

**CATHOLIC EDUCATION LONG SERVICE
LEAVE SCHEME
(VICTORIA)**

**Financial statements for the financial
year ended 31 December 2016**

CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016

	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Note	\$	\$
Continuing operations		
Levy contributions		
Catholic Education Melbourne, Archdiocese of Melbourne and diocesan offices	1,712,545	1,612,667
Secondary/special schools levies	22,674,027	21,574,012
Interstate transfers	495,592	685,927
Primary schools :		
General recurrent grants program	18,200,306	17,189,329
Total levy contributions	43,082,470	41,061,935
Interest income	9,810,695	11,504,036
Total revenue from continuing operations	52,893,165	52,565,971
Expenses		
Change in actuarially determined obligation	6 (17,280,000)	(5,621,000)
Claims paid	(34,424,707)	(34,443,797)
Loading paid for reimbursement costs (funded by recurrent levies)	(5,320,772)	(5,223,056)
Transfers interstate	(631,916)	(569,980)
Amount charged by CEM under service level agreement (SLA)	(271,907)	(244,551)
Audit fee expenses	(8,938)	(7,405)
Consulting fee expenses	(94,335)	(86,031)
Other	(4,164)	(4,163)
Total expenses	(58,036,739)	(46,199,983)
Change in net assets available to participant employers	(5,143,574)	6,365,988
Other Comprehensive Income	-	-
Total Comprehensive (Loss) / Income	(5,143,574)	6,365,988

Notes to the audited financial statements are included on pages 6 to 15.

CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Statement of financial position as at 31 December 2016

	Note	Financial year ended 31 December 2016 \$	Financial year ended 31 December 2015 \$
Assets			
Cash and cash equivalents	8(a)	2,679,162	2,718,540
Receivables	3	71	25,025
Other financial assets	4	346,788,606	334,529,274
Total assets		349,467,839	337,272,839
Liabilities			
Trade and other payables	5	58,574	-
Obligation to participant employers	6	329,571,000	312,291,000
Deferred income		7,500,000	7,500,000
Total liabilities		337,129,574	319,791,000
Excess of assets over liabilities further available to participant employers		12,338,265	17,481,839

Notes to the audited financial statements are included on pages 6 to 15.

CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Statement of changes in equity for financial year ended 31 December 2016

Note	Financial year ended 31 December 2016 \$	Financial year ended 31 December 2015 \$
Excess of assets over liabilities further available to participant employers		
Balance at the beginning of the year	17,481,839	11,115,851
Net income recognised directly in equity		
Change in net asset available to participant employers	(5,143,574)	6,365,988
Total recognised income and expense	(5,143,574)	6,365,988
Balance at the end of year	12,338,265	17,481,839

Notes to the audited financial statements are included on pages 6 to 15.

CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Statement of cashflows for the financial year ended 31 December 2016

	Note	Financial year ended 31 December 2016 \$	Financial year ended 31 December 2015 \$
Cash flows from operating activities			
Receipts from levy contributions		43,082,470	41,061,935
Interest received		9,810,695	11,504,036
Claims paid to participant employers (including loading)		(39,708,242)	(39,666,853)
Interstate transfers paid		(631,916)	(569,980)
Payments made related parties and other suppliers		(333,053)	(375,330)
Net cash provided by operating activities	8(b)	12,219,954	11,953,808
Cash flows from investing activities			
Purchase of term deposits		(417,217,520)	(492,687,942)
Maturity of term deposits		404,958,188	480,835,887
Net cash used in investing activities		(12,259,332)	(11,852,055)
Net increase in cash and cash equivalents		(39,378)	101,753
Cash and cash equivalents at the beginning of the financial year		2,718,540	2,616,787
Cash and cash equivalents at the end of the financial year	8(a)	2,679,162	2,718,540

Notes to the audited financial statements are included on pages 6 to 15.

Notes to the financial statements for the financial year ended 31 December 2016

1. General information

The Catholic Education Long Service Leave Scheme (Victoria) ("the Scheme") came into existence in 1978 as an agreement between employers in Catholic Education and the Archbishop of the Archdiocese of Melbourne, the Bishops of the Dioceses of Ballarat, Sandhurst and Sale and leaders of Religious Congregations, mainly to bring about an improvement in the arrangements for long service leave available under State legislation for employees in Catholic Education. The Scheme is managed and administered through the Long Service Leave Committee (LSL Committee) and by a service level agreement with Catholic Education Melbourne.

The primary purpose of the scheme is to facilitate portability of long service leave entitlements and to allow the cost of these entitlements to be equitably shared between the employers part of the scheme.

The Scheme is governed by the rules of the Catholic Education Long Service Scheme (Victoria) ("Rules") which were established in 2003 and revised in 2014. Under 1.7 of the 2014 rules it is stated that the Rules of 2003 remain if not amended by the 2014 revision.

The Scheme's principal place of business is as follows:

James Goold House
228 Victoria Parade
EAST MELBOURNE VIC 3002

Postal address:
PO Box 3
EAST MELBOURNE VIC 8002

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). For the purposes of preparing the financial statements, the Scheme is a not-for-profit entity.

The financial statements have been approved by the authorised persons of the LSL Committee on page 16.

Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

a) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Investments

Monies are invested in term deposits with major financial institutions. The term deposits are held to maturity financial assets measured at historical cost.

c) Receivables

Receivables are recorded at amortised cost using the effective interest method, less impairment. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

**CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

d) Income taxes

The Scheme is exempt from paying income taxes.

e) Claims under the Scheme

Amounts are recognised as payable to participant employers for long service leave claims on a claims-made basis.

Amounts are recognised as payable to participant employers for loading amounts claimed when a claim is lodged with the Scheme and approved by the Long Service Leave Committee.

Claims payable are recognised initially at fair value, net of transaction costs, and subsequently at amortised cost as the present value of the obligation to participant employers with changes recognised in the profit and loss.

f) Obligation to participant employers

The Scheme has an obligation to participant employers to pay benefits to them as a reimbursement for long service leave amounts paid out to employees by the participant employers. The Scheme obtains an actuarial valuation to determine the amount of the present liability to participant employers. The liability is designated as a financial liability.

In addition to reimbursing the employer for long service leave entitlements, the scheme has the option to pay a loading of 20% when long service leave entitlements are taken as leave (rather than paid on termination). The loading is a discretionary payment which the scheme is not obligated to make and accordingly, there is no provision for this liability.

g) Excess of assets over liabilities

The Scheme is obligated to finance claims made under the long service leave agreement. Any surplus assets above the obligation will be returned to the participant employers if the Scheme is wound up.

As a going concern, the amount of the prudent contingency will be determined over the next twelve months. In determining the contingency the following factors will need to be included:

- potential changes in salary and award conditions with the current negotiations
- the Scheme's investment strategy
- risk management – an amount to recognize that the actuarial assessment is only an estimate.

h) Income

Income is measured at the fair value of the consideration received or receivable. The scheme is primarily funded by a levy from employers.

Income from levy contributions is recognised as the amounts become receivable. A portion of the levy is to fund the Scheme's recurrent operating expenses and the 20% loading paid to participant employers for reimbursement costs in accordance with the Scheme's procedures. The 20% loading is a recurrent expense of the Scheme.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

i) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of an item of expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are included in the statement of cashflows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

j) Critical accounting estimates and judgements

In the current period an actuarial valuation has been obtained from Mercer (Australia) Pty Ltd to assist in the determination of the balance of the long service leave obligation and to assist in the setting of future contribution levels by participating employers. Further details about the assumptions used in this valuation are detailed in Note 6.

The actuarial valuation reflects an estimate of the total liability at the year end. Over time, the total cost that ultimately emerges will depend on a number of factors, including the amount of the benefits paid, the number of people paid benefits, the timing of those payments, rates of future salary increases and oncosts. The Long Service Leave Committee has applied judgement to make the best estimate of these factors based on a single scenario from a range of possibilities.

**CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

k) Critical accounting judgments and key sources of estimation uncertainty

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Discount rate used to determine the carrying amount of the Scheme's obligation to participant employers

The Scheme's obligation to participant employers is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds.

Prior to 2014, the discount rate had been determined by long-term government bonds. From 2015, it was concluded that a sufficiently deep market in corporate bonds now exists in Australia.

l) Adoption of new and revised Accounting standards

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Scheme has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016, and therefore relevant for the current year end.

AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'

Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.

The amendments to AASB 116 explain that a depreciation method applied to property, plant and equipment that is based on revenue that is generated by an activity that includes the use of the asset is not appropriate.

The amendments to AASB 138 introduce a rebuttable presumption that an amortisation method for an intangible asset that is based on the revenue generated by the activity that includes the use of the intangible asset is inappropriate, and provides guidance when the rebuttable presumption can be overcome.

AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'

Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle.

Key amendments include:

- AASB 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that when an entity reclassifies an asset (or disposal group) directly from held for sale to held for distribution to owners (or vice versa), such a reclassification is not treated as a change to a plan of sale (or distribution to owners)
- AASB 7 Financial Instruments: Disclosures – provides additional application guidance on the concept of continuing involvement for the purposes of disclosures required by the standard, and removes the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports
- AASB 119 Employee Benefits – clarifies discount rate to adopt in a regional market sharing the same

currency (for example, the Eurozone) by requiring that the depth of the market for high quality corporate bonds should be assessed at a currency rather than country level

AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'

Amends AASB 101 Presentation of Financial Statements to provide clarification regarding the disclosure requirements in AASB 101, including narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.

The amendments provide additional guidance in the following areas:

- Materiality. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information (2) materiality considerations apply to the all parts of the financial statements and (3) even when a standard requires a specific disclosure, materiality considerations still apply, i.e. a specific disclosure is not required to be included in the financial report if it is not material to the entity
- Statement of financial position and statement of profit or loss and other

**CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

comprehensive income. The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Scheme's financial statements.

m) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	31 December 2018
AASB 1058 'Income of Not-for-Profit Entities', AASB 1058 'Income of Not-for-Profit Entities', AASB 2016-8 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities'	1 January 2019	31 December 2019
AASB 2016-7 'Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities'	1 January 2017	31 December 2017
AASB 2015-6 'Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Non-for-Profit Public Sector Entities'	1 July 2016	31 December 2017
AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities	1 July 2016	31 December 2017
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	31 December 2017
AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017	31 December 2017
AASB 2017-2 'Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle'	1 January 2017	31 December 2017
AASB 16 Leases	1 January 2019	31 December 2019

**CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	31 December 2018

n) Employee Benefits

There are no employees in Long Service Leave Scheme (LSL); Catholic Education Long Service Leave Scheme has a Service Level Agreement (SLA) with the Catholic Education Melbourne for the provision of services.

3. Receivables

	Financial year ended 31 December 2016 \$	Financial year ended 31 December 2015 \$
GST Receivable	71	34
Amounts due from related parties		
Catholic Education Commission Victoria Limited (CECV Ltd)	-	24,991
	71	25,025

All receivables are non-interest bearing

4. Other financial assets

	Financial year ended 31 December 2016 \$	Financial year ended 31 December 2015 \$
Financial assets carried at fair value through statement of comprehensive income:		
Investments - term deposits	346,788,606	334,529,274

Cash received by the Scheme is invested in term deposits with the banks. The maturity profile and interest rate attached to term deposits is detailed below:

	Financial year ended 31 December 2016 \$	Financial year ended 31 December 2015 \$
Less than 1 month	67,803,258	71,136,346
1 to 3 months	165,042,118	118,545,131
3 months to 2 years	113,943,230	144,847,799
	346,788,606	334,529,275

**CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

5. Trade and other payables

	Financial year ended 31 December 2016	Financial year ended 31 December 2015
	\$	\$
Amount due to related party		
Catholic Education Melbourne	21,300	-
Accruals	37,237	-
GST Payable	37	-
	58,574	-

All payables are non-interest bearing.

6. Obligation to participant employers

	Financial year ended 31 December 2016	Financial year ended 31 December 2015
	\$	\$
Actuarially determined obligation	329,571,000	312,291,000
Changes in the actuarially determined liability during the year are detailed below:		
Balance at the beginning of the financial year	312,291,000	306,670,000
Claims paid during the year	(34,424,707)	(34,443,797)
Actuarially-determined adjustment to the liability	51,704,707	40,064,797
Balance at the end of the financial year	329,571,000	312,291,000

The fair value of the Scheme's obligation at 31 December 2016 to participant employers has been determined with reference to an actuarial valuation obtained on the 27 February 2017 by Mercer (Australia) Pty Ltd. for the year ended 31 December 2016. Key assumptions used by the actuary in determining the fair value of the Scheme include:

A discount rate of 3.8% (2015: 3.8%) is used. The 31 December 2016 discount rate is based on the yield on high quality corporate bonds with a term consistent with the term of the LSL liabilities. This is in accordance with AASB 119 - "Employee Benefits" where the entity is a not for profit non-public sector entity.

Future Salary Increase (applicable to all members)

Inflationary salary increases:	2.5% in each calendar year (1.25% on 1 February and 1.23% on 1 August each year)
	(2015) 0% in calendar year 2017 and then 2.5% in each calendar year thereafter.
Promotional salary increases:	4.2% per annum for teaching staff, 1.5% per annum for principals and deputy principals, 2.7% per annum for non-teaching and 0% per annum for unclassified staff
	(2015) 4.2% per annum for teaching staff, 1.6% per annum for principals and deputy principals, 2.4% per annum for non-teaching and 0% per annum for unclassified staff

Taken together, the combined impact of the changes in accrued entitlements over the year, including the offset of claims made of \$34,424,707 (2015: \$34,443,797) and the discount rate and inflationary salary increase, has been to increase the calculated liability by \$17,280,000 (2015: increase \$5,621,000).

The duration of the liability is approximately 6.6 years (2015: 6.6 years).

CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The termination rates were reviewed and amended to reflect actual employee movements for the year ended 31 December 2016.

7. Commitments and contingencies

The Scheme has no expenditure commitments or contingent liabilities or contingent assets at reporting date.

8. Notes to the statement of cashflows

a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cashflows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year ended 31 December 2016 as shown in the statement of cashflows is reconciled to the related items in the statement of financial position as follows:

	Financial year ended 31 December 2016 \$	Financial year ended 31 December 2015 \$
Cash and cash equivalents	2,679,162	2,718,540

b) Reconciliation of the increase in net surplus for the financial year to net cash flows from operating activities:

	Financial year ended 31 December 2016 \$	Financial year ended 31 December 2015 \$
Total recognised comprehensive income and expenses for the financial year attributable to participant employers	(5,143,574)	6,365,988
Change in actuarially determined obligation	17,280,000	5,621,000
Changes in assets and liabilities:		
(Increase)/decrease in receivables	24,954	(24,535)
(Decrease)/Increase in trade and other payables	58,574	(8,645)
Net cash from operations	12,219,954	11,953,808

c) Non-cash investing and financing activities

During the financial year, there were no non-cash investing or financing activities. (31 December 2015: nil).

d) Financing facilities

The Scheme has not organised for any financing facilities to be available to the Scheme.

9. Financial instruments

a) Capital and financial risk management objectives, processes and policies

The Scheme does not have any true 'capital' to manage. The Scheme does not have any borrowings. Its principal activity is the investment of levy monies to be returned to participant employers to assist them in meeting their long service leave obligations in respect of their employees. Capital growth is not presently an objective of the Scheme, however, the Long Service Leave Committee has indicated their intentions to reconsider the manner in which levies collected are invested. At present, all levy monies received are mostly invested in twenty four (24) month term deposits.

As the majority of its financial instruments are in the form of term deposits, the Scheme is exposed mainly to interest rate risk. Other than its term deposits and cash and cash equivalents, no financial assets or financial liabilities are interest-bearing. During the current reporting year, the weighted average interest rate earned on cash and cash equivalents was 2.14% (2015: 2.63%) per annum. The Scheme does not actively manage its interest rate risk exposure. Further details about the Scheme's sensitivity to interest rates are described below.

The Scheme currently holds the majority of its cash and investments with major financial institutions, and accordingly, its exposure to credit risk is concentrated with three entities. The carrying amount of cash and cash equivalents and investments disclosed in these financial statements represents the Scheme's maximum exposure to credit risk at the reporting date. The Committee is of the opinion that its financial assets are held with creditworthy entities.

**CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

9. Financial instruments (continued)

To manage its exposure to liquidity risk, each year actuarial valuations on the long service leave obligation are obtained. The Long Service Leave Committee manages its exposure to liquidity risk by setting future contribution levels to the Scheme based on the quantum and timing of the expected future cash outflows of the Scheme.

There has been no change to the Scheme's exposure to market risks and other risks or the manner in which it manages and measures the risk from the prior year.

b) Significant accounting policies and categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 2 to the financial statements.

The Scheme classifies its financial assets and financial liabilities into the following categories: cash and cash equivalents, receivables and financial liabilities at amortised cost. The totals of these categories are disclosed below:

	Financial year ended 31 December 2016	Financial year ended 31 December 2015
	\$	\$
Financial assets at amortised cost	346,508,727	334,529,274
Cash and cash equivalents	2,679,233	2,718,540
Receivables	-	25,025
Financial liabilities at amortised cost	58,574	-
Financial liabilities at amortised cost - obligation to participant employers	329,571,000	312,291,000

c) Fair values of financial assets and financial liabilities

Other than described below, the Scheme's financial assets and financial liabilities are not categorised as at fair value through the profit and loss. The directors consider that the carrying amounts of these financial assets and financial liabilities, approximates their fair values.

The Scheme holds investments in term deposits, which have been classified as at fair value through profit and loss. The fair value of these term deposits have been determined with reference to standard terms and conditions and current market prices.

d) Market rate sensitivity

Interest rate risk on financial assets

The sensitivity analysis has been determined based on the exposure to interest rates for cash and cash equivalents and investments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year.

Obligation to participant employers

The Scheme is exposed to the risk that the future cash flows of its obligation to fund long service leave obligations of participant employers will fluctuate because of changes in the assumptions employed in the valuation. The Scheme has obtained an actuarial valuation to determine the fair value of its obligation to participant employers at reporting date that includes consideration of reasonably possible changes.

If the valuation had incorporated a reasonably possible alternative assumption of a long term salary increase of 1% per annum higher, the change in net assets available to participant employers for the financial year would increase by \$21,526,000.

**CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

9. Financial instruments (continued)

e) Liquidity analysis

The split between current and non current is as follows (per Mercer Report)

Obligation to participant employers	Financial year ended 31 December 2016 \$	Financial year ended 31 December 2015 \$
Current	295,253,000	277,647,000
Non current	34,318,000	34,644,000
	329,571,000	312,291,000

10. Related party disclosures

a) Details of LSL Scheme Committee

Mr Stephen Elder	Chairperson	Executive Director, Catholic Education Melbourne
Mr Daniel Nguyen	Executive Officer	Catholic Education Melbourne
Mr Andrew Hartigan	Assistant to Executive	Catholic Education Melbourne
Sr. Joan Wilson	Religious Congregations	Convent of Mercy , Newtown
Mr Craig Holmes	Secondary Principals	Sacred Heart College, Kyneton
Mr Michael Cowan	Secondary Teachers	VIEU
Mr Philip Cachia	Primary Principals	Our Lady Help Of Christians, Brunswick East
Mrs Gail Smith	Primary Principals (VACPSP)	St Thomas the Apostle School
Mrs Barbara Siddiqui	Primary Teachers	St Bernard's, Coburg East

b) Key management personnel compensation

During the financial year, there was no compensation paid directly to key management personnel by the Scheme as there are no employees.

**CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

c) Related party transactions

Transactions and balances with key management personnel of the Scheme

There are no transactions with key management personnel of the Scheme for the financial year (2015 : nil) other than for long service leave contributions paid into the scheme by participating employers on normal terms and conditions, where applicable.

Transactions and balances with the Catholic Education Commission of Victoria Limited (CECV Ltd)

CECV Ltd contributes monies to the Scheme as a participating employer. During the financial year, CECV Ltd. made contributions of \$18,200,306 (2015: \$17,189,329) into the Scheme on behalf of the schools and its employees. At reporting date, there was nil owed to CECV Ltd (31 December 2015: Nil). There were no reimbursements made from the Scheme to CECV Ltd during the year.

Transactions and balances with other related parties

Catholic Education Melbourne, Archdiocese of Melbourne charges the Scheme one annual management fee, to be paid in two instalments each year, for all services performed on their behalf. The annual fee is negotiated each year with Catholic Education Melbourne and approved as part of the budget process. The total amount of monies charged by Catholic Education Melbourne is \$271,907 (31 December 2015: \$244,551).

Additional, levy contributions provided by Catholic Education Melbourne and other diocesan offices were:

	Financial year ended 31 December 2016	Financial year ended 31 December 2015
	\$	\$
Catholic Education Melbourne	963,245	951,267
Catholic Education Office Ballarat	175,500	148,200
Catholic Education Office Sandhurst	161,200	152,100
Catholic Education Office Sale	128,400	126,300

As at reporting date, the amount owed to the Scheme by Catholic Education Melbourne is \$21,300 (31 December 2015: Nil).

Related party transactions also include contributions and reimbursements made between the long service leave scheme and participating employers on normal terms and conditions.

11. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

CATHOLIC EDUCATION LONG SERVICE LEAVE SCHEME (VICTORIA)
ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

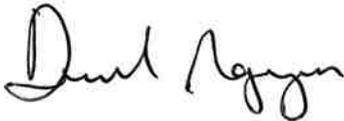
Catholic Education Long Service Leave Scheme (Victoria) declaration

The authorised persons of the Catholic Education Long Service Leave Committee declare that:

- a) in their opinion, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- b) give a true and fair view of the Scheme's financial position as at 31 December 2016 and of the Scheme's performance for the financial year ended on that date in accordance with accounting policies described in Note 2 to the financial statements.



Stephen Elder
Chairperson, Catholic Education Long Service Leave Scheme (Victoria) Committee
MELBOURNE, 24/5 2017



Mr Daniel Nguyen
Executive Officer, Catholic Education Long Service Leave Scheme (Victoria) Committee
MELBOURNE, 24/5 2017

Independent Auditor's Report to the Members of Catholic Education Long Service Leave Scheme (Victoria)

Opinion

We have audited the accompanying financial report of Catholic Education Long Service Leave Scheme (Victoria) (the "Entity"), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Committee's declaration as set out on pages 2 to 16.

In our opinion the accompanying financial report presents fairly, in all material respects, the Entity's financial position as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and Catholic Education Long Service Leave Scheme (Victoria) Guidelines Act.

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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

The Committee's Responsibilities for the Financial Report

The Committee is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Catholic Education Long Service Leave Scheme (Victoria) Guidelines Act and for such internal control as the Committee determine is necessary to enable the preparation and fair presentation of the financial report and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee 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 Committee either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities 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 Committee.
- Conclude on the appropriateness of the Committee'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.
- 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 Committee 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.


DELOITTE TOUCHE TOHMATSU



Peter Glynn
Partner
Chartered Accountants
Melbourne, 24 May 2017