a voluntary fund established to facilitate the preservation of previously accrued service when a construction worker transitions from an employee to a Self-Employed Contractor or Working Director. Rather than forfeiting their previously accrued service. Self-Employed Contractors or Working Directors can voluntarily make up to 6 fixed bi-monthly contributions per annum in order to accrue service credits that will contribute to reaching a long service leave entitlement.

The fund is an accumulation fund as registrants will receive their original contributions plus an investment return in the form of interest when they reach entitlement and/or exit the fund. This is in addition to any accrued entitlement that has vested in the construction worker fund (defined benefit).

The Board is required to set the contribution amount and interest rate annually in advance for the Financial Year ahead and as such is exposed to interest rate risk.

The Contribution and Interest Rate for the 2021/2022 Financial Year were:

Financial Year	2022	2021
Contribution Rate (Bi Monthly)	$260.00	$255.00
Interest Rate	0.2%	1.0%

The bi-monthly contribution amount is set at a level comparable to the current industry average ordinary weekly pay rate. The interest rate is aligned with the expected investment earnings of the fund. In recent periods the interest rate has been set at a level higher than the expected return of the underlying investment in order to return some of the excess returns received over time back to its members.

Registrants can exit this fund at any stage therefore a different investment risk profile is applied to reduce the risk of capital loss and provide adequate liquidity.

This fund is segregated from the core investment portfolio due to its defined purpose and different operating rules.

The Self-Employed Contractor / Working Director Fund has returned an average of 3.3% since its inception in 2006.

As at 30th June 2022 the balance held in investment was $6,992,411 against a liability of $7,026,799.

Actuarial Services

The Board uses an Actuary to undertake an annual valuation of its liabilities in accordance with section 24 of the Act. The valuation process is cyclic with a comprehensive review scheduled every 3 years. This triennial review involves a detailed review of actuarial and financial assumptions which are carried through on the intervening years. The valuation undertaken in the 2021/2022 financial year was an intervening year.

Mercer were appointed as the Board's Actuary in 2018 following a competitive tender.
Mercer provided the following services in respect of the 2021/2022 financial year:

- Annual report on the valuation of the Scheme's long service leave liabilities at 30th June, sufficiency of the Construction Industry Fund and appropriateness of the levy rate;
- Sensitivity analysis on the future funding of the scheme including projected cash flows and liabilities over the next eight years;
- Recommendation to the Board on the contribution rate and interest payable on account balances under the Self-Employed Contractor / Working Director Fund;
- Provision of short-term liability forecasts for budget purposes.

Valuation

The FY2022 valuation by the Actuary of worker entitlements estimates the Board's liability (excluding registered contractors and working directors) to be $148M with Vested Benefits being $134M.

Financial Year 2022	**Value of Liability** (excluding Self-Employed Contractors and Working Directors)	**Leaving Industry Vested Benefits** (excluding Self-Employed Contractors and Working Directors)
Value of Liability	$147,647,000	$133,982,000

The FY2022 valuation estimates the Board's liability in relation to self-employed contractors and working directors to be $7.0M.

The FY2022 valuation estimates the Board's total liability to be $155M.

	Financial Year 2022	Financial Year 2021
Construction Workers	$147,647,000	$139,422,000
Self-Employed Contractors \ Working Directors	$7,027,000	$6,716,000
Total Provision Long Service Leave Entitlements	**$154,674,000**	**$146,158,000**

Assumptions

The Actuary uses several experiential and economic assumptions in order to estimate the value of the Board's liabilities.

Experiential assumptions include:

— Whether workers are active or inactive in the industry (in terms of accruing service credits during the year);

— The rates at which workers will accrue service credits in future;

— The rates at which workers will leave the Fund due to death, incapacity, retirement and leaving the industry; and

— The rates at which workers will take their long service leave entitlements.

Economic Assumptions include:

— An average long term rate of wage inflation; and

— An average long term investment return rate (discount rate).

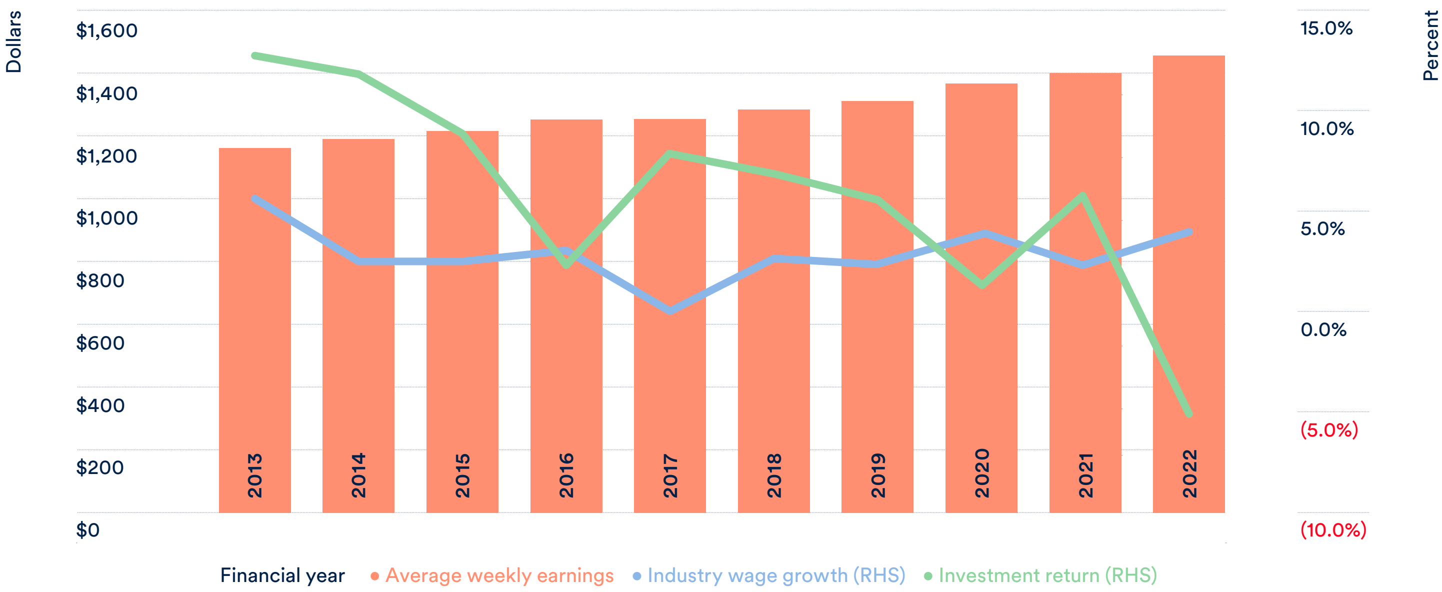
The Actuary uses a single long term investment return rate assumption that is intrinsically adjusted to allow for any short/medium-term expectations.

The economic assumptions are as follows:

Assumption	Financial Year 2022	Financial Year 2021
Average Weekly Earnings (Wage 3.2% Inflation)	3.2%	3.2% pa
Investment Return	5.4%	5.2% pa
Gap	2.2%	2.0% pa

Average Weekly Earnings increased in FY2022 by 4.1% to $1,457 ($1,399 in FY2021). The actual Investment Return was -4.6% in FY2022 (8.8% in FY2021).

Average Weekly Earnings



Whilst the Fund's financial position has weakened over the year, as has been anticipated given the challenging investment environment and the negative investment outcomes experienced, the Fund remains in a sound financial position as at 30th June 2022 with a surplus (total assets exceeding total liabilities) of $19.0M and a solvency ratio of 112.2%.

Audit Services

Nexia Edwards Marshall were appointed the Board's auditors in 2019.

An unqualified audit opinion was achieved during the 2021/2022 Financial Year.

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Operations

Employer Return Management

Every employer in the construction industry as defined under the Act must furnish the Board with an Employer Return containing details of eligible employees who have worked over the prescribed period. Information contained in the Employer Return is then used to calculate the appropriate levy and credit service to construction workers long service leave entitlements.

Employer Return management is a shared responsibility across the organisation encompassing:

- automatic reminders
- data entry and review
- customer education and communication
- error correction and investigation
- statutory fines
- debt collection
- prosecution.

Employer Return Management								
Financial Year	Issued	Received on time		Late		Fines		
	No	No	%	No	%	No	%	Amount
2022	16,680	13,716	82%	2964	18%	1,394	8%	$104,550
2021	14,595	12,005	82%	2,590	18%	420	3%	$31,500
2020	13,604	11,529	85%	2,075	15%	393	3%	$29,475
2019	13,017	11,182	86%	1,835	14%	538	4%	$40,350
2018	12,423	10,400	84%	2,023	16%	478	4%	$35,850

FY2022 saw a substantial increase in the number of fines applied following a temporary suspension of late payment fines in FY2021 during the peak of the COVID 19 pandemic.

During the year the Board wrote off $99K of bad debt from 20 employers.

Bad Debt Write Off	FY2022	FY2021	FY2020	FY2019	FY2018
No	20	14	26	20	30
Value	$99,169	$96,953	$79,117	$105,341	$81,817

Prosecution and Debt Recovery

During the year the Board commenced 8 Prosecution or Debt Recovery actions for non-lodgement of employer returns or non-payment of employer levies.

Legislation

Legislative Amendments

There have been no further developments regarding the proposed amendments to the Act which were part of a consultation process undertaken by the South Australian Government in 2019.

Information Technology

Information Systems

In FY2022 the Board completed the final step in its information technology strategy of cloud enablement and decommissioned its onsite server infrastructure. This has reduced technology and capability risk to the Board through the adoption of high grade commercial cloud infastructure and services that the Board is unable to resource on its own.

Cyber Security

The Board also established a project to increase its cyber security capabilities with the adoption of the Australian Cyber Security Centre's Essential 8 Maturity Model. The project is progressive in nature and will continue into FY2023 and formalises many of the practices already in place. The Board's expectation is to meet a Maturity Level 3 which is the highest level achievable within this framework.

No cyber security incidents were recorded for the year.

Employees were periodically reminded to be vigilant of cyber security risks amongst other risk controls in place.

Communications and Field Activities

Implementation of our communication and field strategy continued in 2021/2022 but remained muted due to COVID pandemic restrictions.

As South Australia entered a suppression phase in December 2021 restrictions eased and confidence improved and field activities resumed to more normal levels.

Routine engagement with stakeholder groups including employer associations and unions is a well established means to ensure their members are adequately informed about the Scheme. This involves advertising and editorial content in member-based publications, general check-ins, and attendance at member related functions by Portable Long Service Leave representatives.

During the year we continued to regularly communicate directly with members:

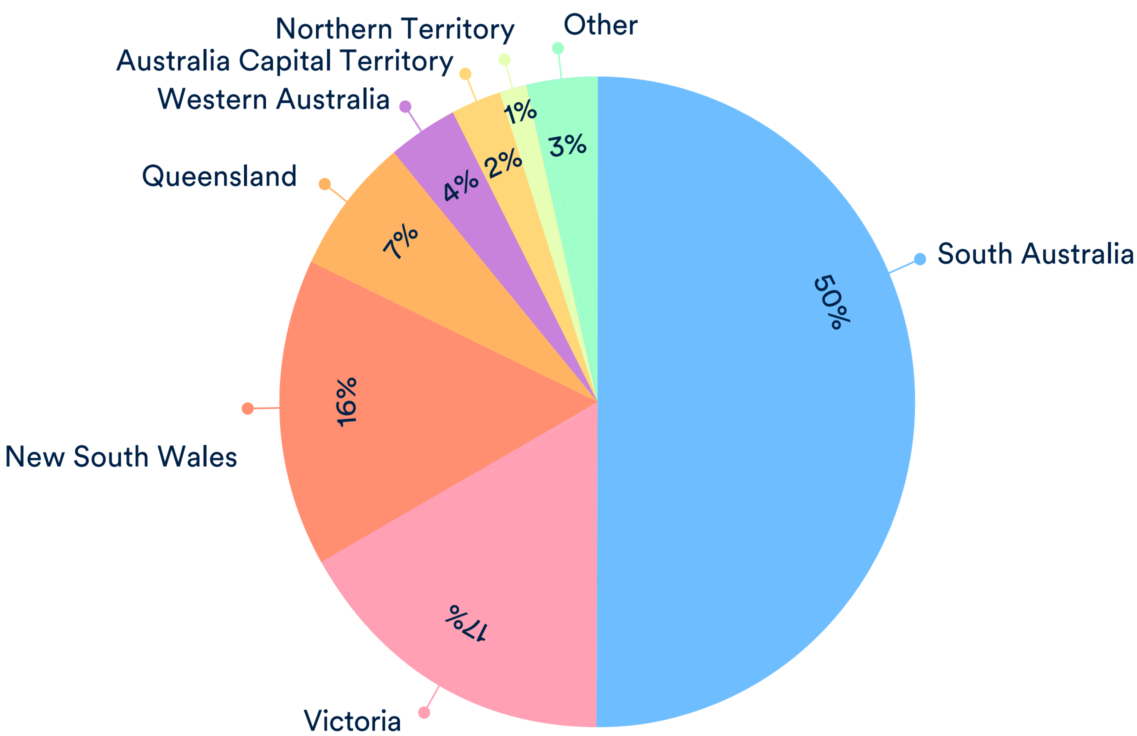
- to keep members informed of, legislative and policy updates, scheme coverage issues, statutory obligations, and general scheme matters
- to notify workers of approaching leave entitlements or when they may lose service credits due to industry absences

This was achieved by:

- issuing electronic notifications to actively registered workers
- issuing electronic notifications prior to the due date for employer return lodgement to assist employers to comply with scheme obligations
- Publishing news articles on our website

Our website www.portableleave.org.au was regularly accessed with approximately 47,000 unique users over the course of the year across all States and Territories representing a 10% increase from the prior year. The largest cohort of users are based in South Australia however approximately 50% of activity is generated by interstate users.

Website Users By Region



Field activities consist of proactive communication and education of stakeholders together with compliance activities.

	Activity	FY2022	FY2021	FY2020	FY2019	FY2018
Communication	Site Visits	54	107	177	151	152
	Apprentice Presentations	53	27	26	28	19
	Employer Meetings	60	207	81	112	285
	Worker Meetings	7	45	5	7	20
	Industry Stakeholder Meetings	12	4	8	17	27
	Letters to prospective employers	49	86	114	111	813
	Regional Visits	9	3	7	5	11
Compliance	Employer Audit	40	64	141	59	7
	Unregistered Service Investigation	303	185	207	217	254
Outcome	Employer Registration Requests	428	407	341	360	367
	Contractor Registration Requests	69	108	110	115	115
	Total Activities	**1084**	**1,252**	**1,217**	**1,182**	**2,059**
	Additional Levies Identified	$1,295,245	$1,989,716	$1,527,584	$1,161,303	$952,180
	Interest Imposed	$112,779	$174,955	$130,871	$126,859	$102,098

9 trips to regional areas were undertaken during the year covering:

- Barossa Valley
- Fleurieu Peninsula
- South East
- Iron Triangle
- Mid North
- Eyre Peninsula
- Yorke Peninsula
- Riverland/Murraylands

An internal audit program exists to review rates of compliance with the Act. Employer audits are selected based on random and targeted methodologies and verify accuracy of information declared on employer returns.

Project audits are undertaken to focus on non-compliant employers.

Financial Year	2022	2021	2020	2019
Audits Completed	40	64	141	59
Compliant	29	38	91	34
Non-Compliant	11	26	45	25

Incidents of non-compliance discovered during audits are typically low-level mistakes representative of complexities with the Act resulting in further education for the employer.

The Board uses data matching techniques utilising external sources of information to identify possible non-compliant employers and allow the Board to initiate communication.

An additional $1.4M in levies and penalty interest was collected in FY2022 through compliance activities.

During the year, the Board was respondent to three requests for review of its decisions in the South Australian Employment Tribunal in accordance with Section 34 of the Act. Two of the Tribunal matters remain ongoing.

Registrations

FY2022 saw a modest increase of 6.4% in active registered workers, an increase in registered employers of 5.6%, and a large increase in currently employed registered workers of 12.9%.

Financial Year	2022	2021	% Change
Active registered workers (Employed or less than allowable absence)	34,692	32,601	6.4%
Currently employed registered workers	26,075	23,089	12.9%
Registered employers	2,909	2,755	5.6%
Contractors/Working Directors registered	546	595	(8.2)%

Age demographics remain consistent with previous years with a significant proportion of workers being under the age of 40 (68%) and an even higher proportion under the age of 50 (83%).

Usage of Long Service Leave

Leave utilisation measured as a percentage of claims to registrations has increased slightly from last year but remains lower than the 5 year average.

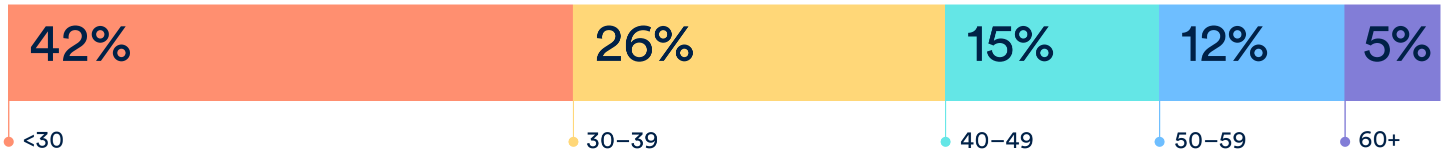
Usage of leave is spread broadly across age bandings however 68% of leave utilised is for persons under the age of 50 indicating many employees are utilising long service leave during their working years rather than saving it until retirement.

Whilst there is a larger volume of workers using long service within the age bracket of 50 and below, the utilisation rate increases with age with a higher utilisation rate for the age brackets 50 and above.

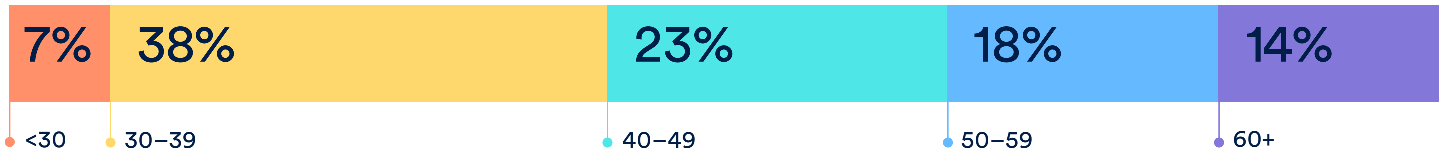
This year approximately 62% of registered workers took long service leave whilst working in the industry. Approximately 26% of registered workers took a pro rata / leaving industry payment as they left the industry or transitioned into a role no longer covered by the scheme.

Claims involving interstate service represented 9% of all claims.

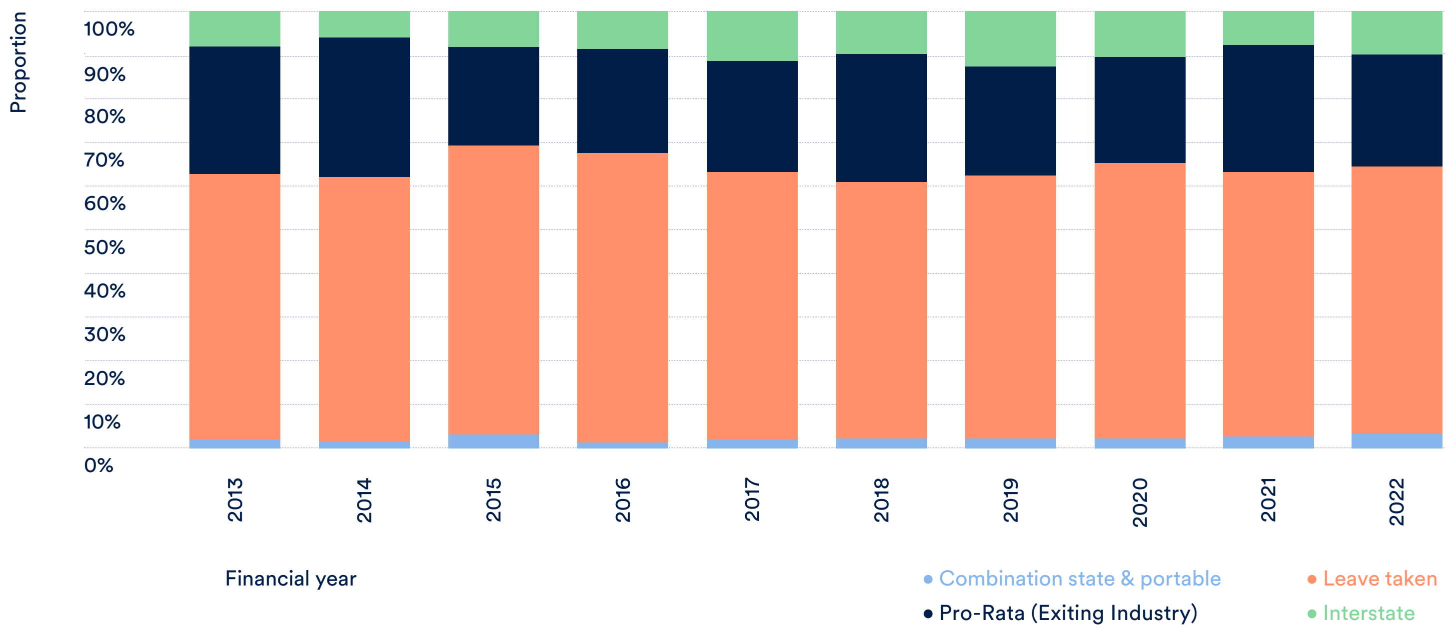
FY2022 Registrations By Age



FY2022 LSL Claims By Age



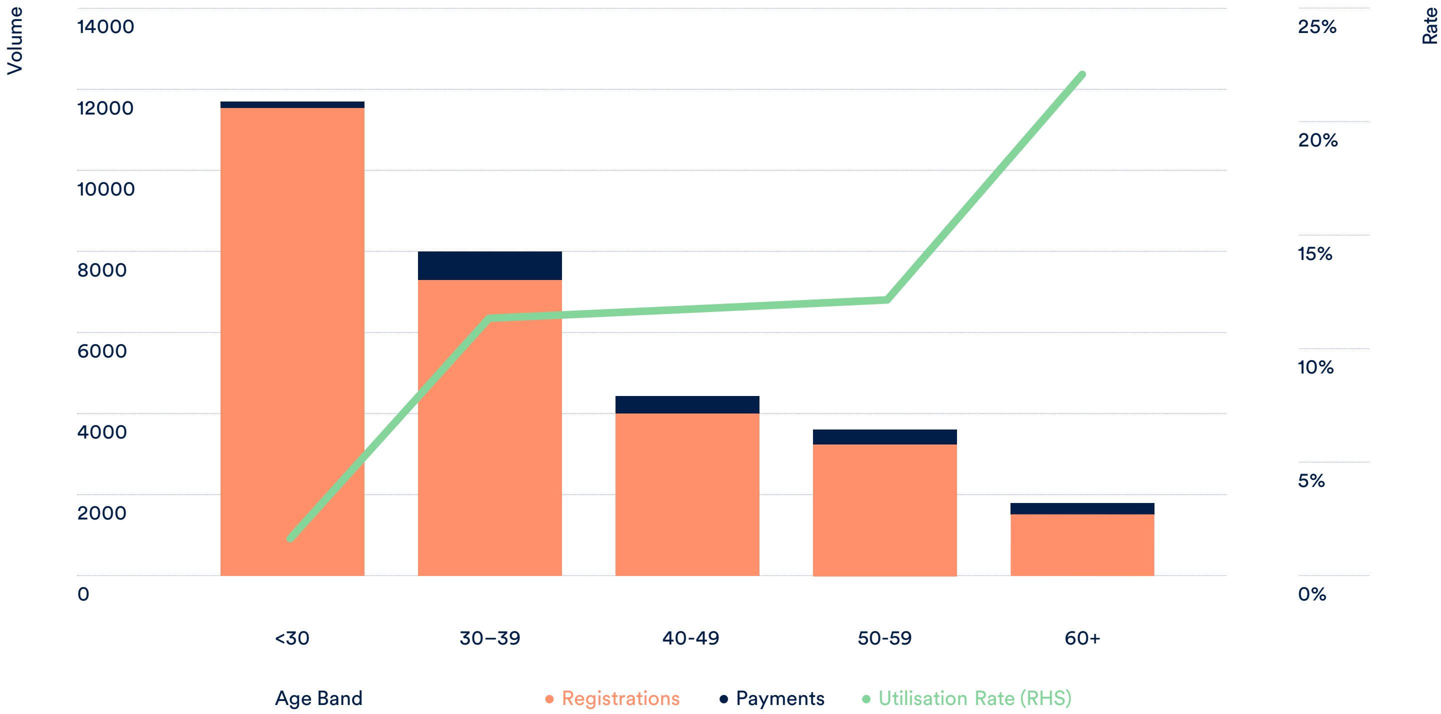
LSL Claims By Type



FY2022 Apprentice Profile

No levy is imposed on apprentices, however they continue to accrue long service leave service credits in the same way as other workers.

FY2022 Utilisation By Age



*Utilisation rate is total long service leave claims divided by total registered workers.

Governance

The Construction Industry Long Service Leave Board (the Board) is responsible for the administration of the Construction Industry Long Service Leave Act 1987 (the Act). Portable Long Service Leave is the Business Name of the Board.

Composition

Membership of the Board is determined in accordance with section 7 of the Act and comprises of three members appointed to represent the interests of employers and three members appointed to represent the interests of workers. The Presiding Officer is nominated by the Minister for Industrial Relations.

Appointments

The Board was appointed by the Governor on 27th June 2017, effective 1st July 2017 for a period of 5 years.

No appointments were made during the year.

The Board's 5 year term ended on 30th June 2022

Board Meetings

During the 2021/2022 year the Board met on 11 occasions, excluding sub committees and working parties.

Board Members	Nominating Body	Meetings available to attend	Meetings attended
Ms Marie Boland	Independent Presiding Officer	11	11
Mr Peter Bauer	SA Unions	11	9
Ms Erin Hennessy	SA Unions	11	11
Mr Stephen Knight	Housing Industry Association	11	11
Mr Steve Minuzzo	Master Builders Association	11	11
Mr Larry Moore	National Electrical and Communications Association	11	11
Mr Peter Russell	SA Unions	11	11
Deputies			
Ms Melissa Adler	Housing Industry Association	1	0
Mr John Adley	SA Unions	1	0
Ms Demi Brown	Airconditioning and Mechanical Contractors Association SA	1	1
Mr Stuart Gordon	SA Unions	3	3
Ms Alexandra Russell	SA Unions	1	0
Mr Peter Salveson	Hansen Yuncken	1	0

Note: Both Board members and deputies were eligible to attend March 2022 Strategic Planning Board Meeting.

Board Committees

Due to its small size and frequency of meetings the Board does not have standing subcommittees. Instead, the Board establishes sub committees on an as-required basis in order to provide closer attention to important issues facing the organisation.

In 2021/2022 the Board established a subcommittee to manage the renewal of the CEO's employment contract.

Overseas Travel

During the 2021/2022 financial year, no members of the Board engaged in overseas travel in the capacity as a member of the Board.

Board Training & Development

During the 2021/2022 year the Board undertook the following training and development activities:

- Investment Briefings
- Non accredited Investment Asset Class Training
- Online access to institutional investors self-paced investment training
- Individual Board member training within policy limits or self-funded including:
  - Australian Institute of Company Directors

Strategic Planning

The Board undertook a facilitated workshop considering the implementation of the 2020-2022 strategic plan and the creation of a strategy for the next 3 year period 2023-2025.

Risk Management

The Board has a structured approach to risk management via a risk management framework and risk register that is reviewed regularly by an internal risk review committee made up of representatives from different areas of the organisation. The risk committee met twice during the year in October 2021, and April 2022 and reported to the Board in November 2021.

The Board's business continuity plan was activated in July 2021 and January 2022 with closure of the office and a work from home period initiated. There were no adverse outcomes to the organisation or customer service levels through this period.

Annual Report

The 2020/2021 Annual Report was tabled in Parliament in accordance with the Act on the 12th October 2021.

Board Remuneration

Board members are remunerated in accordance with Department of Premier and Cabinet (DPC) Circular 16 – Remuneration for Government Appointed Part Time Boards and Committees.

The Board as classified as a Category 1, Level 6 Board.

Financial Performance

The Board received an Unqualified Audit Report from Nexia Edwards Marshall for the 2021/2022 year.

Fraud

One instance of external fraud/theft was detected during the year 2021/2022 and investigated by police. The fraud/theft was minor and did not relate to corruption or endemic fraud.

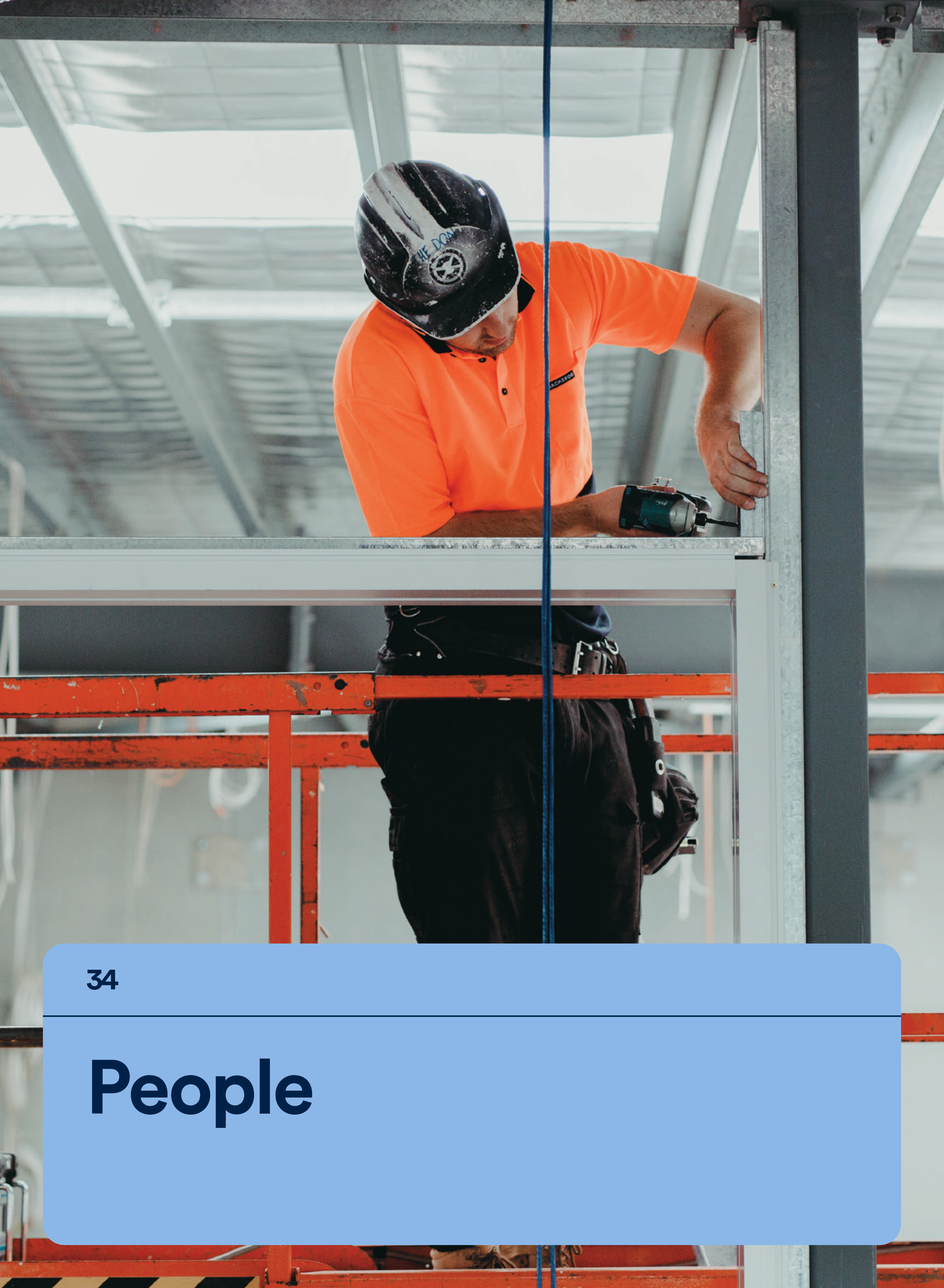
Delegations

The Board maintains a schedule of delegations that is reviewed annually. It was reviewed and subsequently approved in the June 2022 Board Meeting.

Day to day management of the Board's affairs and the implementation of strategy and policy are delegated to the Chief Executive Officer and management.

Insurance

The Board has insurance coverage through the South Australian Government Financing Authority (SAFA).



People

Employees as at 30th June 2022 totalled 10.6 FTE.

The Board recognises and values the contribution of its employees ensuring transparent and equitable remuneration, flexible working arrangements, training and development opportunities, and input into policies and procedures where applicable.

No Workplace Health and Safety incidents of significance occurred during the year.

An Employee Assistance Program was made available throughout the year.

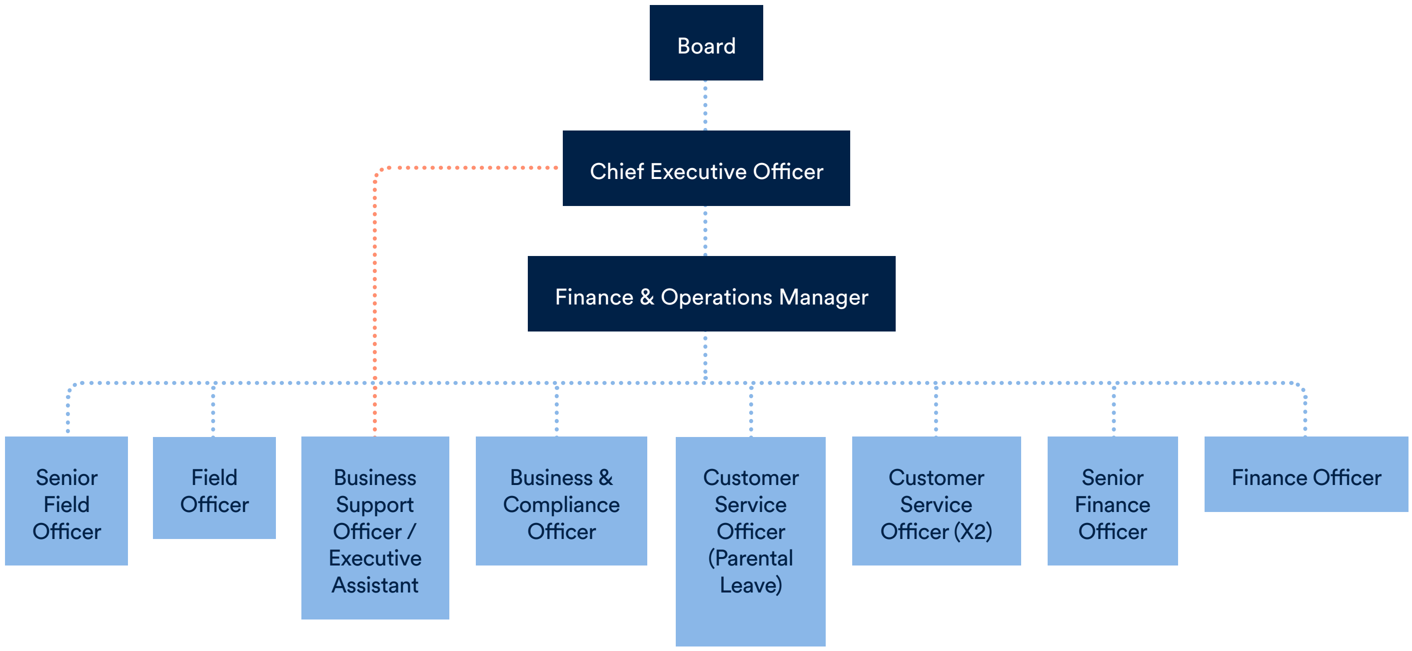
A Paid Parental Leave policy was available during the year.

Flu vaccinations were made available during the year.

Social activities were muted during the year due to residual COVID pandemic restrictions but included:

- Participation in an employee managed social club.
- Participation in a Footy tipping competition.
- Shared Christmas breakfast.

A Customer Service Award is awarded quarterly to the team member who demonstrates exceptional customer service for the period using the Boards customer feedback tool.



People	FY2022	FY2021	FY2020	FY2019	FY2018
Full Time	10	10	10	8	8
Part Time	0.6	-	-	2	2
Total	**11**	**10**	**10**	**10**	**10**
FTE	**10.6**	**10.0**	**10.0**	**9.6**	**9.6**

Financial Statements

Statement by the Board

In the opinion of the Board:

1. (a) The accompanying Statement of Comprehensive Income gives a true and fair view of the surplus of the Construction Industry Fund for the year ended 30th June 2022;

   (b) The accompanying Statement of Financial Position gives a true and fair view of the state of affairs of the Construction Industry Long Service Leave Board as at 30th June 2022;

   (c) The accompanying Statement of Cash Flows gives a true and fair view of cash flows of the Construction Industry Long Service Leave Board for the year ended 30th June 2022; and

   (d) The internal controls over financial reporting have been effective throughout the reporting period.

2. At the date of this statement there are reasonable grounds to believe the Construction Industry Long Service Leave Board can meet its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board and is signed for and on behalf of the Board.

Marie Boland

M Boland
Presiding Officer

A Warchol
Chief Executive Officer

20th September 2022

Construction Industry Long Service Leave Board
Statement of Comprehensive Income
For the Year Ended
30 June 2022

	Note	2022	2021
		$000	$000
Income From Ordinary Activities			
Levies	3	20,809	18,857
Realised Investment Income	3	6,700	7,847
Unrealised gain on financial assets at fair value through profit or loss	3	(14,662)	5,826
Other	3	20	63
Total Income		12,867	32,593
Expenses From Ordinary Activities			
Worker Payments	4	24,019	24,620
Contractor Interest		13	63
Employee Benefits Expense	5	932	948
Depreciation	10	22	34
Depreciation charge for Right of Use Asset	12	89	92
Interest expense on Lease Liability		14	10
Impairment Loss on Receivables	9	169	93
Administration	6	748	658
Total Expenses		**26,006**	**26,518**
Total Surplus (Deficit)		**(13,139)**	**6,075**
Total Other Comprehensive Income		-	-
Total Comprehensive Income		**(13,139)**	**6,075**

The above statement should be read in conjunction with the accompanying notes

Construction Industry Long Service Leave Board
Statement of Financial Position
As at
30 June 2022

	Note	2022	2021
		$000	$000
Assets			
Cash and Cash Equivalents	8	5,812	4,027
Receivables	9	3,603	4,150
Financial Assets	9	164,569	170,411
Property, Plant & Equipment	10	61	91
Right of Use Asset	12	721	810
Total Assets		**174,766**	**179,489**
Liabilities			
Trade and Other Payables	13	129	142
Lease Liability	12	799	879
Employee Benefits	14	119	126
Worker Payments	14	147,647	139,442
Registered Contractor Contribution Fund	14	7,027	6,716
Total Liabilities		**155,721**	**147,305**
Net Assets		**19,045**	**32,184**
Equity			
Accumulated Surplus		**19,045**	**32,184**

The above statement should be read in conjunction with the accompanying notes

Construction Industry Long Service Leave Board
Statement Of Cash Flows
For The Year Ended
30 June 2022

	Note	2022	2021
		$000	$000
		Inflows (Outflows)	Inflows (Outflows)
Cash Flows From Operating Activities			
Receipts From Levies & Operations		21,128	17,959
Payments to Workers		(15,818)	(13,512)
Payments to Suppliers & Employees		(1,636)	(1,595)
Interest Received		6	9
Net Cash Provided By (Used In) Operating Activities		**3,680**	**2,861**
Cash Flows From Investing Activities			
Redemption of Investments		2,274	8,290
Purchase of Investments		(4,000)	(10,329)
Payments from Registered Contractors Fund		(102)	47
Payments for Plant & Equipment		(8)	(49)
Proceeds from Sale of Plant & Equipment		35	34
Net Cash Provided By (Used In) Investing Activities		**(1,801)**	**(2,007)**
Cash Flows From Financing Activities			
Payments for Principal Right of Use Asset		(80)	(95)
Payments for Interest Lease Liability		(14)	(10)
Net Cash Provided By (Used In) Financing Activities		(94)	(105)
Net Increase (Decrease) in Cash Held		**1,785**	**749**
Cash at the Beginning of the Year		4,027	3,278
Accumulated Surplus	8	**5,812**	**4,027**

The above statement should be read in conjunction with the accompanying notes

Construction Industry Long Service Leave Board
Statement Of Changes In Equity
For The Year Ended
30 June 2022

	Retained Earnings	Total Equity
	$000	$000
Balance at 30 June 2020	**26,109**	**26,109**
Surplus for 2021	6,075	6,075
Balance at 30 June 2021	**32,184**	**32,184**
Deficit for 2022	(13,139)	(13,139)
Balance at 30 June 2022	**19,045**	**19,045**

The above statement should be read in conjunction with the accompanying notes

Construction Industry Long Service Leave Board
Notes To The Financial Statements
For The Year Ended
30 June 2022

1 GENERAL INFORMATION

The Construction Industry Long Service Leave Board is responsible for administering the Construction Industry Fund which controls levies collected from employers to provide portable long service leave for employees in the construction industry.

The reporting entity is The Construction Industry Long Service Leave Board, a statutory scheme created pursuant to the Construction Industry Long Service Leave Act, 1987. The Board operates in the State of South Australia.

The financial report has been prepared based on a twelve month operating cycle and presented in Australian currency and rounded to the nearest thousand dollars ($000).

The financial statements were authorised for issue by the Board on 20 September 2022.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures issued by the Australian Accounting Standards Board (AASB), Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act, 1987 to the extent applicable. The entity is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, with the exception of the Statement of Cash Flows, have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of financial assets and financial liabilities.

(b) COMPARATIVE INFORMATION

New and Amended Accounting Standards Adopted by the Entity.

The Construction Industry Long Service Leave Board has adopted all of the new or amended Accounting Standards and interpretations issued by the Australian Standards Board (AASB) that are mandatory for the current reporting period.

The adoption of these Accounting Standards and interpretations did not have any significant impact on the financial performance or position of the entity.

The Construction Industry Long Service Leave Board has adopted AASB 1060 General Purpose Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, from the 1 July 2021. The standard provides a new Tier 2 reporting framework with simplified disclosure that are based on the requirements if IFRS for SMEs. As permitted by AASB 1053 for early adoption of AASB 1060, comparative information has not been provided for these new disclosures.

(c) COMPARATIVE INFORMATION

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard have required change.

The accounting policies have been consistently applied, unless otherwise stated.

(d) TAXATION

The Construction Industry Long Service Leave Board is exempt from income tax under Section 11 of the Income Tax Assessment Act 1997. The Board is liable for fringe benefits tax (FBT) and goods and services tax (GST).

Revenue, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable. Receivables and payables are stated with the amount of GST included.

(e) PRESENTATION OF STATEMENT OF FINANCIAL POSITION ON A LIQUIDITY BASIS

The Board have taken the view in complying with the requirements of Australian Accounting Standards, the treatment of worker payments as current liabilities does not reflect the true liquidity of the entity as these liabilities are not likely to be repaid in the next 12 months.

Accordingly, the Board has chosen to present its statement of financial position under the liquidity presentation method under AASB 101 Presentation of Financial Statements on the basis it presents a more reliable and relevant view.

(f) ESTIMATION UNCERTAINTY

When preparing the financial statements the Board is required to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The Board continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. The Board bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, the Board believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

- Note 3 - Revenue recognition - whether income from levies and penalties is recognised over time or at a point in time;

- Note 12 - Leases - whether a contract is, or contains, a lease and the assessment of the lease term.

- Note 9 - Receivables – measurement of estimated credit loss allowance for trade and other receivables - key assumptions in determining the average historical loss rate;

- Note 11 - Impairment test of intangible assets - key assumptions underlying recoverable amounts, including the recoverability of development costs;

- Note 14 - Provision - Worker Payments - key actuarial assumptions;

- Notes 14 and 15 – recognition and measurement of provisions and contingencies - key assumptions about the likelihood and magnitude of an outflow of resources.

(g) EVENTS AFTER THE REPORTING PERIOD

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

The Board is not aware of any significant events since the end of the reporting period.

3 INCOME

Income from Levies and Penalties

The Board generates income from levies and penalties imposed under the Construction Industry Long Service Leave Act 1987.

The levy rate prescribed in accordance with regulations under the Act for the Construction Industry Fund was 2.00% of total remuneration paid to employees for the year ending 30 June 2022. Levies are recognised when returns are received with an accrual to recognise levies received from employers after the end of the reporting period but relating to the May/June billing cycle. The service related to these contributions are included in the actuarial assessment of worker payment liabilities.

The Board has determined that levies and penalties are transactions to principally enable the entity to further its objectives and has recognised income when the right to receive the levy is recognised (on receipt of returns lodged by employers) under AASB 1058.

The Board has considered the disaggregation of income into categories that reflect how the nature and amount of income (and resultant cash flows) are affected by economic factors. The Board has considered income from levies and penalties by variation in the geographical region, type of counterparty to which the levy rate applies including number of workers per employer or variation in rate applied (other than the date from which the rate applies) and determined that further disaggregation does not provide more useful information due to factors including the project nature of work.

Income from Investments

Income from investments includes distributions from financial assets (managed funds) and interest income arising from financial assets measured at amortised cost (realised investment income) and unrealised gains on financial assets at fair value through profit or loss.

Other Income

Other includes profit on the sale of property, plant and equipment and sundry income.

4 WORKER PAYMENTS

	2022	2021
	$000	$000
Actuarial Assessment of 30 June Liability	147,647	139,442
Worker Payments during the Year	15,814	13,489
Actuarial Assessment in Previous Year	(139,442)	(128,311)
Total Worker Payments Expense	**24,019**	**24,620**

5 EMPLOYEE BENEFITS EXPENSE

	2022	2021
	$000	$000
Salaries and Wages	786	776
Long Service Leave	(7)	15
Annual Leave	1	10
Employment on-costs - Superannuation	78	73
Employment on-costs - Other	19	23
Board Fees	55	51
Total Employee Benefits Expense	**932**	**948**

The number of employees at 30 June 2022 was 11 (2021: 10).

6 ADMINISTRATION

	2022	2021
	$000	$000
Motor Vehicles	14	13
Accommodation	32	32
Staff Training and Development	73	14
Audit, Actuary, Legal and Consultancy	231	155
Information and Telecommunications Technology	259	305
Other Administration	139	139
Total Adaministration	**748**	**658**

7 AUDITOR'S REMUNERATION

	2022	2021
	$000	$000
Remuneration of the Auditor of the Board for:		
Auditing the Financial Statements	15	15
	15	**15**

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents recorded in the Statement of Financial Position and Statement of Cash Flows include cash on hand and demand deposits. Cash is measured at nominal value. For the purpose of the Statement of Cash Flows, cash includes all bank balances. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Note	2022	2021
		$000	$000
Cash at Bank and in Hand	18	5,812	4,027
Total Cash and Cash Equivalents		**5,812**	**4,027**

9 FINANCIAL INSTRUMENTS

Trade and other receivables

Trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The Board has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. The Board's receivables include amounts receivable from employer debtors (levies) less expected credit losses, accruals, sundry debtors and prepayments. Employer debtors arise in the normal course of collecting levies from employers and are generally receivable 21 days following the end of the two monthly billing cycle. Accrued contributions are levies received from employers after the end of the reporting period but relating to the May/June billing cycle. The service related to these contributions are included in the actuarial assessment of worker payment liabilities.

Investments and other financial assets

The Board's financial assets include investments in managed funds and term deposits, as part of a portfolio of identified instruments that are managed together in accordance with a documented investment strategy.

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Board has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Board intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Board recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Board's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

	2022 $000	2021 $000
Financial Assets at fair value through profit or loss		
Managed Funds	164,569	168,143
Financial Assets at amortised cost		
Term Deposits	-	2,268
Total Financial Assets	**164,569**	**170,411**

	2022 $000	2021 $000
Current		
Employer Debtors	804	1,502
Credit loss allowance	(135)	(65)
	669	**1,437**
Accrued Contributions	2,696	2,417
Sundry Debtors & Prepayments	238	296
Total Receivables	**3,603**	**4,150**

Reconciliation of the ending impairment allowance under AASB 139 and the opening loss allowance determined in accordance with AASB 9.

	2022 $000	2021 $000
Carrying amount at the beginning of the year	65	69
Adjustment on initial application of AASB 9	-	-
Balance at 1 July	65	69
Amounts written off	(99)	(97)
Net remeasurement of loss allowance	169	93
Carrying Amount at the End of the Year	**135**	**65**

10 PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are measured at cost less depreciation and impairment losses.

The residual values, useful lives and depreciation/amortisation methods of all major assets held by the Board are reviewed and adjusted if appropriate on an annual basis.

Leasehold improvements are amortised over their estimated useful life or the unexpired portion of the relevant lease, whichever is the shorter.

Depreciation of assets is determined as follows:

Class of Asset	Depreciation Method	
Office Equipment	Diminishing Value	50%
Motor Vehicles	Diminishing Value	30%
Office Furniture & Fittings	Diminishing Value	15%
Leasehold Improvements	Prime Cost	20%

All items of property, plant and equipment are tested for indications of impairment at the end of the reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income.

	2022 $000	2021 $000
Leasehold Improvements at Cost	46	46
less Accumulated Depreciation	(46)	(44)
	-	**2**
Office Equipment at Cost	99	107
less Accumulated Depreciation	(89)	(98)
	10	**9**
Office Furniture & Fittings at Cost	45	45
less Accumulated Depreciation	(19)	(16)
	26	**29**
Motor Vehicles at Cost	51	97
less Accumulated Depreciation	(26)	(46)
	25	**51**
Total Plant & Equipment at Cost	241	295
less Accumulated Depreciation	(180)	(204)
Total Plant & Equipment	**61**	**91**

Movements in the carrying amounts of each class of plant and equipment between the beginning and the end of the financial year were as follows:

	Leasehold Improvements $000	Office Equipment $000	Office Furniture $000	Motor Vehicles $000	TOTAL $000
2021					
Balance at Beginning of Year	**11**	**12**	**13**	**48**	**84**
Additions	-	4	18	27	49
Disposals	-	-	-	(8)	(8)
Depreciation Expense	(9)	(7)	(2)	(16)	(34)
Balance at End of Year	**2**	**9**	**29**	**51**	**91**
2022					
Balance at Beginning of Year	**2**	**9**	**29**	**51**	**91**
Additions	-	7	1	-	8
Disposals	-	-	-	(16)	(16)
Depreciation Expense	(2)	(6)	(4)	(10)	(22)
Balance at End of Year	**-**	**10**	**26**	**25**	**61**

Impairment of non financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

There were no indications of impairment of property, plant or equipment at 30 June 2022.

11 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost and subsequently recognised at cost less amortisation and any impairment.

During the reporting period 30 June 2021 the Board considered the IFRC Interpretations Committee's published decisions regarding Configuration or Customisation costs in a Cloud Computing Arrangement. The decision provided some clarity on the accounting treatment for costs in relation to a Software-as-a-Service (SaaS) arrangement.

The information system contracted on 18 May 2019 was implemented on the 1 February 2021. In reviewing the costs incurred $350k, and the on going contract arrangements it was decided that the SaaS arrangement did not meet the definition of an intangible asset and therefore the costs in relation to data migration $105k, were expensed in the period 30 June 2021 and were included in Administration costs (Information and Telecommunications Technology) in Note 6. The remaining costs were treated as a prepayment to be expensed over the term of the 5 year contract due to the customisation costs not being distinctly separable from the access to the vendor's software application.

	2022	2021
	$000	$000
Work in Progress - Software Development	-	-
Total Intangible Assets	-	-

	Software Development	TOTAL
	$000	$000
2021		
Balance at Beginning of Year	188	188
Additions	(188)	(188)
Disposals	-	-
Depreciation Expense	-	-
Balance at End of Year	-	-
2022		
Balance at Beginning of Year	-	-
Reallocated to Prepayments	-	-
Additions	-	-
Disposals	-	-
Depreciation Expense	-	-
Balance at End of Year	-	-

12 LEASES

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Board leases its office accommodation at Rose Park. The premises are recognised as a right of use (ROU) asset with a corresponding lease liability in the Statement of Financial Position. The lease is subject to variable lease payments, due to an annual increase and reduced by a lease incentive for a period of 2 years. The term of the lease is 5 years, with extension options the Board is reasonably likely to exercise for a further 2 and 2 years.

The Board renegotiated the lease for its office accommodation effective 23 April 2021 that commence on 1 August 2021 with a new term of 5 years, with extension options for a further 2 and 2 years. As the right of use of the asset is unchanged the lease liability and asset were remeasured to incorporate the extension of the lease using the conditions specified in the renegotiated lease in the prior period 30 June 2021.

The lease liability is discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Board's incremental borrowing rate.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

	2022 $000	2021 $000
Right of Use Asset	1,262	1,262
less Accumulated Depreciation	(541)	(452)
Total Right of Use Asset	**721**	**810**

The Board has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less or leases of low value assets including IT equipment and expenses these on a straight line basis over the lease term.

	2022 $000	2021 $000
Lease Liability	799	879
TOTAL LEASE LIABILITY	**799**	**879**

Future lease payments Future lease payments are due as follows:	2022 $000	2021 $000
Within one year	96	94
One to five years	523	508
More than five years	242	353
Total Right of Use Asset	**861**	**955**

13 TRADE AND OTHER PAYABLES

Payables include trade creditors and accruals, including goods and services received prior to the end of the reporting period that are unpaid at the end of the period. Payables are measured at their nominal value and are normally settled within the terms of payment stipulated by the supplier.

The accounting policies relating to financial liabilities including Payables are detailed in Note 9 Financial Instruments.

	2022 $000	2021 $000
Financial liabilities at amortised cost		
Trade Creditors	34	71
Sundry and Other Creditors	95	71
Total Payables	**129**	**142**

14 PROVISIONS

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

Worker Payment Provision

Provision is made for amounts due to construction industry employees under the current legislation based on an annual independent actuarial assessment of worker payment liabilities. The effective date of the actuarial report on the worker payment liabilities is 30 June 2022. The actuarial report for the Construction Industry Long Service Leave Board was prepared by Mr Julian Hotz, FIAA of Mercer and was dated 31 August 2022.

The actuarial report indicates Mr Hotz is satisfied as to the accuracy of the data upon which the worker payment liabilities have been determined.

Actuarial Methods

Scheme liabilities in relation to worker payments are measured as the amount of a portfolio of investments that would be needed, as at the reporting date, to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due. In determining the appropriate discount rate, the actuary considers an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of worker liabilities. The liabilities have been calculated using a "best estimate" method incorporating assumptions on expected actual investment returns, wage inflation, exit rates, take up of long service leave whilst in service, future service credits and an allowance for the operating expenses of the fund.

Processes used to select assumptions

Assumptions relating to the valuation of the worker payment provision can be categorised as financial or demographic.

Financial Assumptions

Financial assumptions consist of the rate of investment earnings for the Fund's assets and the rate of pay increases.

The rate of return on investment is informed by the Board's investment advisers JANA based on the current strategic asset allocation for the short to medium term and over the longer term.

Wage inflation should reflect the long term trend and expectations regarding the future and is derived from the average increase in ordinary weekly pay per annum over the last five years and current economic forecasts for the next five years.

Demographic assumptions

Demographic assumptions are determined from analysis of the Fund's experience over the last three years and include the rate at which members move from active to inactive, rates of exit for leaving the industry, leave taken per year and a service accrual percentage. The death rate is derived from Australian Life Tables.

Sensitivity analysis

The worker payment liabilities are sensitive to changes in the actuarial assumptions adopted for the valuation. The absolute levels of the assumptions for investment returns and wage inflation are less important than the difference or 'gap' between them.

The results of sensitivity analysis show that a 1% per annum (pa) reduction in the 'gap' is expected to increase the value of accrued liabilities by 6% whilst a 1% pa increase in the 'gap' is expected to reduce the value of accrued liabilities by 5%.

Registered Contractor Contribution Fund

Registered contractor funds are voluntary contributions by registered contractors and working directors to fund their own long service leave and include accrued interest that is credited monthly.

Employee benefits

Employee benefits accrue for employees as a result of services provided up to the end of the financial year that remain unpaid and include annual and long service leave entitlements plus an allowance for on-costs.

Annual leave liability is measured at the undiscounted amount expected to be settled within 12 months.

The liability for long service leave is measured as the present value of expected future payments to be made and based on assumptions including expected future salary and on-costs, experience of employee departures and periods of service. Any re-measurements arising for changes in assumptions are recognised in profit or loss in the period in which the changes occur.

The unconditional portion of the long service leave provision is expected to be settled within 12 months as the Board does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 7 years of service and measured at nominal value.

The liability for long service leave for employees who do not have an unconditional right to payment has been measured at the present value of the future cash outflows to be made for these benefits accrued to the reporting date expected to be settled after 12 months.

No provision has been made for personal leave as all personal leave is non-vesting.

	2022	2021
	$000	$000
Worker Payments		
Expected to be settled within 12 months	19,000	17,000
Expected to be settled after 12 months	128,647	122,442
Total Worker Provisions	**147,647**	**139,442**
Registered Contractor Contribution Fund		
Expected to be settled within 12 months	500	500
Expected to be settled after 12 months	6,527	6,216
Total Registered Contractor Provisions	**7,027**	**6,716**
Employee Benefits		
Annual Leave expected to be settled within 12 months	48	48
Long Service Leave expected to be settled within 12 months	25	38
Long Service Leave expected to be settled after 12 months	46	40
Total Employee Provisions	**119**	**126**

Movements in the carrying amounts of each provision between the beginning and the end of the financial year were as follows:

	Annual Leave	Long Service Leave	Worker Payments
	$000	$000	$000
2021			
Carrying Amount at Beginning of Year	38	64	128,311
Provision Used	(52)	-	(13,489)
Additional Provisions Recognised	62	14	24,620
Carrying Amount at End of Year	**48**	**78**	**139,442**
2022			
Carrying Amount at Beginning of Year	48	78	139,442
Provision Used	(65)	(18)	(15,814)
Additional Provisions Recognised	65	11	24,019
Carrying Amount at End of Year	**48**	**71**	**147,647**

Included in the additional provision recognised for worker payments was an amount of $6.8m (2021: $6.3m) related to the change in the provision due to the passage of time. This would ordinarily be disclosed as a finance cost but it is the view of the Board that it is more appropriately disclosed as part of worker payments as it arises from assumptions used as part of the actuarial assessment.

15 CONTINGENT LIABILITIES

The Board is not aware of any contingent liabilities or made an estimate of the potential financial effect that may become payable.

16 FAIR VALUE OF ASSETS AND LIABILITIES

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Board measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

The Board measures and recognises financial assets at fair value through profit or loss on a recurring basis after initial recognition. The Board does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

For investments in financial assets at fair value through profit or loss, the fair values have been determined based on quoted market prices at the end of the reporting period.

	2022 $000	2021 $000
Recurring fair value measurements		
Financial assets		
Financial assets at fair value through profit or loss	164,569	168,143
Carrying Amount at End of Year	**164,569**	**168,143**

17 KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, is considered key management personnel (KMP).

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties such as levies paid in the capacity of an employer at the levy rate as it relates to employees and for a value of $1,217 (2021: $1,228).

	2022 $000	2021 $000
KMP Compensation		
Short-term employee benefits	351	319
Post-employment benefits	33	29
	384	**348**

The names of Board/Deputy Members who have held office during the financial year are :

Ms Marie Boland	
Ms Erin Hennessy	Mr John Adley (Deputy)
Mr Steven Minuzzo	Mr Peter Salveson (Deputy)
Mr Stephen Knight	Ms Melissa Adler (Deputy)
Mr Peter Russell	Ms Alexandra Russell (Deputy)
Mr Peter Bauer	Mr Stuart Gordon (Deputy)
Mr Laurence Moore	Ms Demi Brown (Deputy)

The Board was appointed by the Governor on 27 June 2017 effective 1 July 2017 for a period of 5 years.

18 FINANCIAL RISK MANAGEMENT

The Board has exposure to risk in performing its statutory functions. The Board has a structured approach to risk management including a Risk Management Framework and Risk Register reviewed regularly by an internal risk review committee.

The Board is exposed to the following risks arising from financial instruments:

— Credit risk

— Liquidity risk

— Market risk

Credit Risk

Credit risk is the risk of financial loss to the Board if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivables from employers for levies.

The carrying amounts of receivables represent the maximum credit exposure. The Board had no significant concentrations of credit risk with any single counterparty or group of counterparties. Impairment losses on financial assets and contract assets recognised in profit or loss are detailed in Note 9 Financial Instruments.

Liquidity Risk

Liquidity Risk is the risk that the Board will encounter difficulty in meeting its obligations that are settled in cash or another financial asset.

The Board invests in financial assets in managed funds utilising an Implemented Consultant to ensure a range of liquidities and maturities are available. The Board maintains a solvency ratio within a target range.

An actuarial review of the state and sufficiency of the Fund is conducted annually. This review confirms the current position and predicts whether income (levy and investment) will provide sufficient monetary reserves to meet future liabilities.

Market Risk

Market Risk is the risk that changes in prices, ie interest rates, foreign currency rates and equity prices will affect the Board's income or holding of financial instruments.

The Board has exposure to interest rate risk on the interest payable on the Registered Contractor Contribution Fund. The interest rate is set annually in advance on actuarial review. The interest rate applicable to the year ended 30 June 2022 is 0.2% (2021: 1.0%).

The Board holds cash and cash equivalents, and term deposits with variable interest rates.

The inclusion of Australian and global equities and other listed investments subjects the Board to equity price risk. The Board has an investment strategy for the management of its financial assets.

Certain investments are designated as at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

The inclusion of global equities in the investment portfolio subjects the Board to foreign exchange risk. The Board has determined that a percentage of this investment be allocated to a currency hedged trust.

	Note	2022	2021
		$000	$000
Financial Assets			
Financial assets at fair value through profit or loss			
Managed Investments	9	164,569	168,143
Financial assets at amortised cost			
Cash and Cash equivalents	8	5,812	4,027
Term Deposits	9	-	2,268
Trade and Other Receivables	9	3,603	4,150
		173,984	**178,588**
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and Other Payables	13	129	142
Lease Liability	12	861	955
Carrying Amount at End of Year		**990**	**1,097**

Independent Auditor’s Report

INDEPENDENT AUDITOR'S REPORT
TO THE PRESIDING OFFICER OF THE CONTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD

Opinion

We have audited the financial report of the Construction Industry Long Service Leave Board (the 'Entity'), which comprises the Statement of Financial Position as at 30 June 2022, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Statement by the Board.

In our opinion, the accompanying financial report presents fairly in all material respects, the financial position of the Entity as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards – Simplified Disclosures.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board are responsible for the other information. The other information comprises the information in the Entity's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT
TO THE PRESIDING OFFICER OF THE CONTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD (CONT)

Board Members' responsibility for the financial report

The Board of the Entity are responsible for the preparation and fair presentation the financial report, and have determined that the basis of preparation described in Note 2 is appropriate to meet the requirements of *Construction Industry Long Service Leave Act 1987* and the *Public Finance and Audit Act 1986* (as applicable to the Entity), and is in accordance with Australian Accounting Standards – Simplified Disclosures, and for such internal control as the Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE PRESIDING OFFICER OF THE CONTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD (CONT)

Auditor's responsibility for the audit of the financial report (Cont)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nexia Edwards Marshall

Nexia Edwards Marshall
Chartered Accountants

BBMorkunas

Brett Morkunas
Partner

Adelaide
South Australia

20 September 2022

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Our Vision

Every eligible worker and employer in the South Australian construction industry can enjoy the benefit of long service leave.

Our Mission

To deliver portable long service leave to the South Australian construction industry.

Accountable
We do what we say.

Customer Focussed
We keep it simple.

Integrity
We do the right thing.

Quality
We do it well.

Enthusiastic
We like what we do.

www.portableleave.org.au