# Gold Corporation Annual Report 2015

# CONTENTS

# STATEMENT OF COMPLIANCE

10 September 2015

The Honourable Colin Barnett MLA
Premier; Minister for State Development; Science
1 Parliament House
WEST PERTH WA 6005

## STATEMENT OF COMPLIANCE

In accordance with Section 63 of the *Financial Management Act 2006,* we hereby submit for your information and presentation to Parliament, the Annual Report of Gold Corporation for the year ended 30 June 2015.

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

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|---|---|
| **D MACKAY-COGHILL** | **R G HAYES** |
| Chairman | Executive Director |

# THE YEAR IN BRIEF

## Key Information

2015

**$6.61 billion**
annual turnover

**$19.9 million**
annual profit before tax

**$23.3 million**
dividend and tax equivalent paid to the Government of Western Australia

**$22.9 million**
capital expenditure spend

**$2.69 billion**
of client metal on deposit

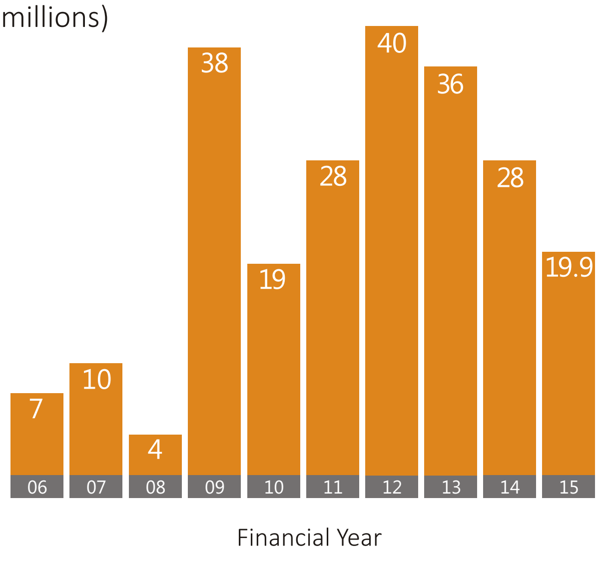
**99%**
of gold produced in Australia as doré was refined

**5.08 million**
coins, medallions and minted bars were sold

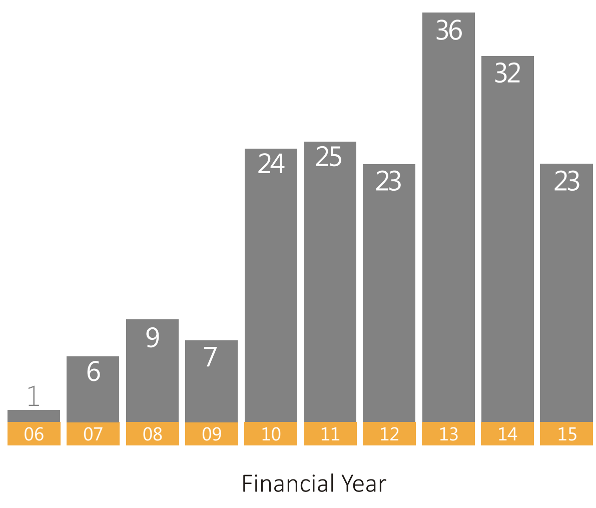
**96%**
of gold refined was supplied as value-added bars

**66,000**
visitors to the Perth Mint exhibition

Profit Before Income Tax (millions)




Dividend and Tax Equivalent Payments (millions)




# GOLD CORPORATION

## 116 years in precious metals

Gold Corporation's history started with the founding of the Perth branch of Britain's Royal Mint in 1899. At that time, gold sovereigns and half sovereigns were used throughout the British Empire as everyday circulating coins and it was the Royal Mint's responsibility to supply them. Rather than shipping gold to London, minting sovereigns and then distributing them back to Britain's colonies, The Royal Mint built a number of branch mints throughout the Empire in places where gold was found. The Perth Mint was one of these – built to refine gold mined in Western Australia and turn it into sovereigns.

When sovereigns were withdrawn from circulation in 1931, the Mint turned its skills to the production of base metal coins, although it still continued to refine gold. It remained under British ownership until 1970, when control passed to the Government of Western Australia.

Gold Corporation was created by the Gold Corporation Act 1987 to take over the operations of the Mint and launch Australia's bullion coin program. The Australian Nugget bullion coin was launched in 1987, and was followed by many other successful bullion coin programs and numismatic and commemorative coins.

The Mint's refining activities eventually outgrew the old premises in the city of Perth and a new refinery was built near Perth's international airport. This facility commenced operation in 1990.

Gold Corporation has two wholly owned subsidiaries – Western Australian Mint and GoldCorp Australia.

# OUR MISSION STATEMENT

Gold Corporation and its subsidiaries, trading as The Perth Mint, supply precious metal related products and services, including:

- Refining of gold and silver to London Bullion Market Association accredited standards;
- Australian legal tender bullion coins which promote the ownership of precious metals;
- Proof, numismatic and commemorative coins which are legal tender of Australia and other countries;
- London Good Delivery bars, value-added cast bars and minted bars;
- Precious metal depository products which enable investors to own precious metals without having to deal with the security, insurance and other issues associated with taking physical possession of precious metals;
- Storage and safekeeping of precious metals; and
- Coin blanks and other precious metal products.

It also operates a tourist attraction based on the themes of gold, coins and their history, and offers assaying and other services to the gold industry.

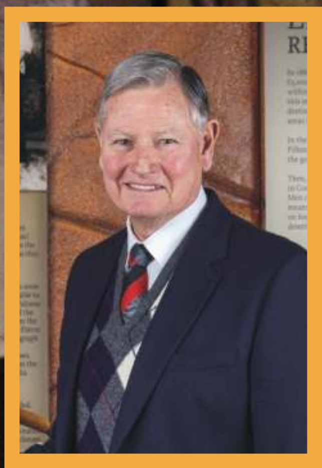
Gold Corporation commits to:

- Supplying products, services and experiences which delight customers and users;
- Promoting the history and heritage of Australia locally and internationally through its coins;
- Preserving its heritage assets and history for the benefit of the community;
- Providing fulfilment, development, security and fair reward to its employees;
- Generating an acceptable financial return to its shareholder, the Government of Western Australia; and
- Paying a fair royalty to Australian Treasury on Australian legal tender coins issued.

It is committed to high ethical standards, respect for people and the environment, and enlightened business practices.

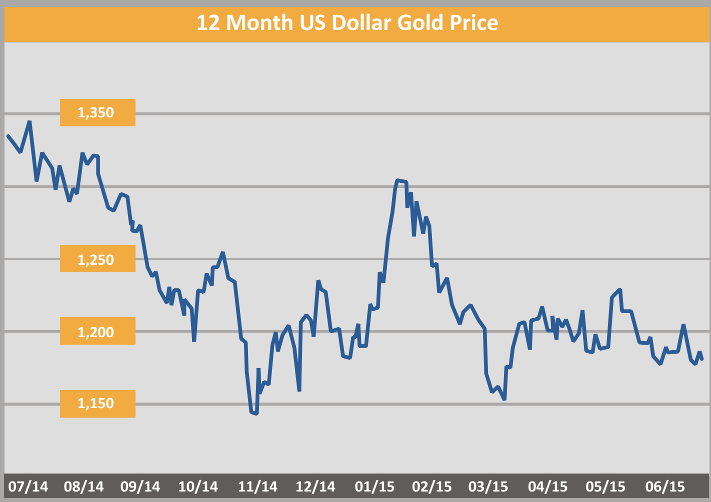
# CHAIRMAN'S REVIEW

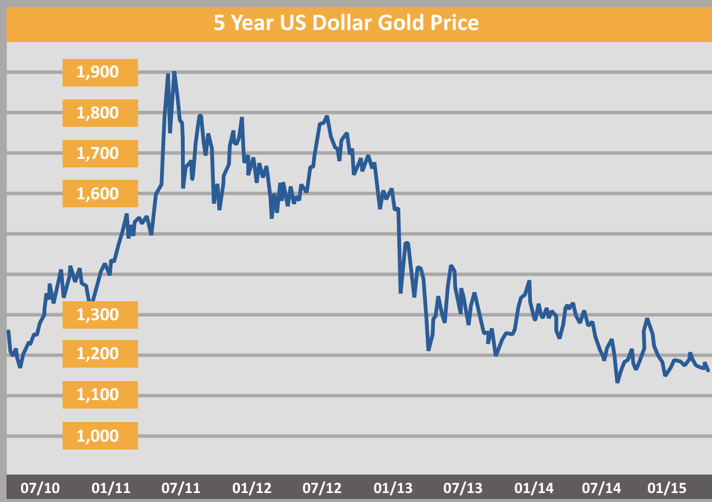
## DON MACKAY-COGHILL



Seen against a backdrop of sustained downward pressure on gold and silver prices over the period under review, dampening investor sentiment toward the precious metals sector, Gold Corporation's profit before tax of $19.919 million, although 30% lower than the previous year, was nevertheless a commendable performance.

The refinery had another successful year maintaining its accreditation status with all the various precious metals market associations and exchanges. Australia has retained its status as the world's second largest gold producer after China, and is expected to remain so for the foreseeable future. Refinery gold throughput remained steady in the face of stiff competition, mainly from overseas refineries and it is pleasing to report that no material contracted volumes were lost.




The Corporation's share of the gold bullion coin market remained strong, despite declining marginally from the previous year, boosted by the international promotion of the Australian Kangaroo One Tonne Gold Coin and the sale of 55,000 tribute 1oz coins in the market. Bullion and collector coins issued by the The Perth Mint continued to be popular and a number of interesting and successful coins were issued during the year. Some deserving special mention were:

- The ANZAC Spirit 100th Anniversary Coin Series, which spans five years, tells the remarkable story of Australia's involvement during World War 1;
- the Kimberley Sunset high relief coin, being the first Australian coin to feature an Argyle pink diamond;
- the high relief proof versions of gold and silver Kangaroo, Kookaburra, Koala and Lunar coin series. Whilst these coins are significantly more difficult to mint, they are particularly attractive and much sought after;
- the Gods and Goddesses of Olympus coins;
- the Australian Wedge-tailed Eagle gold and silver coin releases; and
- licensed product coin programmes celebrating the movie blockbuster Transformers and the popular science fiction classic Star Trek.

The value of precious metals held in the Perth Mint Depository remained virtually unchanged at $2.69 billion, an encouraging result when compared with internationally listed Exchange Traded Funds. Improving markets for other investment asset classes and an improving outlook for the US dollar presented a formidable challenge to the marketing of precious metal depository products.

In its first full year of operation, the redeveloped Perth Mint exhibition welcomed 66,414 visitors. The exhibition, featuring Australia's largest collection of natural gold nuggets and the One Tonne Gold Coin, certified by the Guinness Book of Records as the world's largest gold coin, added significantly to the visitor experience. Whilst visitor numbers declined during the year due to a general downturn in consumer confidence, the public's response to the new exhibition remained extremely positive.

Gold Corporation is Western Australia's seventh largest exporter. The Corporation trades on its underlying pillars of trust, integrity, quality and innovation, and is driven by its core values of excellence, ethics and equity. On these, it has built a first class reputation in the world's precious metals industries and markets. Its client base, numbering in the tens of thousands, spans over 100 countries. The numerous successes it has enjoyed, both now and in the past, would not have been possible without the dedication of its many agents, dealers, banks and counterparties which promote its products. The global coverage The Perth Mint has achieved could not have been accomplished without the assistance of its business partners, and I would like to extend my sincere thanks to all of them for their continuing efforts on our behalf.

Gold Corporation's business and profits have grown significantly since its inception in 1987 with the introduction of the Gold Corporation Act. Innovative products and services, which have developed and evolved to meet the needs of the market, have established The Perth Mint's enviable reputation worldwide. Substantial investments have been, and continue to be, made to increase capacity, productivity and quality whilst maintaining a focus on the key issues of safety and environmental compliance. These investments, all funded from internal resources, will ensure the Corporation continues to be a valuable, profitable and iconic asset of the Government of Western Australia into the future, irrespective of market conditions.

Precious metals markets have changed significantly over the last few years. Exchange Traded Funds and similar entities (including Perth Mint Depository) have borne the brunt of the selling, and whilst physical demand for the Corporation's coins and bars has held up well, the outlook for the next year will continue to be a challenging one. Improving economic conditions in the Corporation's key markets will continue to impact the demand for precious metals and there is thus some element of uncertainty in the outlook for Gold Corporation. Notwithstanding this, opportunities will almost certainly present themselves and it will be essential for these to be identified and seized upon where appropriate. Flexibility, agility and teamwork will be required, and I am confident the Corporation will more than rise to meet the challenges. As incoming Chairman, I look forward to being associated with the exciting times ahead.

I would like to thank the Minister responsible for Gold Corporation, the Honourable Colin Barnett MLA, Premier; Minister for State Development; Science for his support and my fellow Board members for their dedication and enthusiasm. I acknowledge in particular the extra effort required by those serving on Board committees.

There have been several changes to the composition of the Board during the year, beginning with the resignation of the Chair, Her Excellency the Honourable Kerry Sanderson AO, on her appointment as Governor of Western Australia. Acting Chair Mr Ray Bennett also retired on the expiry of his appointed term at the end of the financial year. I thank them both for their contribution to the Corporation.

I would also like to acknowledge the contribution of the retiring Chief Executive Officer, Mr Ed Harbuz, and thank him for his dedicated service to the Corporation over a period of 12 years.

Lastly, I would like to thank the management and staff for their hard work and dedication. The 2014/15 result reflects the success of their efforts.

**D MACKAY-COGHILL**
Chairman

Western Australia's
seventh largest exporter

# CHIEF EXECUTIVE OFFICER'S YEAR IN REVIEW

RICHARD HAYES

In my first review in the role of Chief Executive Officer, I want to begin with my acknowledgement and thanks to my predecessor, Mr Ed Harbuz. Under Ed's stewardship, Gold Corporation resumed full ownership of Australia's only LBMA-accredited refinery, modernised the coin production facility and built on the achievements of those before him to return record levels of profit to our shareholder, the Western Australian Government. On behalf of Directors and staff I wish him a long and enjoyable retirement.

I take over as Chief Executive Officer at a time of great challenge for Gold Corporation, which trades in many of its markets as The Perth Mint. It has been a more difficult year for our various operating entities, characterised by tighter and less favourable global trading conditions against a backdrop of significantly reduced market interest in precious metals. Whilst profitability remained healthy by historical standards, it was certainly less than that enjoyed in recent years.

## The International Environment

The global financial crisis of the late 2000s resulted in a surge of interest in precious metals, usually as a hedge against falling currency, equity and property values, and economic upheaval in many parts of the world. With faith in global banks and banking systems falling to lows not seen since the 1930s, coupled with flattening or declining growth rates in many economies over the 2008 through 2011 period, investors were forced to look elsewhere, if not for investment returns then at least for capital stability. Precious metals provided this safe haven and substantial capital flows were diverted away from stock markets, property, bonds and other traditional investment asset classes. Following closely behind investors were the speculators who pumped very large amounts of money into precious metals, mostly via the various global Exchange Traded Funds (ETFs). This resulted in sustained precious metals demand, pushing prices rapidly upwards, with gold peaking at USD 1,921.41 on September 9th 2011.

After several false starts, the green shoots of recovery began to emerge, faltering during 2012 and 2013, indicating that stability and sanity was returning to the world economy. Since then, economic growth, albeit lower than that seen after previous recessions, and corporate profitability have emerged in the USA. Notwithstanding the ongoing on-again, off-again solvency and liquidity crises in several member countries including Greece, the Eurozone has held together and in parts actually prospered. The Chinese government has been taking steps to reduce the impact of a slowing economy and major impacts had been limited to commodity markets where demand and prices have fallen sharply and substantially. However, worsening economic data and recent substantial falls in the Shanghai Composite Index have led to contagion in other world bourses amid concerns of a hard landing for the Chinese economy. Against this backdrop, the United States dollar has returned to favour, shaking off some of its tarnished image and reclaiming its role as a global reserve currency. This trend is continuing, with substantial flows of global capital moving into US assets.

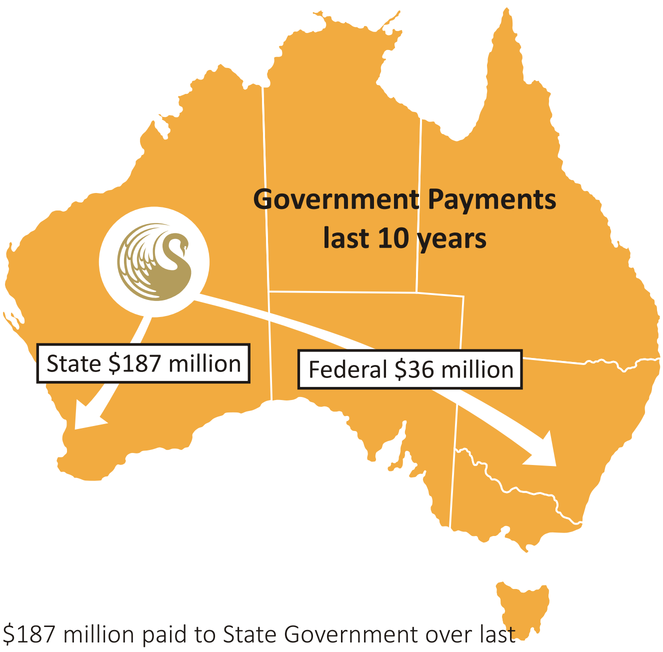
These global developments have not been favourable for precious metals, which are essentially a counter-cyclical investment asset. Spot prices for gold and silver have declined by 10.95% and 25.5% respectively over the fiscal year, with negative sentiment driving both speculative and investor funds out of the precious metal ETFs into alternative investments, further depressing prices and making the effect on demand and price even more marked. Through all of this the Australian dollar, which had hitherto remained stubbornly high, began to fall in value, providing some respite for Australian exporters. Gold Corporation earns a substantial percentage of its revenue in foreign currencies and has benefitted from the weaker domestic currency.

**$187 million paid**
to State Government over last 10 years

## Results Achieved

The profit before tax was $19.9 million, and whilst rather lower than that earned last year was still very strong by historical standards. Turnover was $6.61 billion compared to the previous year's $5.17 billion reflecting a change in the mix of product sales.

Payments to the Government of Western Australia during the financial year included income tax equivalent payments totalling $10.34 million and a dividend of $12.92 million. Significantly, the Corporation has paid $187 million to the State Government over the last 10 years. Seignorage royalty payments to the Australian Federal Treasury, relating to the terms of the agreement under which Gold Corporation mints and issues Australian legal tender coins, was $4.6 million.




- $187 million paid to State Government over last 10 years.
- $36 million Seignorage royalty paid to the Australian Federal Treasury over the last 10 years.

## Gold and Silver Refining

Australia was again the world's second largest producer of gold after China in the 2014 calendar year and is expected to maintain this status in 2015. The Perth Mint operates Australia's only gold and silver refinery accredited by the London Bullion Market Association (LBMA). It also holds accreditation with the Dubai Multi-Commodities Centre, Tokyo Commodities Exchange, New York Commodities Exchange and the Shanghai Gold Exchange.

During the year, the Perth facility refined almost all of Australia's gold doré production as well as gold mined in New Zealand, Papua New Guinea, Fiji, Solomon Islands, Thailand, Malaysia, Laos and the Philippines. Recycled gold, mainly from Asia, was also refined during the calendar year. The total quantity of gold and silver refined in the financial year puts The Perth Mint refinery in the top echelon of refiners by volume, and the facility enjoys an international reputation for quality and efficiency. Competition in the precious metals refining sector intensified further over the last 12 months with additional capacity coming on-stream in India, the Middle East and Asia, adding to what is already an excess of global capacity. Inevitably, this led to rounds of industry price cutting to maintain volume.

The refinery continued as a dominant supplier of value-added gold cast bars to both China and India. The market for small gold bars in Asia continued to be healthy, albeit as market premiums came under increasing downward pressure. The Perth Mint was the first offshore gold refinery to be accredited on the Shanghai Gold Exchange, further enhancing the refinery's reputation. With strong demand for value-added product during most of the year, only a small amount of gold in the form of 400oz good delivery bars was shipped to London.

The refinery is also a substantial supplier of refined silver, a sizeable portion of which is utilised in the Corporation's other activities, notably its coin minting programmes. Silver is also supplied in the form of value-added cast bars of various sizes into local and overseas markets, as well as 1,000oz silver good delivery bars.

## Coins

Demand for bullion coins remained reasonably buoyant during the year but was lower than in the previous year. Sales into the United States were strong despite the onset of deteriorating conditions in precious metals markets. Conditions in Europe tightened in line with the general precious metals markets, and were compounded by EU VAT uncertainties in Germany, resulting in sales falling short of expectations. Notable bullion coin accomplishments during the year included the sell-out of the 2015 1oz Year of the Goat gold bullion coin (30,000 mintage) and the 2015 1oz Year of the Goat silver bullion coin (300,000 mintage). Sales of the 1oz Australian Kookaburra silver bullion coin also reached its mintage of 500,000 units for the seventh year in succession.

To counter the decline in bullion coin sales, The Perth Mint has capitalised upon changes that have begun occurring in the collector coin markets in recent years. The trend amongst coin collectors for rare and distinctive numismatic coins and series prompted coin dealers to seek out unique products to distinguish themselves in a growing, but ever more crowded marketplace. During the year, this trend escalated as dealers increasingly demanded coins showcasing popular themes, offering specialist features and finishes, and presented in stylish packaging to create complete collectables, all in limited mintages. This was particularly evident in the number of requests received for licensed products, which were responded to with the release of coins such as the 100th Anniversary of ANZAC, and products such as Star Trek, Transformers, Dorothy Mackellar's Sunburnt Country, and May Gibbs' Gumnut Babies.

Within the past 12 months, the Mint issued 189 Australian legal tender proprietary collector coins either as individuals or in sets, with a further 24 commemorative coins released on behalf of the Government of Tuvalu or the Cook Islands. The Mint also created 77 collector coins and medallions for major distributors. Proving highly successful, these commissioned custom minting programs were also issued as legal tender of either of these two Pacific nations. In total, 15 collector coin programs sold out their full mintages.

In excess of 5.08 million coins, minted bars and medallions were sold during the 2014/15 year, compared to 5.5 million the previous year. The sale of these products resulted in the Mint adding value to 14 tonnes of gold, 236 tonnes of silver, and 223 kilograms of platinum, compared to 19 tonnes of gold, 302 tonnes of silver, and 125 kilograms of platinum in 2013/14. Approximately 86% of the revenue earned from the sale of these products was from exports.


Production of coins during the year decreased by some 8% over the previous year, reflecting lower market demands. High demand for The Perth Mint's newly introduced commercial quality silver coins (notably Battle of the Coral Sea and Funnel Web Spider releases) resulted in increased pressure in both the blank and minting operations throughout the year. This necessitated the running of a two shift regime for much of the time in order to meet market demand. The packing of these coins in the new Perth Mint "monster box" containers featuring tamper-evident security seals, posed further challenges. However, the ongoing equipment modernisation programme and the constant multi-skilling of staff have paid dividends in meeting often tight delivery deadlines.

Construction of the new silver blank production facility commenced in August 2014 and was largely complete at the end of June 2015. Specialist equipment has been installed and commissioning was completed in August 2015. The new facility will provide significant additional blank production capacity at lower average unit costs.

The ISO 9001.2001 quality certification and the AS/NZS 4801.2001 accreditation for health and safety were both maintained at the minting facility.

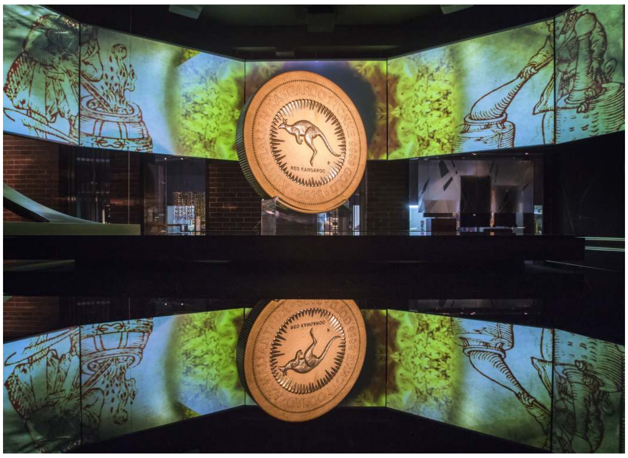
## Precious Metal Coin Blanks

The Perth Mint manufactures precious metal coin blanks for its own needs and also supplies other mints. Some 10.1 million blanks were produced during the year, around 23% lower than the previous year mainly due to reduced demand both domestically and overseas. Of those produced, 8.9 million were silver blanks with the balance being gold and a small number of platinum blanks. As with coin minting, the blank manufacturing facilities operated on a double shift basis for part of the year to meet fluctuating demand.

## Visitor Experience

The Mint unveiled a multi-million dollar transformation of visitor facilities in April 2014 to much acclaim, offering a world-class Visitor and Exhibition centre. In 2014/15, 66,414 international, interstate and local visitors were welcomed to the Exhibition, compared with 66,952 in the previous year. In addition to these numbers, many other clients and customers visited the Mint's retail store. This facility extends throughout the ground floor of the Mint with dedicated rooms assigned to offer shoppers an exclusive retail experience. A number of promotional and advertising initiatives were undertaken during the year aimed at drawing in not only new visitors but also those that have visited the Exhibition previously, but with falling levels of consumer confidence in the wider Australian economy, this was a difficult task. Both the retail business and the Exhibition have been affected in the last two years by reduced visitor numbers, which led to a somewhat disappointing result for the year. It is anticipated that in the 2015/16 year visitor numbers will increase in line with forecast increased overseas tourist numbers, attracted by a lower Australian dollar.

The Perth Mint participated in the Australian Tourism Exchange in Melbourne in May 2015 at which the Exhibition and retail facilities were promoted, and also attended other tourism trade shows in China, Malaysia and Singapore with the aim of attracting a greater number of overseas visitors.



## Perth Mint Depository

A falling USD gold price combined with gains in offshore equity markets, made conditions difficult for the Perth Mint Depository products. However an increase in the AUD gold price resulting from a weaker Australian dollar provided some relief on the home front. Perth Mint Depository's ongoing policy of targeting individual investors and self-managed superannuation funds rather than institutional investors, enabled it to minimise the volatility of its precious metal holdings and outperform the overseas-based ETFs. Efforts were directed at creating a new Depository On-Line product designed to appeal to younger investors, with 24 hour access and lower transaction costs. This product was soft-launched in June with encouraging results.

## Capital Works and Capacity Enhancement Programs

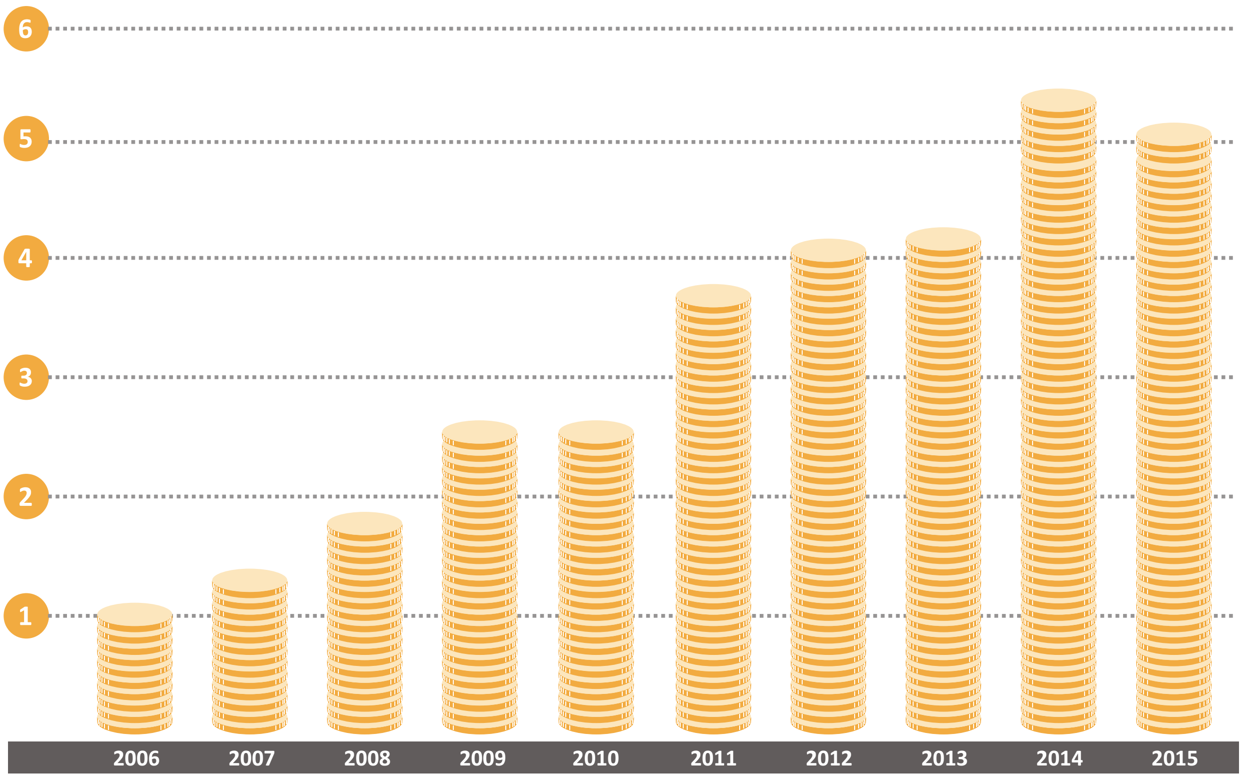
The ongoing capital expenditure programme, one of the reasons for the healthy profits in recent years, continued in the financial year. Replacement of assets beyond their useful life, investments in new technology, productivity and increased capacity as well as carefully targeted spending on enhanced safety and environmental management all formed part of this programme.

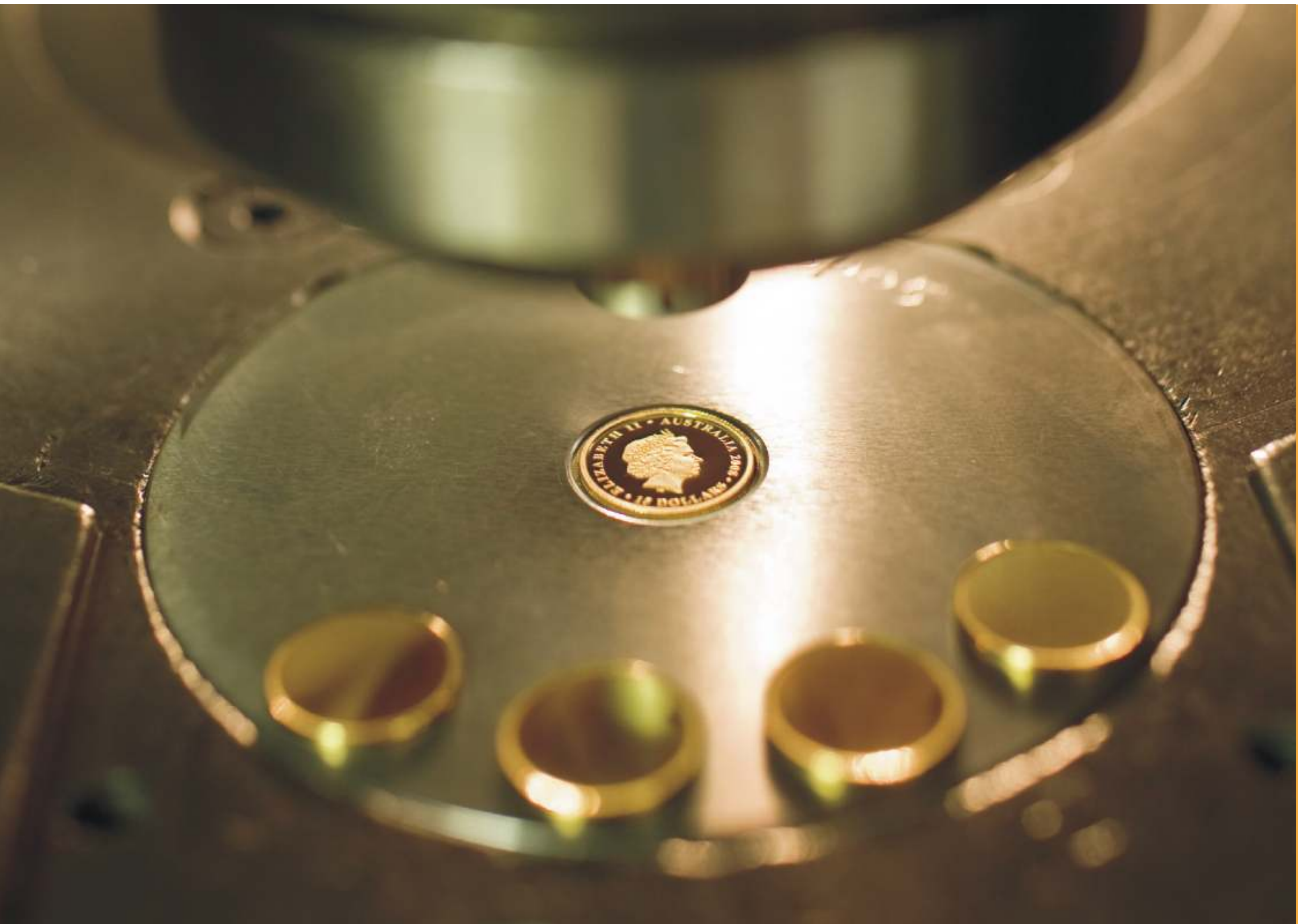
**$22.9 million**

**capital expenditure for the year**

During the year, the new silver blank factory was constructed and state of the art equipment installed. This additional capacity will increase substantially the Corporation's blank production (and hence coin production) capabilities. Capital expenditure over the year amounted to $22.9 million, with all financing coming from internal resources. Gold Corporation is entirely self-supporting and has no cash borrowings.

## Minted Products sold (millions of units)



## Closing Comments

The improving global economy has reduced the attractiveness of precious metals as an investment or portfolio diversification asset and this is of continuing concern for Gold Corporation moving forward. Whilst there may be small pockets of benefit, business conditions will be less favourable in 2015/16. The newly completed silver blank production facility will produce a welcome reduction in coin unit costs and the Mint's state-of-the-art precious metals storage facilities gives the opportunity for increased storage of value-added products and the servicing of institutional customers in Depository. These, and other initiatives, will go some way to mitigating adverse market conditions.

What is clear is that the future is hard to predict in an ever-changing world. History would suggest that the seeds of the next recession are sown in the green shoots of recovery. Irrespective of what happens, Gold Corporation is exceptionally well placed to weather whatever storms lie ahead. Business lines are being reorganised to take maximum advantage of the vertically integrated value chain the Corporation enjoys. In time there will be another boom in precious metals demand, and this time Gold Corporation will be even better placed to exploit it.

Gold Corporation has a dedicated team; a mixture of long serving employees and new appointments. The businesses are specialised and many skills required are rare or unique. I would like to thank all members of the team for their efforts during the year. They showed dedication, resilience, determination and met sometimes daunting challenges positively and calmly. I would also like to thank those who challenged convention and not only came up with new ideas but made them work. Of particular importance to the Board are the issues of Workplace Safety and Environmental Protection, and our good record in both comes as a result of training and continuous attention to detail. Thanks are due to employees for their dedication to these essential aspects.

I would like to thank Her Excellency the Honourable Kerry Sanderson AO, who resigned as Chair in October to take up her appointment as Governor of Western Australia. Kerry brought a commercial but disciplined approach to the Board. I would also like to thank Ray Bennett, who stepped into the breach as Acting Chair from October 2014 through until his retirement in June 2015. I am grateful to Ray for his support and guidance and wish him well in his retirement. I thank the rest of the Board members for their support and guidance. Finally I wish to welcome Don Mackay-Coghill as the Gold Corporation's new Chairman. Don has an unparalleled wealth of experience in the precious metals industry and brings to the table a background second to none. I look forward to the future under Don's guidance and am confident that notwithstanding current market conditions, the Corporation will go from strength to strength.

**R G HAYES**
Chief Executive Officer

# DIRECTOR BIOGRAPHIES

## KERRY SANDERSON AO, BSc, BEcons, HonDLitt, MAICD

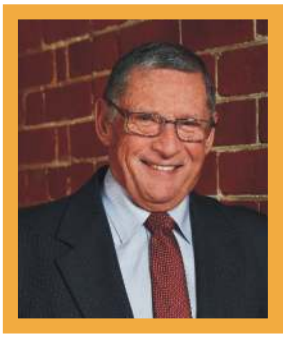
From 2008 to 2011 Kerry Sanderson was Agent General for Western Australia and represented and promoted Western Australia throughout Europe including Russia. Prior to this from 1991 she was Chief Executive Officer of Fremantle Ports at a time when the Port underwent substantial change.

Before 1991 Mrs Sanderson was Deputy Director General of Transport for Western Australia and with the State Treasury as Director of Treasury's Economic and Financial Policy Division.

She is currently on the boards of listed companies Downer EDI and Atlas Iron as well as the not-for-profit St John of God Health Care and the International Centre for Radio Astronomy Research. She chairs the State Emergency Management Committee and participates in a number of charitable and community activities including the Paraplegic Benefit Fund and the Senses Australia and is also an Adjunct Professor in the Curtin University Business School.

Mrs Sanderson was named an Officer of the Order of Australia (AO) in the 2004 Queen's Birthday Honours List. She has degrees in both science and in economics from the University of Western Australia and in 2005 was the recipient of an Honorary Doctorate of Letters.

Mrs Sanderson AO, resigned as Chair in October 2014 to take up her appointment as Governor of Western Australia.



## RAY BENNETT MAICD

Ray Bennett has had an extensive background in finance and banking with over 25 years' experience in the banking industry. Mr Bennett was the General Manager Retail Banking for Challenge Bank immediately prior to leaving the banking industry.

Mr Bennett was subsequently appointed Chief Executive Officer of the then Western Australian Totalisator Agency Board in 1995. He remained as Chief Executive until the Totalisator Agency Board was abolished in 2003, and Racing and Wagering Western Australia established to continue the operations of the Totalisator Agency Board and take control of the integrity and management of the racing industry, including allocation of funds across the three racing codes. Mr Bennett was appointed Chief Executive of the new organisation, a position he held until his retirement in 2008.

Mr Bennett was a Director with the Western Australian Lotteries Commission for six years.

Mr Bennett retired from the Board on 30 June 2015.

## DON MACKAY-COGHILL

Mr Mackay-Coghill emigrated from South Africa in 1986 to take up the dual positions of Chief Executive Officer of GoldCorp Australia and Managing Director of the Western Australian Mint. Before that, he had a 15-year career with International Gold Corporation (Intergold), being appointed Chief Executive, Worldwide, in 1979. Whilst at Intergold, Mr Mackay-Coghill was responsible for the introduction of the highly successful Krugerrand to world markets, which created the first global market for bullion coins.

Mr Mackay-Coghill retired as the inaugural Chief Executive Officer of Gold Corporation on 30 June 2003 after leading the Corporation for 17 years. He held the position of Non-Executive Director of Gold Corporation from 1 July 2003 until 30 June 2009. During this period he was also Chairman of AGR Matthey, a joint venture between Gold Corporation, Johnson Matthey Australia and Newmont and was a Director of the World Gold Council based in London.

It was during his tenure as CEO of Gold Corporation that Mr Mackay-Coghill, in his capacity as Joint Chief Executive Officer of the Sydney 2000 Olympic Coin Programme, planned and managed the Sydney programme which has become the benchmark for all subsequent Olympic coin programmes.

In recognition of his achievements he received the South African Marketing Award of the Year in 1978; the Vreneli-Preis Award for his contribution to Numismatics in 2001; the Australian Institute of Export's Australian Export Hero Award in 2007; and the Juan Antonio Samaranch Medal for his contribution to Olympic coin collecting in 2012.

Mr Mackay-Coghill was appointed to the Board of Gold Corporation with effect from 1 July 2015.

**RON EDWARDS** BEc (WA), MEd (Hons) (Syd), EdD (WA)

Ron Edwards is a founding member of the Graham (Polly) Farmer Foundation committed to providing opportunities for Indigenous youth; he is a Council Member of the Anglican Schools Commission concerned with providing low fee Anglican education. He also works as a consultant in the resources and seafood industries. Dr Edwards is a Board Member of the Potato Marketing Corporation and the Australian Landcare Council.

In 2006 Dr Edwards was awarded a Doctorate in Education from the University of Western Australia; his topic was social inclusion in the low fee Anglican School system in Western Australia. Formerly, Dr Edwards was the Member for Stirling in the Federal Parliament and was Chairman of the Economics Committee for the Federal Government. Recently he has worked on European trade matters for the Australian seafood industry and provides strategic advice on various projects.

**GAYE McMATH** BCom, MBA (Melb), FCPA, FAICD

Gaye McMath is the Chief Operating Officer at the University of Western Australia (UWA) and is responsible for the University services of Financial Services, Human Resources, Campus Management and Venues Management. Ms McMath previously held the position of Executive Director of Finance and Resources at UWA and prior to that role was Pro Vice-Chancellor (Resource Management) and Chief Financial Officer at Murdoch University.

Prior to joining the higher education sector, Ms McMath had a 23 year career with BHP Billiton (BHP) where she held a range of senior executive roles in finance, strategic planning, commercial and treasury operations within the minerals, steel and corporate divisions. Ms McMath was a BHP nominated Director on a number of domestic and international mining infrastructure subsidiary and joint venture Boards.

Ms McMath has held directorships for the past 19 years in the Resources, Infrastructure, Energy, Financial Services, Property, Education, Healthcare and the Arts.

Ms McMath combines her current executive role with non-executive directorships and is on the Board of the Queen Elizabeth II Medical Centre Trust, Perth Convention Bureau and The Perth International Arts Festival.

**JOHN MURPHY** BCom, MCom, GAICD

John Murphy represents the Western Australian Under Treasurer. He is currently the acting Director of the Infrastructure Division in the Western Australian Department of Treasury. In this role Mr Murphy heads a team that provides advice to the government on the major Government owned infrastructure and commercial agencies.

Mr Murphy has worked within the State Public Service for over twenty years in a variety of financial, economic and policy roles. As well as working in the Department of Treasury he has worked in agencies dealing with the resources and transport sectors.

## CHRIS WHARTON

Chris Wharton is Chief Executive Officer of Seven West Media WA (SWM).

Mr Wharton is responsible for all SWM assets in Western Australia – The West Australian newspaper, WestRegional Publications (23 mastheads), its on-line properties, WA Publishers, Redwave Media (11 regional licence areas) and Channel Seven Perth.

Before that Mr Wharton was Chief Executive Officer of West Australian Newspapers, a position he held from December 2008.

Prior to that, he was Managing Director of Channel Seven Perth Pty Limited for nine years. During this period Channel Seven Perth dominated its opposition.

Mr Wharton's career began as a journalist and he worked in every area of newspaper management in Sydney before being appointed Chief Executive Officer of Perth's Community Newspaper Group in 1995. In 2013 Mr Wharton became Chairman of Community Newspaper Group.

Mr Wharton's community and business involvement includes membership of the Telethon Trust, and the Australian Institute of Company Directors. He is a Director of the West Coast Eagles Football Club and a former Director and vice president of the WA Chamber of Commerce and Industry.

## M EDWARD HARBUZ BSC (Eng), MBL

Ed Harbuz was appointed Chief Executive Officer of Gold Corporation on 1 July 2003. Mr Harbuz was Managing Director of the South African Mint Company Pty Ltd for almost seven years until 2001 and Group Managing Director of Cullinan Holdings Ltd, one of South Africa's oldest industrial companies, prior to that. Preceding this, he was Chief Executive of Cullinan Refractories and Managing Director of Steetley Refractories in the United Kingdom. Mr Harbuz holds a Master of Business Leadership from the University of South Africa and a BSc (Electrical Engineering) from the University of Natal.

Mr Harbuz retired from Gold Corporation on 30 June 2015.

## RICHARD HAYES BComm, MBA, CPA, ACIS, MAICD

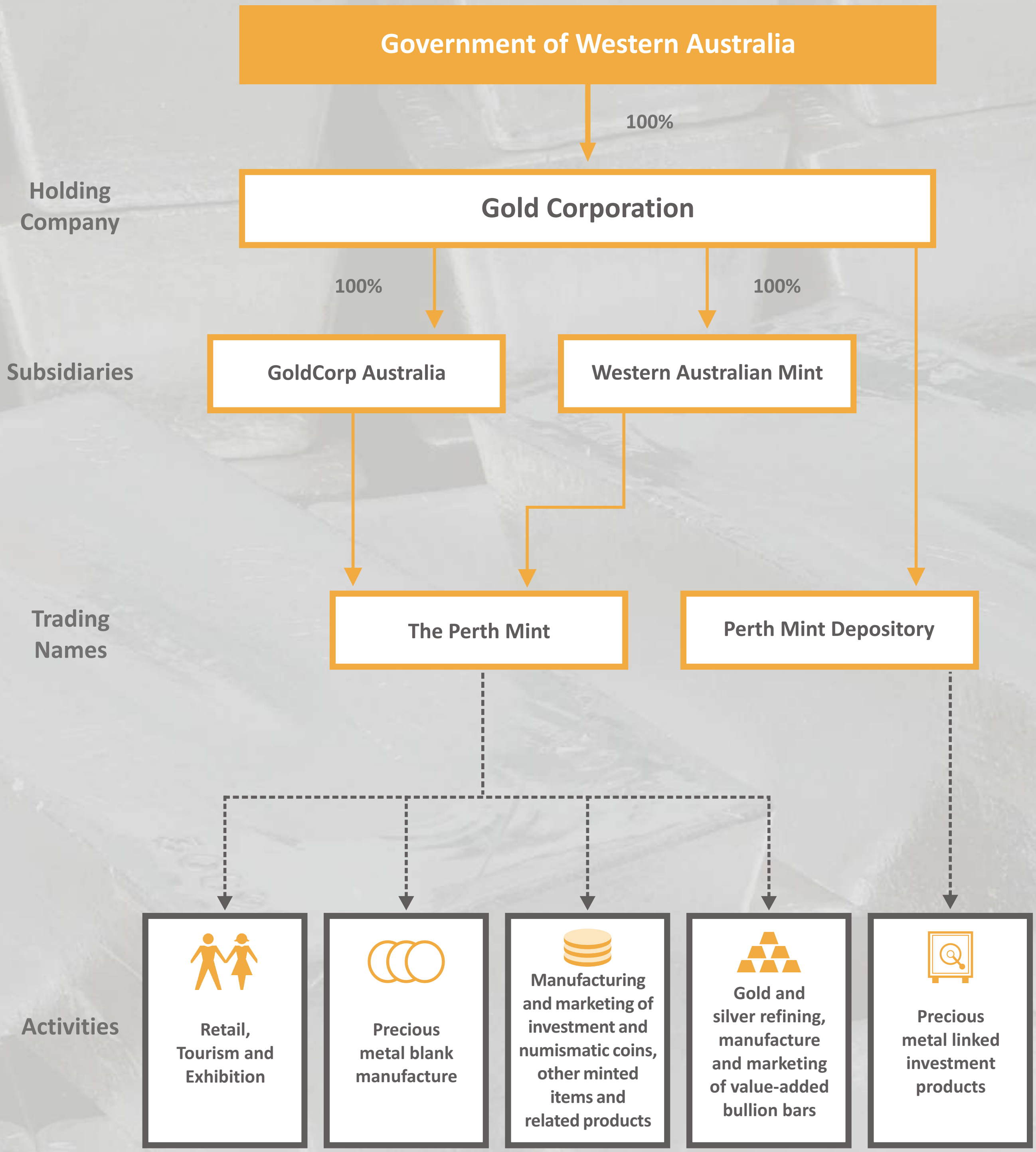
Richard Hayes was appointed as Chief Executive Officer of Gold Corporation on 1 July 2015. He had been Chief Financial Officer and Deputy CEO since joining the Corporation in March 2003. He was previously the Chief Operating Officer and an Executive Director of AGR Matthey from October 2002 to March 2003 and prior to that he was Director, Finance and Deputy Managing Director of AGR Joint Venture from December 1998 to October 2002. Prior to that, he was Chief Financial Officer and Company Secretary of Golden West Refining Corporation Ltd, an ASX-listed company controlled by N M Rothschild & Sons Ltd which, in December 1998, merged with Gold Corporation's refining and jewellery manufacturing business to become the AGR Joint Venture.

Mr Hayes emigrated to Australia from Zimbabwe in 1987 and held a number of management roles with Boral Ltd prior to joining Golden West.

Mr Hayes is currently a Director of Interchange Inc. and also sits on the Board of Governors of Wesley College.

Mr Hayes was appointed as Chief Executive Officer of Gold Corporation on 1 July 2015.

# OUR GROUP STRUCTURE




The Gold Corporation group structure is a divisional one, reflecting clear lines of performance based responsibility for each Executive Manager. Notwithstanding the divisional structure, each executive is expected to adopt an enterprise wide approach at all times, fostering cross divisional teamwork for the benefit of Gold Corporation as a whole.

# OUR PEOPLE

## EXECUTIVE MANAGEMENT

First row left to right:

Caroline Delves, David Woodford, Richard Hayes

Second row left to right:

David Koch, Jane King, Joe Metcalfe

### Gold Corporation

| | |
|---|---|
| Chief Executive Officer | R G Hayes |
| Chief Financial Officer | C J Delves |
| Treasurer and Chief Commercial Officer | G J Metcalfe |
| Chief Operating Officer | D E Woodford |
| General Manager, Corporate Governance and Risk | D J Koch |
| General Manager, Human Resources | J E King |
| Company Secretary | A P Melville |

The executive management team have responsibility for the day to day operations of Gold Corporation. They are all specialists in their areas of responsibility and whilst some are long serving employees, a number have joined in recent years bringing fresh insights and approaches to what is a mature set of business operations.

The number of permanent staff increased over the year to 410 from 363, largely due to the migration of casual staff to permanent employees. These employees were assigned to the business entities as shown below:

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Gold Corporation | 84 | 75 |
| Western Australian Mint | 247 | 229 |
| GoldCorp Australia | 79 | 59 |
| Total | 410 | 363 |

The split between salaried and award employees were as follows:

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Salaried | 271 | 237 |
| Award | 139 | 126 |
| **Total** | 410 | 363 |

A snapshot profile of the Corporation’s employees is as shown below:

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Women | 43% | 44.4% |
| Female Tier 2 (Managers reporting to CEO) | 27% | 30% |
| Female Tier 3 (Managers reporting to Tier 2) | 50% | 41% |

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Average age | 45.14 | 45.08 |
| Youth Workers (less than 25 years old) | 4% | 4.6% |
| Mature Workers (older than 45 years old) | 52% | 51% |
| Staff turnover | 10% | 7.72% |

Many staff hail from culturally diverse backgrounds, bringing with them a wide variety of spoken languages (from German to Mandarin and Russian to Singhalese with many in-between), reflecting the many and varied markets in which The Perth Mint operates.

Staff turnover remains low, representing a stability that is the envy of many. The specialised nature of Gold Corporation's operations requires skills and experience that can only be gained with time, and the low turnover of employees has resulted in the retention of a valuable knowledge base.

# OUR BUSINESS ACTIVITIES

## GOLD REFINING

The refinery, located in the Perth Airport precinct, is Australia's only LBMA accredited gold and silver refiner. It refines most of Australia's gold, as well as gold from nearby countries. It also refines scrap gold from domestic and Asian sources.

The refinery is accredited by the following international organisations:

- London Bullion Market Association (LBMA),
- Tokyo Commodity Exchange (TOCOM),
- New York Commodity Exchange (COMEX),
- Dubai Multi Commodity Exchange (DMCC),
- Shanghai Gold Exchange (SGE).

It holds the following ISO accreditation for safety and environmental management practices:

- ISO AS4801:2001 OH&S Systems,
- OHSAS 18001:2007 OH&S Systems,
- ASNZS 14001:2004 Environmental Management Systems.

In 2014/15, the refinery continued its commitment to ensuring that it refines only material sourced in compliance with OECD guidelines for Conflict Free Minerals. An annual independent audit is conducted to ensure compliance with applicable legal requirements as well as with broader social and societal obligations.

## BULLION BARS

The refinery produces 400oz 99.5% gold and 1,000oz 99.9% silver London Good Delivery Bars, and has the capacity to convert all its gold and silver feed into value-added good delivery products which include 1kg, 100g, 50oz, 20oz, 2.5oz and 1oz 99.99% gold bars; 1kg 99.5% gold bars, and 1kg, 100oz, and 10oz 99.9% silver bars.

Bullion bars are marketed into a variety of target markets either directly or via a network of intermediary organisations.

## BULLION COINS AND MINTED BARS

The Perth Mint is the official producer of the Australian Bullion Coin Programme. Issued as legal tender under the *Australian Currency Act 1965,* the annual programme comprises four series portraying iconic native fauna, and a fifth series celebrating the animals of the Chinese lunar calendar:

- Australian Kangaroo 99.99% pure gold coin series,
- Australian Kookaburra 99.9% pure silver coin series,
- Australian Koala 99.9% pure silver coin series,
- Australian Platypus 99.95% pure platinum coin series,
- Australian Lunar 99.99% pure gold and 99.9% pure silver coin series.

Together with a range of minted gold bars and gold and silver cast bars, The Perth Mint's bullion coins are distributed through an international network of authorised agents, financial institutions and coin dealers. Investors in Australia and much of Asia can also purchase bullion direct from the Mint via www.perthmintbullion.com.

## PERTH MINT DEPOSITORY

Designed to appeal to investors who want an exposure to precious metal without the security and insurance issues associated with storing physical product, Perth Mint Depository offers unallocated, pool allocated and allocated storage options within a convenient account-based structure.

- Perth Mint Depository Program (PMDP) is promoted principally via the internet and is available only through The Perth Mint on a direct basis. It is tailored towards larger investors including self-managed superannuation funds.
- Perth Mint Certificate Program (PMCP) offers similar services but is marketed through an international network of Distributors. PMCP investors receive confirmation of their holdings via a certificate issued by The Perth Mint.
- Depository On-Line (DOL) has recently been introduced and provides web-based access to precious metals, with a low cost, live priced service on a 24/7 basis. It is marketed directly by The Perth Mint and also through Distributors.
- Perth Mint Gold (ASX code PMGOLD) is listed on the AQUA platform of the Australian Securities Exchange and offers unallocated storage to investors who prefer to deal through their stockbroker.

The Perth Mint operates the most extensive vaulting facilities in the Southern Hemisphere.

## NUMISMATIC AND COMMEMORATIVE COINS

The Perth Mint manufactures and markets internationally gold, silver, platinum and base metal non-circulating legal tender coins for collectors. Distinguished from investment coins by their extremely limited mintages and a variety of high-quality numismatic treatments and finishes, the coins are issued as Australian legal tender, or released as legal tender of Tuvalu or the Cook Islands.

Designed in-house, the programmes are heavily biased towards Australian themes: native wildlife, iconic locations, historical events, famous people, important anniversaries and other appropriate topics. There is also scope within the various programmes to explore more universal themes, which in the past year have included royalty, literary legends, famous explorers, ancient gods and goddesses, mythical creatures, and cultural celebrations and occasions.

Commemorative coins are issued by The Perth Mint in a variety of weights and sizes, as individual pieces or in sets. To add to their appeal, these coins are housed in special presentation packaging and accompanied by a Certificate of Authenticity which provides information about the design theme, the official maximum mintage, the purity and the weight of the release.

## PRECIOUS METAL COIN BLANKS

Gold Corporation, in addition to producing precious metal coin blanks for its own consumption, is also a supplier of precious metal coin blanks to other mints, both private and government owned, in Australia and overseas. With its world class facilities and technology, gold, platinum and silver coin blanks are produced in a limitless variety of shapes, weights and sizes. Capacity is soon to be enhanced substantially with the commissioning of a new state of the art coin blank manufacturing facility.

Precious metal coin blanks are manufactured in accordance with both the Perth Mint's own quality standards as well as the individual specifications set by other mints as applicable.

## TOURISM AND VISITORS

The Mint's visitor centre, encompassing both a retail outlet and a world class exhibition charting gold through the ages, is housed in a beautifully maintained heritage building. Constructed from local limestone and designed by George Temple Poole, the colonial government's architect during the gold boom years in the 1890s, the Perth Mint's impressive forecourt provides the ideal home for 'The Strike', a life-like bronze sculpture of Arthur Bayley and William Ford, who discovered large deposits of gold in Coolgardie in 1892 sparking WA's first major gold rush. The statue has become a favourite backdrop for visitors' photographs, as it celebrates a momentous time in the State's history.

Among the many highlights of the guided tour are the spectacular gold pour, the Australian Kangaroo one tonne gold coin, worth approximately $50 million, and displays of historic and contemporary coins. Welcoming in the region of 66,000 international, interstate and local visitors annually, The Perth Mint provides a fascinating glimpse into the history of gold and the minting of coins in Western Australia.

The retail facility also provides a unique opportunity to buy bullion, coins, unique Australian products such as gold nuggets, opals, pink diamonds and South Sea pearls as well as souvenirs and other products.

Today, The Perth Mint is the country's only remaining 'gold rush' mint.

## OCCUPATIONAL HEALTH AND SAFETY

### Commitment and Compliance

Gold Corporation has in place occupational health and safety (OHS) systems to minimise health and safety risks to employees, customers, contractors, the public and the environment. The systems ensure that policies, procedures and work instructions are in place not only to comply with legislation and codes of practice but to embrace best practice. Objectives and targets are set and performance in achieving the targets is monitored and reviewed on a regular basis.

Management are firmly committed to providing a safe place of work for all its employees. Sending employees home at the end of each day in the same condition they arrived for work is a key tenet on which the Corporation operates.

### Injury Management

Gold Corporation ensures compliance with the *Workers Compensation and Injury Management Act 1981*. Management is committed to ensuring all injured employees, regardless of whether they are work-related or non-work-related, return to work as soon as is practicable and medically appropriate. Return to work programmes are developed and implemented and injury management consultants are engaged when appropriate.

### THE PERTH MINT

#### Consultation

At the Mint site there is regular consultation with employees, facilitated through regular toolbox meetings and monthly OHS Committee meetings. The Committee met 12 times during the year. Employee OHS representatives contribute significantly at these meetings and are fully engaged in safety inspections and in accident and injury investigations. Employees are encouraged to contribute to the annual OHS Strategy & Plan, and suggestions are actively solicited from staff.

#### Third Party Certification

The Mint site is certified to the Australian Standard AS4801:2001. Regular compliance audits are undertaken and any findings actioned in a timely manner.

### PERTH MINT REFINERY

#### Consultation

At the refinery site there is regular consultation with employees, through weekly toolbox meetings, as well as OHS & Environment Committee meetings. The OHS & Environment Committee met on 12 occasions to review safety performance and propose improvements and are fully engaged in safety inspections and accident & injury investigations. Staff continued to participate actively in the site safety observation program.

#### Third Party Certification

The refinery is regarded as a mine site and is regulated by the *Mines Safety and Inspection Act 1994*. Two site inspections were undertaken by the Department of Mines and Petroleum and no improvement notices were issued.

The refinery underwent recertification for international accreditation for Safety and Environment in 2013. The annual ISO surveillance audits for The Perth Mint Refinery Safety Management System and Environmental Management System, namely AS/NZS 4801:2001; OHSAS 18001:2007 and AS/NZS ISO 14001:2004 were undertaken by Bureau Veritas in August 2014.

Performance against targets

| OSH ITEM | MINT ACTUAL | | REFINERY | | TARGET |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | |
| Number of fatalities | 0 | 0 | 0 | 0 | 0 |
| Lost Time Injury/Disease Incident rate | 0.28<br>35%*<br>decrease | 0.24<br>56%*<br>decrease | 2<br>81.8%<br>decrease | 1.9<br>6%**<br>increase | 0<br>or 10%<br>decrease |
| Lost Time Injury Severity Rate | 0 | 0 | 0 | 0 | 0 |
| Percentage of workers returned to work within:<br>(i) 13 weeks<br>(ii) 26 weeks | 100%<br>100% | 100%<br>100% | 100%<br>100% | 100%<br>100% | >80% |
| Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities | 100% | 85% | 100% | 100% | >80% |

* The reduction is calculated over a 3 year average.
** The increase is calculated over a 3 year average.

## OUR CUSTOMERS AND COMMUNITY

### Customer Service and Customer Complaints

Gold Corporation recognises the importance of delighting its customers. As a public statement of its commitment to service and complaints handling, the Corporation's Complaints Policy and Customer Service practices embodies the following elements:

- A documented and whole-of-organisation commitment to the efficient and fair resolution of complaints;
- Fairness to the complainant;
- Adequate staff resources, with a high level of delegated authority;
- Speedy and courteous responses;
- No charges for the handling of complaints;
- A formal system to determine causes and implement remedies;
- Systematic recording of complaints and their outcomes;
- Regular reviews of the quality management and complaints review process.

The increasing use of blogs, discussion forums and social media platforms is providing unprecedented customer feedback. While much feedback during the year was positive, negative comment and complaints provided opportunities to address issues which might not have been raised in the past.

The majority of Coins complaints received related to damaged packaging whilst in transit, with a small number of complaints due to minor quality issues. These issues have been dealt with, minimising the likelihood of recurrence.

| | 2015/2016 | |
|---|---|---|
| | Orders Processed | Complaints Received |
| Coins | 34,896 | 42 |
| Depository | 30,230 | 0 |
| Shop & Exhibition | 37,262 | 7 |
| Refinery | 13,376 | 0 |

## INDUSTRY AND COMMUNITY PARTICIPATION

As part of its functions under the *Gold Corporation Act 1987*, the Corporation is mandated to encourage interest in precious metals and to support the Australian gold industry. Its Mission Statement also requires it to promote the history and heritage of Australia through its coins, and preserve its own heritage assets and history for the benefit of the community.

The Perth Mint involves itself in the local tourism industry and business community through its memberships of the following organisations:

- Perth Convention Bureau
- Tourism Council of Western Australia
- Tourism Australia
- Tourism Western Australia
- Association of Perth Attractions
- Perth Regional Tourism Association (Experience Perth)
- International Business Council.

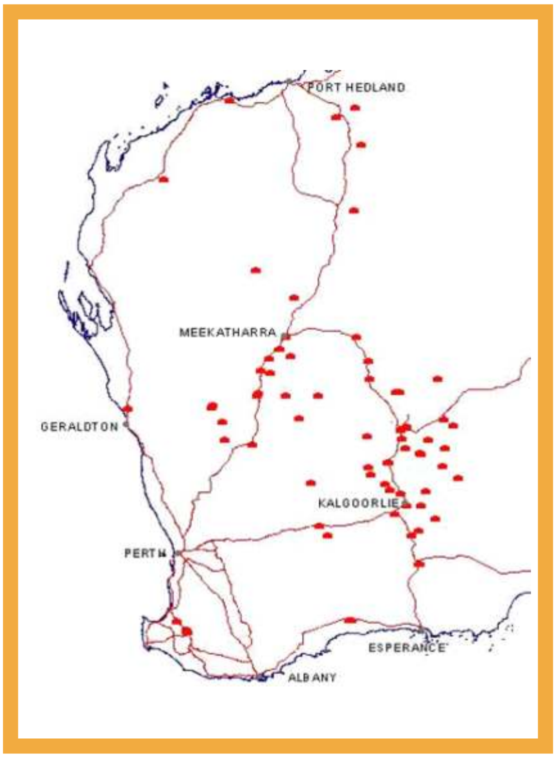
During the year, The Perth Mint also supported local industry associations through some sponsorship of the WA Tourism Awards hosted by the Tourism Council of Western Australia, Western Australian Chinese Chamber of Commerce and the West Australian-German Business Association Incorporated.

As an active participant in the coin, banknote and stamp shows of the Australasian Numismatic Dealers' Association, The Perth Mint attended events held in Sydney, Melbourne and Perth.

The Perth Mint attended and participated in a number of targeted international events tied to and associated with its business operations.

Through sponsorship and donations, The Perth Mint assisted a number of specific organisations and entities.

## STATE BATTERIES




A number of state batteries (Government owned mineral processing facilities) were vested in Western Australian Mint in the late 1980s. Some of these reserves have been leased out for various purposes but most are abandoned. They are mostly in remote and unpopulated areas as shown in the map above. Twenty two of these sites have been classified as, "Possibly Contaminated – Investigation required" in terms of the *Contaminated sites Act 2003*. The investigations are being carried out on a priority basis.

The Northampton Battery Reserve was identified as a priority site requiring remediation. It was estimated that over 75,000 tonnes of lead tailings were across the site and the brook and were being transported downstream.

A containment cell for the lead tailings was completed on the reserve during 2010. Last year, in consultation with the Department of Environment Regulation further earth work, seeding and planting took place. The status of the revegetation is shown below.

The site is monitored regularly to ensure there is no leaching of lead or erosion of the cell's earth covering. Funds for this project have been provided to Gold Corporation by the Department of Environment Regulation from its Contaminated Sites Fund.

The Coolgardie State Battery Reserve was also identified as a priority requiring investigation. The site is classified, "Possibly contaminated – investigation required". This year a preliminary site Investigation was conducted by URS according to the Contaminated Site Guidelines. Subsequently, Gold Corporation considers the site to be low risk in relation to contamination of the environment but a medium risk to public safety due to dilapidated structures on the site. The structures need to be demolished but the battery is heritage listed so appropriate consultation and approvals are required. The site is fenced with warning signs. The ongoing monitoring and risk control of this site and the other geographically dispersed sites represents a cost to Gold Corporation and requires management time and attention.

It has been recognised that no reason exists for Gold Corporation to continue to have any responsibility for these sites. Consultation with other agencies in Government is taking place so that the sites can be transferred to another agency or agencies in government better suited to the task.

# CORPORATE GOVERNANCE

## GOLD CORPORATION

Gold Corporation was established by the *Gold Corporation Act 1987* and the Minister responsible for the Corporation is the Honourable Colin Barnett MLA; Premier; Minister for State Development; Science. Details of the Corporation's Mission Statement, functions, structure and management are available elsewhere in this report.

The Corporation has no policy role in government, makes no laws or regulations except in relation to the conduct of its own affairs, and administers no schemes that confer benefits upon or place imposts on the public.

Section 6 of the Act empowers the Corporation's Board of Directors *"...to determine the policy of Gold Corporation, the Mint and GoldCorp in relation to any matter and to control the affairs of Gold Corporation and each of its subsidiaries..."*.

Strong corporate governance is at the heart of the culture, business practices and ethics of Gold Corporation. The Corporation's governance practices form a framework to ensure that high standards of corporate behaviour are not only adhered to but engrained in the culture of the organisation.

### BOARD OF DIRECTORS

The Board of Directors is the governing body of Gold Corporation. The *Gold Corporation Act 1987* empowers the Board to determine policies for the Corporation and its subsidiaries, and requires the Board to:

- promote and develop markets for gold and gold products in Australia and elsewhere;
- develop and expand the Corporation's business for the benefit and to the greatest advantage of the people of Australia;
- operate in accordance with prudent commercial principles; and
- strive to earn a commercial rate of return on its capital.

The Board's authority is limited by the provisions in the Act and by Ministerial direction. The Board acknowledges its accountability to the Corporation's only shareholder, the Government of Western Australia.

The Board is committed to sound corporate governance principles and high standards of legislative compliance, supported by commensurate financial, environmental, OHS and ethical behaviour. The Board has serious regard to directorial and managerial conduct and reputation as an integral part of sound governance practices. In accordance with this, the Board has committed itself and Gold Corporation to comply, wherever applicable, with the spirit and letter of the Australian Institute of Company Directors Code of Conduct and Guidelines. Directors can seek independent professional advice on Board matters at the Corporation's expense, with the approval of the Chairman.

### Key Activities

Supported by management, the Board approves the strategic direction of the Corporation. A Statement of Corporate Intent (SCI) covering the forthcoming 12 month period and a Strategic Development Plan (SDP) with a 5 year time horizon are prepared on an annual basis. These documents together outline the Corporation's objectives, performance targets and strategic intent.

At its regular meetings, the Board has regard to the following areas by way of standing agenda items:

- Strategic issues and key operational matters,
- Operational performance and financial matters,
- Safety and environmental performance,
- Risk management and risk issues.

### Membership

Directors are appointed by the Governor of Western Australia on the nomination of the Minister and approval by Cabinet. At year-end the Gold Corporation Board comprised of five non-executive Directors and two executive Directors.

| Director | Status | Expiry of Term |
|---|---|---|
| R B Bennett (Acting Chair) | Non-executive | 30 June 2015 |
| R F Edwards | Non-executive | 31 December 2015 |
| G M McMath | Non-executive | 30 June 2016 |
| J W F Murphy | Non-executive | N/A, ex-officio |
| C S Wharton | Non-executive | 30 June 2016 |
| M E Harbuz | Executive | 30 June 2015 |
| R G Hayes | Executive | 30 June 2016 |

Mr Ray Bennett was appointed Acting Chair in November 2014, following the resignation of Mrs Kerry Sanderson in October 2014.

Mr Donald Mackay-Coghill, the former CEO of Gold Corporation, was appointed Chairman effective from 1 July 2015.

Chief Executive Officer Mr Ed Harbuz retired at the expiry of his term as Director on 30 June 2015. Mr Richard Hayes was appointed CEO effective from 1 July 2015.

### Meeting Attendance

There were six formal meetings of the Directors of Gold Corporation during the year ended 30 June 2015 and a number of informal meetings. The number of formal meetings attended by each Director is indicated in the table below.

Directors' Meeting Attendance

| | Attended | Eligible |
|---|---|---|
| K G Sanderson | 3 | 3 |
| R B Bennett | 6 | 6 |
| R F Edwards | 6 | 6 |
| G M McMath | 6 | 6 |
| J W F Murphy | 5 | 6 |
| C S Wharton | 6 | 6 |
| M E Harbuz | 6 | 6 |
| R G Hayes | 6 | 6 |

## BOARD COMMITTEES

The Board has established three committees, chaired by independent non-executive Directors, to assist in the execution of its duties and responsibilities. These are the Audit and Risk Management Committee, the Remuneration and Allowances Committee and the Information Technology Committee.

Each committee member has only one vote and each resolution must be passed by unanimous agreement. In the event that agreement cannot be reached, the matter is referred to the Board for resolution.

### Audit and Risk Management Committee

The Committee reviews the quality, integrity, reliability and adequacy of the Corporation's information, finance, accounting and control systems and the risk management function, and advises the Board accordingly. The Committee also acts as a communications interface between the Board and the Corporation's internal and external auditors.

Membership of the Committee at year-end comprised Ms Gaye McMath (Chair), Mr Ray Bennett and Mr John Murphy, who was appointed in November 2014 following the resignation of Mrs Kerry Sanderson in October 2014.

Attendees at meetings of the Committee were Mr Richard Hayes (CFO), Mr David Koch (Manager, Corporate Governance and Risk), Mrs Caroline Delves (Group Accountant) and Mr Anthony Hart (Finance Manager). Mr Ed Harbuz (CEO) was an invitee. Attendees and invitees do not have voting rights. The Audit and Risk Management Committee met five times during the financial year. Attendance at the meetings is indicated in the table below.

Audit and Risk Management Committee Meeting Attendance

| | Attended | Eligible |
|---|---|---|
| G M McMath (Chair) | 5 | 5 |
| R B Bennett | 5 | 5 |
| K G Sanderson | 2 | 2 |
| J W F Murphy | 2 | 2 |

### Remuneration and Allowances Committee

The Board of Directors determines overall conditions of employment and delegates oversight responsibility to the Remuneration and Allowances Committee. The Committee's responsibilities include determining senior staff salary levels, alterations to core conditions of employment and incentive bonus schemes. In order to ensure that the Corporation is able to attract and retain suitably qualified and experienced personnel in competition with private sector organisations, benchmarking is conducted against a backdrop of employment conditions in the wider economy.

Membership of the Committee at year-end comprised Mr Ray Bennett (Chair), Ms Gaye McMath and Mr Ed Harbuz. Ms McMath was appointed to the Committee in November 2014 following the resignation of Mrs Kerry Sanderson in October 2014. The Manager Human Resources also attends the meetings by invitation. The Committee met twice during the financial year. Attendance at the meetings is indicated in the table below.

Remuneration and Allowances Committee Meeting Attendance

| | Attended | Eligible |
|---|---|---|
| R B Bennett (Chair) | 2 | 2 |
| K G Sanderson | 1 | 1 |
| G M McMath | 1 | 1 |
| M E Harbuz | 2 | 2 |

### Information Technology Committee

The Information Technology Committee was established in August 2014 as a temporary Committee. The purpose of the Committee is to assist the Board by reviewing and advising the Board on the management, strategy, directions and operating performance of the Information Technology Department, its level of service to the rest of the business and its engagement with the rest of the business.

The Board elected Mr Chris Wharton to Chair the new Committee, and Ms Gaye McMath, Mr Ray Bennett, Mr Ed Harbuz and Mr Richard Hayes were appointed as Committee members. Mr Ron Edwards was appointed a member of the Committee in November 2014.

The Committee has met three times since its establishment. Attendance at the meetings is indicated in the table below.

Information Technology Meeting Attendance

| | Attended | Eligible |
|---|---|---|
| C S Wharton (Chair) | 3 | 3 |
| R B Bennett | 3 | 3 |
| R F Edwards | 2 | 2 |
| G M McMath | 3 | 3 |
| M E Harbuz | 3 | 3 |
| R G Hayes | 3 | 3 |

### Management Committee

Executive Management Committee

The Executive Management Committee consists of the senior managers of Gold Corporation. It met weekly and was chaired by the CEO. Committee meetings provide a forum for senior managers to keep the management team abreast of key issues in their area and to discuss strategic issues facing the Corporation.

Risk Management

The Board actively monitors the Corporation's risk management systems to ensure they are robust and fully integrated and aligned with the Corporation's strategies, business undertakings and business processes. Regular monthly and quarterly reports are submitted to the Board on group financial risk, credit risk, internal control matters, occupational safety and health, and environmental issues.

**Corruption Prevention**

Fraud and corruption controls are an integral component of Gold Corporation's Risk Management programme.

The organisation's policies and practices are reviewed regularly and are subject to internal and external audit programmes. Staff awareness sessions, including new staff inductions, are conducted. Gold Corporation is obliged to notify the Public Sector Commission of all reasonable suspicions of minor misconduct, and all suspected or actual serious misconduct to the Corruption and Crime Commission.

**Public Interest Disclosure**

Gold Corporation is committed to the aims and objectives of the *Public Interest Disclosure Act 2003 (Whistleblower Protection)*. It recognises the value and importance of contributions of staff to enhance administrative and management practices and strongly supports disclosures being made by staff as to corrupt or other improper conduct.

All staff are aware of the public interest disclosure process, and information on the process plus the appropriate forms are available on Gold Corporation's intranet.

The Public Interest Disclosure Officers are Mr David Koch and Mr Graham Segall.

No claims were submitted during the 2014 / 2015 period.

**Public Sector Standards and Ethical Code**

Gold Corporation is required to comply with Section 31(1) of the *Public Sector Management Act 1994*.

Gold Corporation is committed to promoting high ethical standards which are incorporated into the organisation's policies and practices.

The Corporation's Code of Conduct was revised during the current financial year to incorporate up-to-date legislative requirements and internal ethical standards.

Staff awareness sessions of the organisation's Code of Conduct and Conflict of Interest policies are conducted.

During the current financial year, no issues relating to non-compliance with the public sector standards, or the WA Code of Ethics were raised.

## RECORDS MANAGEMENT

Gold Corporation is obliged to report on its conduct, in compliance with the requirements of the *State Records Act 2000*, and communicate this in its annual report.

Gold Corporation is committed to improving the effectiveness of its Records Management capabilities. To meet this goal, Gold Corporation engages all areas of the business in the requirements of a Record Keeping Plan, which has been affirmed by the State Records Office, current to April 2016. The plan identifies the strategy, processes and tools that ensure business critical information is identified, secured and retained, in compliance with legislation.

In accordance with the Record Keeping Plan, all staff participate in training programmes, specific to their roles and work, which ensures compliance with records management requirements. Staff are trained in the use of records management policies, procedures and systems, and are provided with ongoing guidance and support in the management of business records.

Gold Corporation's Records Management processes are continuously monitored and developed to meet the needs of the business. In the past year, the records management system software has been upgraded, and the number of participating staff increased by 30%. The increased uptake of record systems has enabled the rollout of a paperless workflow process across the business. This initiative has reduced paper archiving requirements significantly.

The Records Management programme is regularly assessed for compliance with both legislation and Gold Corporation's Quality Management system. The current Record Keeping Plan is currently under review.

## FREEDOM OF INFORMATION STATEMENT

The following Freedom of Information (FOI) Statement has been prepared by Gold Corporation pursuant to Part 5 of the *Freedom of Information Act 1992 (WA)* and guidelines issued by the Office of the Information Commissioner on 13 May 1994.

The Corporation keeps documents and files relating to its administration and business activities. A number of these documents can be inspected only under the *Freedom of Information Act 1992 (WA)*.

The following were published by The Perth Mint:

90 Golden Years (published in 1989); The Perth Mint Numismatic Issues 1986 – 1996 (published in 1996); Striking Gold: 100 Years of The Perth Mint (published in 1999); and A Century of Minting Excellence – The History of Australian Coin Production at The Perth Mint (published in 1999).

Documents which can be obtained free-of-charge include Perth Mint brochures and catalogues, media statements, annual reports and the Numismatic Post newsletters.

**FOI Exemption**

A document is exempt if its disclosure would reveal information about:

- gold or other precious metal received by Gold Corporation from a person, or held by Gold Corporation on behalf of a person, on current account, certificate of deposit or fixed deposit; or
- a transaction relating to gold or other precious metal received or held by Gold Corporation.

**FOI Procedures and Access**

It is the aim of the Corporation to make information available promptly and at the least possible cost, and whenever possible, documents will be provided outside the FOI process.

If information is not routinely available, the *Freedom of Information Act 1992 (WA)* provides the rights enabling the public to apply for documents held by the Corporation.

Access applications have to (i) be in writing; (ii) provide sufficient information to enable identification of the requested documents; (iii) provide an Australian address to which notices can be sent; and (iv) be lodged at the Corporation, together with any application fee payable.

Applications will be acknowledged in writing and the applicant will be notified of the decision within 45 days.

Applicants who are dissatisfied with a decision of the Corporation may request an internal review.

Applications should be made in writing within 30 days of receiving the notice of decision. Applicants will be notified of the outcome of the review within 15 days.

No applications were lodged with Gold Corporation under FOI legislation in 2014 / 2015.

FOI enquiries or applications should be made to the FOI Coordinator, Mr Graham Segall, Compliance and Risk Officer, Gold Corporation, 310 Hay Street, East Perth, WA 6004, telephone (08) 9421 7222, Graham.Segall@perthmint.com.au.


# CORPORATE DIRECTORY

**REGISTERED OFFICE**

Street Address:
Perth Mint Buildings
310 Hay Street
East Perth, WA 6004
Australia

Tel: +61 8 9421 7222
Email: info@perthmint.com.au

Postal Address:
GPO Box M924
Perth, WA 6843
Australia

Website: www.perthmint.com.au

**MINISTER**

The Honourable Colin Barnett MLA
Premier; Minister for State Development; Science

**STATUTE**

Gold Corporation was established under the
*Gold Corporation Act 1987*.

**DIRECTORS**

| | |
|---|---|
| K Sanderson | Chair - Resigned 20 October 2014 |
| R B Bennett | (Non-executive) Acting Chair - Retired 30 June 2015 |
| D Mackay-Coghill | (Non-executive) Chairman - Appointed 1 July 2015 |
| R F Edwards | (Non-executive) |
| G M McMath | (Non-executive) |
| J W F Murphy | (Non-executive) |
| C S Wharton | (Non-executive) |
| M E Harbuz | (Executive, CEO) - Retired 30 June 2015 |
| R G Hayes | (Executive, CFO) |

**COMPANY SECRETARY**

A P Melville

**BANKERS**

Westpac Banking Corporation

# GROUP DIRECTORY

**GOLD CORPORATION**

Head Office
Street Address: 310 Hay Street, East Perth, WA 6004, Australia
Tel: +61 8 9421 7222
Postal Address: GPO Box M924, Perth, WA 6843, Australia
Email: info@perthmint.com.au
Website: www.perthmint.com.au
Contacts: Richard Hayes, Chief Executive Officer
Jan Hancock, Executive Assistant to the Chief Executive Officer

**TREASURY**

Street Address: 310 Hay Street, East Perth, WA 6004, Australia
Tel: +61 8 9421 7614
Email: joe.metcalfe@perthmint.com.au
Contact: Joe Metcalfe, Treasurer and Chief Commercial Officer

**REFINERY**

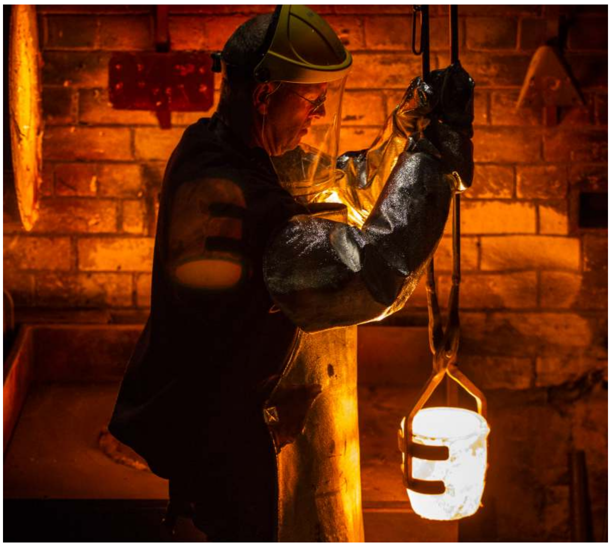
Street Address: 131 Horrie Miller Drive,
Perth Airport, WA 6105, Australia
Tel: +61 8 9479 9999
Email: david.woodford@perthmint.com.au
Contact: David Woodford, Chief Operating Officer

**PERTH MINT DEPOSITORY**

Street Address: 310 Hay Street, East Perth, WA 6004, Australia
Tel: +61 8 9421 7250
Email: pmds@perthmint.com.au
Website: www.perthmint.com/storage
Contact: John Durham, Manager, Depository Services

**THE PERTH MINT SHOP**

Street Address: 310 Hay Street, East Perth, WA 6004, Australia
Counter Sales
Tel: +61 8 9421 7376
Email: shop@perthmint.com.au
Exhibition
Tel: + 61 8 9421 7223
Email: reception@perthmint.com.au
Corporate Functions
Tel: + 61 8 9421 7433
Email: samantha.parke@pertmint.com.au
Contact: Cathy Anza, Manager, Visitor Experience



**COINS**

**Australia**
Street Address: 310 Hay Street, East Perth, WA 6004, Australia
Tel: +61 8 9421 7614
Email: info@perthmint.com.au
Contacts: Joe Metcalfe, Treasurer and Chief Commercial Officer
Neil Vance, Acting General Manager, Marketing

**Overseas Independent Agents of GoldCorp Australia**

**Hong Kong and Taiwan**
PMHK Ltd
Street Address: Room 1401, Jubilee Centre, 46 Gloucester Road, Wanchai, Hong Kong
Tel: +852 2525 1130
Fax: +852 2810 6809
Email: dominicl@PMHK.com.hk
claral@PMHK.com.hk
Contact: Dominic Leung, Clara Leung

**Japan**
Street Address: E210, Kamiasao 4-19-3, Asao-ku Kawaski-shi Kanagawa 215-0021, Japan
Tel: +81 80 5882 6905
Fax: +81 44 951 9510
Email: toshiharu.kato@nuggetcoins.com
Contact: Toshiharu Kato

**Europe**
Street Address: Hildesheimerstr. 29, D-38159 Vechelde, Germany
Tel: +49 5302 930 426
Mobile: +49 160 991 41935
Email: guenther.wolters@t-online.de
Contact: Günther Wolters - Europe

**China**
Street Address: Western Australian Trade Office – China, Room 2204 CITIC Square , 1168 Nanjing Road West
Shanghai 200041 China
Tel: +86 21 5292 5899-28
Fax: +86 21 5292 5889
Email: perthmint@westernaustralia.cn
Contact: Rocky Lu, Business Development Manager

**CIS Countries and Eastern Europe**
Street Address: 310 Hay Street, East Perth, WA 6004, Australia
Tel: +61 8 9421 7222
Email: info@perthmint.com.au
Contact: Andrey Ignatchenko, CIS Wholesale Manager

**Middle East**
Street Address: 310 Hay Street, East Perth, WA 6004, Australia
Tel: +61 8 9421 7222
Email: info@perthmint.com.au
Contact: Andrey Ignatchenko, CIS Wholesale Manager

**North America**
Street Address: 310 Hay Street, East Perth, WA 6004, Australia
Tel: + 61 8 9421 7225
Email: neil.vance@perthmint.com.au
Contact: Neil Vance, Acting General Manager, Marketing

# STATUTORY REPORTING

## FINANCIAL ESTIMATES

The following financial estimates for 2015 / 2016 are based on Gold Corporation's budget and are included to satisfy the requirements of the Treasurer's Instruction 953.

| | $000 |
|---|---|
| Total revenue | 5,590,520 |
| Total expenditure | 5,570,476 |
| Operating profit before income tax | 20,044 |
| Income tax expense | 6,013 |
| Operating profit after income tax | 14,031 |
| Dividend | 11,343 |
| Retained earnings | 97,245 |

## SECTION 175ZE OF *THE ELECTORAL ACT 1907 (WA)*

Section 175ZE of the *Electoral Act 1907 (WA)* requires a public agency to include a statement in its annual report detailing all expenditure incurred by or on behalf of the agency during the financial year in relation to advertising, market research, polling, direct mail and media advertising.

1. Total expenditure for 2014 / 2015 was $695,376
2. Expenditure was incurred in the following areas:

| | $ | | $ |
|---|---|---|---|
| TOTAL: Advertising agencies | 65,773 | Marketforce | 2,825 |
| | | One Advertising | 6,566 |
| | | Optimum Media Decisions | 21,745 |
| | | Style Creative | 34,637 |
| Market research organisations | - | | |
| Polling organisations | - | | |
| TOTAL: Direct mail organisations | 267,641 | Lasermail | 126,657 |
| | | Style Creative | 140,984 |
| TOTAL: Advertising organisations | 361,962 | | |
| APN Outdoor | 9,673 | Media Today | 60,600 |
| Aussie Drawcards | 1,697 | Mediaseed | 5,000 |
| Boylen Media | 2,700 | Oakney | 3,120 |
| Concept Media | 1,000 | The Perth Express | 6,000 |
| Countrywide Publications | 6,266 | Premium Publishers | 1,000 |
| Faircount Media Group | 7,475 | Publicity Press | 2,000 |
| Fairfax Media Publications | 2,947 | Sandwell Media | 1,000 |
| Fairfax Radio Network | 8,500 | Scoop Publishing | 18,920 |
| Flying Visit | 9,000 | Signature Publishing | 2,930 |
| Force Publishing | 1,200 | The Epoch Times | 1,300 |
| Fremantie Herald | 1,719 | Times Publishing | 2,000 |
| Hardie Grant | 1,680 | Tug Agency | 50,369 |
| Indigo Arch | 2,310 | Tourism Western Australia | 1,200 |
| Ink Publishing | 31,500 | Traction Digital | 47,435 |
| Jorben Luxury Hotels Guide | 1,545 | Travelwest Publications | 7,273 |
| K.K. Kojimachi Direction | 17,828 | Waiviata | 1,500 |
| Lasso Media | 1,400 | West Australian Newspapers | 4,700 |
| Lets Go Kids | 1,600 | West Australian Publishers | 1,360 |
| Media Factory | 12,000 | Whats On Group | 12,827 |
| Imagineers | 9,388 | | |

Auditor General

**INDEPENDENT AUDITOR'S REPORT**

**To the Parliament of Western Australia**

**GOLD CORPORATION**

**Report on the Financial Statements**
I have audited the accounts and financial statements of the Gold Corporation and the consolidated entity.

The financial statements comprise the Statement of Financial Position as at 30 June 2015, the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows of the Corporation and the consolidated entity for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

*Board's Responsibility for the Financial Statements*
The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***
In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Gold Corporation at 30 June 2015 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.



7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500 FAX: 08 6557 7600

**Report on Controls**
I have audited the controls exercised by the Gold Corporation during the year ended 30 June 2015.

Controls exercised by the Gold Corporation are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

*Board's Responsibility for Controls*
The Board is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

*Auditor's Responsibility*
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Gold Corporation based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Corporation complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

***Opinion***
In my opinion, the controls exercised by the Gold Corporation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2015.

**Report on the Key Performance Indicators**
I have audited the key performance indicators of the Gold Corporation for the year ended 30 June 2015.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

*Board's Responsibility for the Key Performance Indicators*
The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Board determines necessary to ensure that the key performance indicators fairly represent indicated performance.

*Auditor's Responsibility*
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Board's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

***Opinion***

In my opinion, the key performance indicators of the Gold Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2015.

**Independence**

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

**Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators**

This auditor's report relates to the financial statements and key performance indicators of the Gold Corporation for the year ended 30 June 2015 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
11 September 2015

# KEY PERFORMANCE INDICATORS

Gold Corporation is a body corporate incorporated in terms of the *Gold Corporation Act 1987* of Western Australia.

The purpose of Gold Corporation is to:

- develop, manufacture and market Australian legal tender investment coins and other products that promote the ownership of physical precious metal for investment purposes;
- design, manufacture and market proof, commemorative and numismatic coins and related products;
- make available investment products that enable investors to have exposure to the value of precious metals without having to deal with the security and other issues associated with the keeping of the physical metal;
- provide storage and safekeeping facilities for precious metals;
- be a major supplier of precious metal blanks to the mints of the world;
- operate a tourist attraction, based on the themes of gold and minting, that is important to Perth and Western Australia;
- supply refining and other services to the gold industry of Australia; and
- preserve the historical Mint building and artefacts that are part of the heritage of Perth and Australia.

The Corporation is required to operate in accordance with prudent commercial principles, to generate revenue sufficient to meet its expenditure and to derive a profit that represents a commercial rate of return on its capital.

Under the *Treasurer's Instructions 904* and *905*, a statutory authority is required to provide appropriate key performance indicators in its Annual Report, namely:

- relevant agency level government desired outcome(s);
- key effectiveness indicators which provide information on the extent of achievement of an agency level government desired outcome; and
- key efficiency indicators relating an outcome to the level of resource input required to deliver it.

Given the above Treasurer's Instructions and taking into account the Corporation's functions under the *Gold Corporation Act 1987*, its outcomes are:

**1 Maximisation of the Value-added to, and Income Derived from, Precious Metal Coins and Other Products and Services**

The Australian Kangaroo and Lunar bullion gold coins and Kookaburra, Koala and Lunar silver coins have a noted world market share. The Perth Mint's various proof, numismatic and commemorative coins made of gold, silver and platinum are added value precious metal products which are also distributed worldwide.

**2 Preservation and Promotion of The Perth Mint's Heritage Assets and History**

The Perth Mint exhibition includes gold pouring demonstrations, the historical information on the gold industry in Western Australia and a comprehensive range of investor and numismatic coins. It is an integral part of The Perth Mint's heritage and is a premier tourist destination.

## THE RELATIONSHIP BETWEEN GOVERNMENT GOALS AND GOLD CORPORATION'S PERFORMANCE

The Goal most aligned to Gold Corporation's business operations is:

**FINANCIAL AND ECONOMIC RESPONSIBILITY**

**RESPONSIBLY MANAGING THE STATE'S FINANCES THROUGH THE EFFICIENT AND EFFECTIVE DELIVERY OF SERVICES, ENCOURAGING ECONOMIC ACTIVITY AND REDUCING REGULATORY BURDENS ON THE PRIVATE SECTOR**

## KEY EFFECTIVENESS INDICATORS

| | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | Target |
|---|---|---|---|---|---|---|
| **The key effectiveness indicators for outcome No. 1 are:** | | | | | | |
| 1 Global market share of Australian gold bullion coins (Note 1) | 6% | 7% | 11% | 12% | 12% | 12% |
| 2 Coins and bars - value-added to gold, silver and platinum (Note 2) | | | | | | |
| (a) Total premium income | $49.0m | $62.0m | $58.4m | $59.4 | $55.7 | $56.9 |
| (b) Total premium income expressed as a percentage of precious metal value (Note 2) | 5.3% | 4.2% | 4.0% | 5.5% | 6.8% | 4.7% |
| 3 Estimated proportion of Australian gold doré production refined by The Perth Mint (Note 3) | 99.9% | 99.95% | 99.0% | 99.0% | 99.0% | 99.9% |
| 4 Return on equity (Note 4) | 26.6% | 35.1% | 30.5% | 24.2% | 16.4% | 19.9% |
| 5 Dividends/income tax equivalent payable to the Western Australian Government (Note 5) | $23.2m | $32.2m | $29.9m | $31.8m | $23.3m | $23.1m |
| **The key effectiveness indicators for outcome No. 2 are:** | | | | | | |
| 6 a) Visitors to Perth Mint Exhibition (Note 6) | 71,000 | 80,000 | 80,000 | 67,000 | 66,000 | 100,000 |
| b) Visitors' satisfaction level | 99.5% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% |

*Notes:*

1. *The figures are based on Gold Fields Mineral Services data for the previous calendar year.*
2. *The calculation is the total premium income (amount of income received above metal cost) for all legal tender coins and bar sales, which is expressed as a percentage of the value of the precious metal value of the coins and bars. The key effectiveness indicator includes all Australian legal tender coins and bars, as well as coins produced for other countries.*
3. *This calculation is based on the refinery's records and an estimate of the total Australian gold doré production.*
4. *The percentages show Gold Corporation's return on equity for each respective financial year, based on ordinary activities before income tax. This performance measure is referred to in the Gold Corporation Act 1987. Return on equity is below target due to lower demand for precious metal products in the international markets.*
5. *Income tax equivalent, calculated as if the Corporation were a public company, is payable to the WA Government on profit from ordinary activities. Dividends are payable annually as a percentage of after-tax profit. These payments are forecast annually in Gold Corporation's business plan, and included in the Financial Estimates in the Annual Report.*
6. a *Total number of visitors (to nearest thousand) to the Exhibition annually, based on recorded daily visitor traffic.*
   b *Satisfaction levels are derived from random sampling of comments entered into the visitors' book which is available in the foyer of The Perth Mint.*
   *The number of visitors is below target as a result of decreased visitor numbers from overseas and poorer economic conditions within Western Australia.*

**1 Precious Metal Products and Services**

Gold Corporation provides refining, assaying and other services to the gold industry and markets the gold in ways which maximise value-added and which encourage demand for gold.

Demand for gold is encouraged by making it convenient to acquire and own gold; by means of bullion coins, gold bars and various Depository products. Depository products make it possible for gold to be owned without having to deal with the security and other issues associated with the keeping of the physical metal – the metal is held in safe storage on behalf of its owners.

Proof, numismatic and commemorative coins add significant value to precious metal as does the manufacture of precious metal coin blanks for other mints in the world.

**2 Cultural Heritage Conservation**

Gold Corporation continually upgrades The Perth Mint heritage building situated at 310 Hay Street. It also preserves historical artefacts and documents related to minting and the gold industry in Western Australia.

## KEY EFFICIENCY INDICATORS

| | | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | Target |
|---|---|---|---|---|---|---|---|
| **The key efficiency indicators for service No. 1 are:** | | | | | | | |
| 1 Trading profit as a proportion of sales revenue | (Note 1) | 1.29% | 1.34% | 1.40% | 1.74% | 1.15% | 1.39% |
| 2 Staff costs as a proportion of trading profit | (Note 2) | 37.2% | 32.6% | 38.1% | 37.3% | 44.8% | 40.1% |
| **The key efficiency indicator for service No. 2 is:** | | | | | | | |
| 3 Average cost per Exhibition visitor expressed as an index | (Note 3) | 175 | 157 | 174 | 197 | 244 | 182 |

*Notes:*

*1 The percentages show the proportion of Gold Corporation's sales revenue represented by the trading profit (gross margin) for the respective financial year. Trading profit as a proportion of sales revenue is below target due to lower demand for precious metal products in the international markets.*

*2 Staff costs include employee benefits, on-costs and contract staff costs, expressed as a percentage of trading profit (gross margin). Staff costs are Gold Corporation's major expenditure, after the cost of precious metals. Staff costs as a proportion of trading profit is above target due to the decrease in trading profit as a result of lower demand for precious metal products in the international markets.*

*3 Average cost per Exhibition visitor is derived by calculation of total costs of Exhibition divided by annual number of visitors expressed as an index, with the 2002 / 2003 year indexed as 100. The number of visitors decreased in 2014/2015.*

# CERTIFICATION OF KEY PERFORMANCE INDICATORS

### CERTIFICATION OF KEY PERFORMANCE INDICATORS

In our opinion, the Key Performance Indicators for Gold Corporation and its subsidiaries contained in this report are based on proper records, are relevant and appropriate for assisting users to assess the performance of Gold Corporation and its subsidiaries, and fairly represent the performance of Gold Corporation and its subsidiaries for the year ended 30 June 2015.

**D MACKAY-COGHILL**
Chairman

**R G HAYES**
Executive Director

10 September 2015

# CERTIFICATION OF FINANCIAL STATEMENTS

## CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of Gold Corporation and its subsidiaries have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the year ended 30 June 2015, and the financial position as at 30 June 2015.

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

| | | |
|---|---|---|
| **D MACKAY-COGHILL** | **R G HAYES** | **C DELVES** |
| Chairman | Executive Director | Chief Finance Officer |

10 September 2015

# Gold Corporation

## Trading as The Perth Mint

**ABN 98 838 298 431**

# Financial Report - 30 June 2015

| | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Revenue** | 4 | **6,606,277** | **5,166,393** |
| Net gain on disposal of property, plant and equipment | | 5 | - |
| Revaluation increase in buildings | 5 | 288 | 198 |
| Fair value increase in investment property | 5 | - | 34 |
| Net foreign exchange gains | | 1,050 | 108 |
| Fees and rents | | 14,531 | 11,722 |
| Interest revenue | | 761 | 1,304 |
| **Expenses** | | | |
| Cost of goods sold | 6 | (6,530,028) | (5,076,282) |
| Employee benefits expense | 7 | (34,210) | (33,601) |
| Materials and services | | (29,478) | (34,404) |
| Depreciation and amortisation expense | 6 | (6,609) | (6,025) |
| Loss on disposal of assets | | - | (4) |
| Impairment of assets | 6 | (1,235) | - |
| Computer rental | | (197) | (235) |
| Fair value decrease in investment property | | (217) | - |
| Finance costs - net | 6 | (902) | (798) |
| Revaluation decrease in buildings | 5 | (117) | (33) |
| **Profit before income tax expense** | | **19,919** | **28,377** |
| Income tax expense | 8 | (5,860) | (11,157) |
| **Profit after income tax expense for the year attributable to the owner of Gold Corporation** | **26** | **14,059** | **17,220** |
| **Other Comprehensive Income** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Gain on revaluation of buildings | | 4,571 | 318 |
| Loss on the revaluation of land and buildings | | - | (58) |
| Income tax on items of other comprehensive income | | (1,371) | (78) |
| **Total other comprehensive income for the year** | | **3,200** | **182** |
| **Total comprehensive income for the year attributable to the owners of Gold Corporation** | | **17,259** | **17,402** |

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**Gold Corporation**
**Consolidated statement of financial position**
**As at 30 June 2015**

| | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 58,330 | 36,014 |
| Trade and other receivables | 10 | 29,445 | 25,202 |
| Inventories | 11 | 3,036,850 | 2,848,243 |
| Income tax refund due | 12 | 5,019 | 1,209 |
| Other | 13 | 12,883 | 22,876 |
| **Total current assets** | | **3,142,527** | **2,933,544** |
| **Non-current assets** | | | |
| Investment properties | 15 | 1,831 | 2,011 |
| Property, plant and equipment | 14 | 99,500 | 82,449 |
| Intangibles | 16 | 2,809 | 41 |
| **Total non-current assets** | | **104,140** | **84,501** |
| **Total assets** | | **3,246,667** | **3,018,045** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 106,911 | 70,170 |
| Borrowings - interest bearing | 18 | 675,572 | 344,336 |
| Employee benefits | 19 | 5,132 | 4,366 |
| Provisions | 20 | 429 | 632 |
| Precious metal borrowings | 21 | 2,335,229 | 2,480,080 |
| **Total current liabilities** | | **3,123,273** | **2,899,584** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 22 | 1,505 | 806 |
| Employee benefits | 23 | 325 | 434 |
| **Total non-current liabilities** | | **1,830** | **1,240** |
| **Total liabilities** | | **3,125,103** | **2,900,824** |
| **Net assets** | | **121,564** | **117,221** |
| **EQUITY** | | | |
| Issued capital | 24 | 31,603 | 31,603 |
| Reserves | 25 | 19,393 | 16,193 |
| Retained profits | 26 | 70,568 | 69,425 |
| **Total equity** | | **121,564** | **117,221** |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

| | Notes | Contributed equity $'000 | Other reserves $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **Opening balance at 1 July 2013** | | **31,603** | **16,011** | **71,483** | **119,097** |
| Profit/(loss) after income tax expense for the year | | - | - | 17,220 | 17,220 |
| Other comprehensive income for the year, net of tax | | - | 182 | - | 182 |
| **Total comprehensive income for the year** | | **-** | **182** | **17,220** | **17,402** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends paid | 27 | - | - | (19,278) | (19,278) |
| **Total transactions with owners** | | **-** | **-** | **(19,278)** | **(19,278)** |
| **Closing balance at 30 June 2014** | | **31,603** | **16,193** | **69,425** | **117,221** |
| | | | | | |
| **Opening balance at 1 July 2014** | | **31,603** | **16,193** | **69,425** | **117,221** |
| Profit/(loss) after income tax expense for the year | | - | - | 14,059 | 14,059 |
| Other comprehensive income for the year, net of tax | | - | 3,200 | - | 3,200 |
| **Total comprehensive income for the year** | | **-** | **3,200** | **14,059** | **17,259** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends paid | 27 | - | - | (12,916) | (12,916) |
| **Total transactions with owners** | | **-** | **-** | **(12,916)** | **(12,916)** |
| **Closing balance at 30 June 2015** | | **31,603** | **19,393** | **70,568** | **121,564** |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

| | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | 7,274,217 | 5,683,249 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (7,215,572) | (5,681,275) |
| | | 58,645 | 1,974 |
| Interest received | | 787 | 1,427 |
| Interest and other finance costs paid | | (902) | (764) |
| **Net cash inflow from operating activities** | **36** | **58,530** | **2,637** |
| **Cash flows from investing activities** | | | |
| Payments for investment property | 15 | (37) | (101) |
| Payments for property, plant and equipment | 14, 16 | (22,921) | (11,809) |
| Deposits made | | (30,000) | (75,086) |
| Deposits repaid | | 40,000 | 90,086 |
| Proceeds from sale of property, plant and equipment | | 5 | 2 |
| **Net cash used in investing activities** | | **(12,953)** | **3,092** |
| **Cash flows to State Government** | | | |
| Income tax equivalent paid | | (10,343) | (12,537) |
| Dividend paid | | (12,918) | (19,278) |
| **Net cash to State Government** | | **(23,261)** | **(31,815)** |
| **Net increase (decrease) in cash and cash equivalents** | | **22,316** | **(26,086)** |
| Cash and cash equivalents at the beginning of the financial year | | 36,014 | 62,100 |
| **Cash and cash equivalents at end of year** | **9** | **58,330** | **36,014** |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## Contents of the notes to the consolidated financial statements

## 1 General Information

The financial report covers both Gold Corporation as an individual entity and the consolidated entity consisting of Gold Corporation and subsidiaries and the entities it controlled during the year. The financial report is presented in Australian dollars, which is Gold Corporation and its subsidiaries' functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Gold Corporation and subsidiaries are corporations incorporated by the *Gold Corporation Act 1987* and domiciled in Australia. Its registered office and principal place of business is:

310 Hay Street
East Perth
Western Australia
Australia

The nature of the consolidated entity's operations is the supply of precious metal related products and services. Its principal activities are the refining of gold and silver, the production of value added cast bars, minted bars and Australian legal tender bullion coins, the supply of precious metal depository storage products, the supply of proof, numismatic and commemorative coins and the operation of a tourist attraction. Gold Corporation is classified as a "for profit entity" by the Western Australian Government.

The financial report was authorised for issue, in accordance with a resolution of directors, on 10 September 2015. The directors have the power to amend and reissue the financial report.

The *Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

The Treasurer's Instructions may modify or clarify their application, disclosure, format and wording to provide certainty and to ensure consistency and appropriate reporting across the public sector. If any such modification has a material or significant financial effect upon the reported results, details of that modification and, where practicable, the resulting financial effects are disclosed in individual notes to the financial report.

## 2 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

## 2 Significant accounting policies (continued)

### (a) New, revised or amending Accounting Standards and Interpretations adopted (continued)

Any new, revised or amending Australian Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Australian Accounting Standards and Interpretations are most relevant to the consolidated entity:

*(i) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The impact of this amendment to the to the consolidated entity was not material.

### (b) New Accounting Standards and Interpretations not yet mandatory or early adopted

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet mandatory, and have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, is set out below.

*(i) AASB 9 Financial Instruments*

AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The main changes of the standard are as follows:

**Financial assets**
Financial assets that are debt instruments will be classified based on the following:
• The objective of the entity's business model for managing the financial assets
• The characteristics of the contractual cash flows.

Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

## 2 Significant accounting policies (continued)

### (b) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

**Financial liabilities**
Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.

Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:
• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
• The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.

**Impairment**
The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

*(ii) AASB 15 Revenue from Contracts with Customers*

AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue-Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).

AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

## 2 Significant accounting policies (continued)

### (b) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

(a) Step 1: Identify the contract(s) with a customer
(b) Step 2: Identify the performance obligations in the contract
(c) Step 3: Determine the transaction price
(d) Step 4: Allocate the transaction price to the performance obligations in the contract
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Currently, AASB 15 is effective for annual reporting periods commencing on or after 1 January 2017. The consolidated entity will adopt this standard from 1 July 2017, the impact of its adoption is yet to be fully assessed by the consolidated entity, however the impact is not expected to be material to the financial statements.

### (c) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), *Financial Management Act 2006* and the Treasurer's Instructions as appropriate for for-profit oriented entities.

*(i) Compliance with IFRS*

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*(ii) Historical cost convention*

The financial statements have been prepared under the historical cost convention except for, where applicable, precious metal holdings & inventories, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through the Statement of profit or loss and other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments, rounded to the nearest thousand dollars in accordance with *Treasurer's Instruction 948*.

*(c) Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

*(iv) Comparatives*

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## 2 Significant accounting policies (continued)

### (d) Parent entity financial information

In accordance with the *Treasurers Instruction 1105, Consolidated Financial Statements*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

### (e) Principles of consolidation

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of Gold Corporation ('company' or 'parent entity') as at 30 June 2015. Gold Corporation and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Special purpose entities ('SPEs') are those entities where the consolidated entity, in substance, controls the SPE so as to obtain the majority of benefits without having any ownership interest.

The consolidated financial statements have been prepared by combining the financial statements of Gold Corporation and all controlled entities in accordance with *AASB 127 Consolidated and Separate Financial Statements* and modified by the *Treasurer's Instruction 1105*.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries and special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

### (f) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*(i) Sale of goods*

Sales revenue represents revenue earned from the sale of precious metals, precious metal products and other products, fees and services. It also includes margins on transactions known as metal location swaps, where a quantity of metal is sold in one location, and simultaneously an equivalent quantity is purchased in another location. Bullion sales are recognised on value date. Other sales are recognised on trade date basis.

## 2 Significant accounting policies (continued)

### (f) Revenue recognition (continued)

*(ii) Funds received from the Government*

Government grants are recognised in the consolidated statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the consolidated entity will comply with the conditions associated with the grant. A grant that compensates the consolidated entity for expenses incurred is recognised in the Statement of profit or loss and other comprehensive income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the consolidated entity for the cost of an asset are recognised in the consolidated statement of profit or loss and other comprehensive income on a systematic basis over the useful life of an asset.

*(iii) Interest income*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*(iv) Dividends*

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

### (g) Foreign currency translation

Transactions denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit or loss and other comprehensive income. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the start of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency gains and losses are reported on a net basis.

### (h) Financial Instruments

*(i) Derivative financial instruments*

The consolidated entity may use derivative financial instruments to hedge its exposure to foreign exchange risks arising from operating, financing and investing activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

## 2 Significant accounting policies (continued)

### (h) Financial Instruments (continued)

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the consolidated statement of profit or loss and comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

*(ii) Cash flow hedge*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the consolidated statement of profit or loss and other comprehensive income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the consolidated statement of profit or loss and other comprehensive income in the same period that the hedged item affects the consolidated statement of profit or loss and other comprehensive income.

*(iii) Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the Statement of profit and loss and other comprehensive income, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

## 2 Significant accounting policies (continued)

### (i) Income tax

Gold Corporation is subject to the National Tax Equivalent Regime (NTER), under the *State Enterprises (Commonwealth Tax Equivalents) Act 1996*. The NTER is administered by the Australian Taxation Office (ATO) on behalf of the States. Under the NTER, the income tax equivalent revenue is remitted to the Treasurer of Western Australia, for credit of the Consolidated Fund. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government. As a consequence of participation in the NTER, Gold Corporation is required to comply with *AASB 112 Income Taxes.* Income tax on the Statement of profit or loss and other comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the Statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year adjusted by changes in deferred tax assets and liabilities, using tax rates enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or that tax asset and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Gold Corporation has formed a tax consolidated group with effect from 1 July 2002, and the consolidated entity is taxed as a single entity. All tax assets and liabilities, expenses and benefits, are recognised in Gold Corporation, which according to its legislation is liable to pay income tax on behalf of its subsidiaries.

### (j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 2 Significant accounting policies (continued)

### (k) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### (l) Inventories

Precious metal inventories are valued at fair value, being market prices ruling at reporting date. Other inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is assigned on a first in first out basis except for retail inventories where a weighted average method is used. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Precious metal borrowings and unallocated precious metal owned by the consolidated entity's customers is shown as inventory due to the fungible nature of precious metal.

### (m) Investment properties

Investment properties principally comprises freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value, based on similar assets, location and market conditions. Movements in fair value are recognised directly to the consolidated statement of profit or loss and other comprehensive income.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on date of change of use.

## 2 Significant accounting policies (continued)

### (m) Investment properties (continued)

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

### (n) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic (at least every year) valuations by external independent valuers, plus post valuation additions and less subsequent depreciation and impairment for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to consolidated statement of profit or loss and other comprehensive income.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Building | 40 years |
| Plant & equipment | 3-12 years |
| Office equipment | 5 years |
| Software | 3 years |
| Motor vehicles | 6 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

*(i) Gains and losses*

Gains and losses on disposal of an item of property plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the consolidated statement of profit or loss and other comprehensive income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

## 2 Significant accounting policies (continued)

### (n) Property, plant and equipment (continued)

*(ii) Capitalisation and expensing of assets*

Items of property, plant and equipment costing $2,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than $2,000 are expensed direct to the consolidated statement of profit or loss and other comprehensive income (other than where they form part of a group of similar items which are significant in total).

### (o) Impairment of assets

*(i) Financial assets*

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

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

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

All impairment losses are recognised in the statement of profit or loss and other comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

*(ii) Non-financial assets*

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.

The recoverable amount is the higher of an asset’s fair value less costs to sell 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.

## 2 Significant accounting policies (continued)

### (p) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*(i) Software*

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

### (q) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid, and customer deposits lodged in advance of allocation to future purchases. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### (r) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings on an effective interest basis.

### (s) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## 2 Significant accounting policies (continued)

### (t) Employee benefits

*(i) Wages and salaries and annual leave*

Annual leave that is not expected to be settled wholly within 12 months after the end of the reporting period is considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as current liability as the consolidated entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

*(ii) Long service leave*

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in the consolidated statement of profit or loss and other comprehensive income when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

### (u) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (v) Dividends

Dividends are recognised when declared during the financial year.

### (w) Precious metal borrowings

Precious metal borrowings, including unallocated precious metal owned by the consolidated entity's customers are brought to account at market prices ruling at consolidated statement of financial position date.

## 2 Significant accounting policies (continued)

### (x) Operating Leases

Leases under which all risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the consolidated statement of profit or loss and other comprehensive income in the periods in which they are incurred over the term of the lease, as this represents the pattern of benefits derived from the leased assets.

### (y) Fair value measurement

The consolidated entity measures financial instruments, such as derivatives and non-financial assets (for example investment properties), at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 29.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the consolidated entity.

The consolidated entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. For further details of the consolidated entity's valuation techniques refer to note 29.

### (z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

## 3 Critical estimates, judgements and errors

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates may differ to 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.

### (a) Provision for impairment of receivables

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (b) Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

### (c) Fair value measurements

The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

### (d) Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, and technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

## 3 Critical estimates, judgements and errors (continued)

### (e) Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### (f) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### (g) Long service leave provision

As discussed in note 2, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## 4 Revenue

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| **Sales Revenue** | | |
| Sale of goods | 6,577,922 | 5,134,753 |
| Sale of services | 28,355 | 31,640 |
| **Total Revenue** | **6,606,277** | **5,166,393** |

## 5 Revaluation increase / (decrease)

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Revaluation decrease in buildings | (117) | (33) |
| Revaluation increase in buildings | 288 | 198 |
| Fair value increase in investment property | - | 34 |
| Fair value decrease in investment property | (217) | - |
| **Revaluation increase / (decrease)** | **(46)** | **199** |

## 6 Expenses

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Profit before income tax includes the following specific expenses:** | | |
| **Depreciation** | | |
| Leasehold Buildings | 345 | 268 |
| Freehold Buildings | 617 | 652 |
| Plant, Property and Equipment | 5,395 | 5,000 |
| **Total depreciation** | **6,357** | **5,920** |
| **Amortisation** | | |
| Software | 252 | 105 |
| **Total amortisation** | **252** | **105** |
| **Total depreciation and amortisation** | **6,609** | **6,025** |
| **Trading profit** | | |
| Sales | 6,606,277 | 5,166,393 |
| **Total sales** | **6,606,277** | **5,166,393** |
| Opening trading inventories | 2,848,243 | 2,373,474 |
| Purchases | 6,718,635 | 5,551,051 |
| Less closing trading inventories | (3,036,850) | (2,848,243) |
| **Cost of goods sold** | **6,530,028** | **5,076,282** |
| **Trading profit** | **76,249** | **90,111** |
| **Finance costs** | | |
| Finance costs | 902 | 798 |
| **Total finance costs** | **902** | **798** |

## 6 Expenses (continued)

| | | |
|---|---|---|
| **Impairment of intangible assets** | | |
| Impairment of intangible assets (note 16) | 1,235 | - |
| **Impairment of intangible assets** | **1,235** | **-** |

## 7 Employee benefits expense

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Wages and salaries (a) | 28,660 | 27,880 |
| Superannuation | 2,793 | 2,631 |
| Annual leave (b) | 2,208 | 1,862 |
| Long service leave (b) | 549 | 1,228 |
| **Total employee benefits** | **34,210** | **33,601** |

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

## 8 Income tax expense

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Income tax expense** | | |
| Current tax | 6,466 | 8,853 |
| Deferred tax - origination and reversal of temporary differences | (672) | (736) |
| Adjustments for current tax of prior periods | 66 | 3,040 |
| **Aggregate income tax expense** | **5,860** | **11,157** |
| | | |
| (Decrease)/increase in deferred tax liabilities (note 22) | (672) | (736) |

## 8 Income tax expense (continued)

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Numerical reconciliation of income tax expense and tax at statutory rate** | | |
| Profit before income tax expense | 19,919 | 28,377 |
| Tax at the Australian tax rate of 30.0% (2014 - 30.0%) | 5,976 | 8,513 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Depreciation of property, plant and equipment | 21 | 657 |
| Other non-deductible items | (203) | (1,053) |
| | 5,794 | 8,117 |
| Adjustments recognised for prior periods | 66 | 3,040 |
| **Income tax expense** | **5,860** | **11,157** |

| | | |
|---|---|---|
| **Amounts charged/(credited) directly to equity** | | |
| Deferred tax liabilities (note 23) | 1,371 | 78 |

## 9 Current assets - cash and cash equivalents

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Cash on hand | 32 | 32 |
| Cash at bank | 58,298 | 35,982 |
| **Total cash and cash equivalents** | **58,330** | **36,014** |

### (a) Classification of cash and cash equivalents

The consolidated entity's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in note 28.

For the purposes of the consolidated statement of cash flows, cash includes cash on hand and at bank, short term deposits at call and commercial bills.

## 10 Current assets - trade and other receivables

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Trade receivables | 26,684 | 22,609 |
| Provision for impairment of receivables | (72) | (41) |
| | 26,612 | 22,568 |
| Other receivables | 2,833 | 2,634 |
| **Total trade and other receivables** | **29,445** | **25,202** |

### (i) Impairment and risk exposure

The consolidated entity's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 28.

The consolidated entity trades only with recognised, creditworthy counterparties. The consolidated entity has policies in place to ensure that credit sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an on-going basis with the result that the consolidated entity's exposure to bad debts is minimal. There are no significant concentrations of credit risk. The consolidated entity does not have any significant exposure to any individual customer or counterparty.

### (ii) Impairment of trade receivables

The ageing of the impaired trade receivables are as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| 3 to 6 months overdue | 72 | 41 |

Movements in the provision for impairment of trade receivables are as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Opening balance | 41 | 17 |
| Additional provisions recognised | 31 | 34 |
| Receivables written off during the year as uncollectible | - | (10) |
| **Closing balance** | **72** | **41** |

Based on historical default rates, the consolidated entity believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

## 10 Current assets - trade and other receivables (continued)

### (ii) Impairment of trade receivables (continued)

Allowance for impairment in respect of trade receivables was made during the year for $30,596 (2014:$34,275)

The allowance in respect of trade receivables and held-to-maturity investments is used to record impairment losses unless the consolidated entity is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

### (iii) Past due but not impaired

Customers with balances past due but without provision for impairment of trade receivables amount to $352,410 as at 30 June 2015 ($4,783,634 as at 30 June 2014).

The consolidated entity does not consider there to be a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired trade receivables are as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| 0 to 3 months overdue | 352 | 4,784 |

## 11 Current assets - inventories

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Precious metal | 3,020,593 | 2,833,053 |
| Finished goods - at lower of cost and net realisable value | 13,049 | 11,511 |
| Work in progress - at cost | 1,241 | 1,737 |
| Consumables - at cost | 1,967 | 1,942 |
| **Total inventories** | **3,036,850** | **2,848,243** |

In 2015 $631,306 (2014: $739,068) was recognised as an expense for inventories carried at net realisable value. This amount is recognised in cost of sales.

## 12 Current assets - income tax refund due

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Opening balance | 1,209 | 565 |
| Provision for the current year | (6,467) | (8,853) |
| Overprovision previous years | (66) | (3,040) |
| Refunds received during the year | (569) | (657) |
| Amount paid during the year | 10,912 | 13,194 |
| **Total income tax refund due** | **5,019** | **1,209** |

## 13 Current assets - other current assets

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Prepayments | 2,883 | 2,876 |
| Other deposits | 10,000 | 20,000 |
| **Total other current assets** | **12,883** | **22,876** |

Other deposits represent term deposits with maturity date greater than 90 days, with an interest rate of 2.65% (2014: 3.22% and 3.31%).

## 14 Non-current assets - property, plant and equipment

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Land - at independent valuation | 17,000 | 15,600 |
| Buildings - at independent valuation | 47,277 | 38,695 |
| Plant and equipment - at cost | 69,631 | 57,358 |
| Less: accumulated depreciation | (34,408) | (29,204) |
| **Total property, plant and equipment** | **99,500** | **82,449** |

## 14 Non-current assets - property, plant and equipment (continued)

### (a) Valuations of land and buildings

The Board resolved to adopt Landgate's valuation of the Western Australian Mint's properties at 292, 300 and 310 Hay Street, Perth and Horrie Miller Drive, Perth Airport. The land and buildings were revalued as at 1 July 2014 in accordance with Landgate's valuation as at that date. The fair value of all land and buildings was determined by reference to current use value for the land and depreciated replacement value for the buildings. The total revaluation which includes post valuation additions at cost, resulted in a increase of $4,742,596 (land $1,400,000 and buildings $3,342,596).

Included in the total revaluation increment in 2015 were building revaluation decrements amounting to $116,637 (2014: $32,544) that were debited to the income statements to the extent that there were not amounts available in the corresponding revaluation reserve. The deferred tax of $1,371,387 (2014:$77,951) was recognised against the increment of $4,571,289 (2014: increment of $259,838). Net transfer to revaluation reserve thus amounts to $3,199,902 (2014:$181,887). For each revalued property at Hay Street, the carrying amount that would have been recognised had the assets been carried under the cost model is impracticable to determine, due to the fact that the original cost is not available.

Information on fair value measurements is provided at note 29.

### (b) Reconciliation

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Leasehold buildings $'000 | Freehold Land $'000 | Freehold buildings $'000 | Plant and equipment $'000 | Assets under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2014** | | | | | | |
| Opening net book amount | 6,251 | 15,658 | 23,690 | 20,565 | 10,000 | 76,164 |
| Additions | - | - | - | 6,779 | 5,004 | 11,783 |
| Disposals | - | - | - | (4) | - | (4) |
| Revaluation increment | 81 | - | 403 | - | - | 484 |
| Revaluation decrement | - | (58) | - | - | - | (58) |
| Transfers | 7,396 | - | 1,794 | 2,593 | (11,783) | - |
| Depreciation expense | (268) | - | (652) | (5,000) | - | (5,920) |
| **Balance at 30 June 2014** | **13,460** | **15,600** | **25,235** | **24,933** | **3,221** | **82,449** |

## 14 Non-current assets - property, plant and equipment (continued)

### (b) Reconciliation (continued)

| | Leasehold buildings $'000 | Freehold Land $'000 | Freehold buildings $'000 | Plant and equipment $'000 | Assets under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2015** | | | | | | |
| Opening net book amount | 13,460 | 15,600 | 25,235 | 24,933 | 3,221 | 82,449 |
| Additions | - | - | - | 80 | 20,554 | 20,634 |
| Revaluation increment | 2,510 | 1,400 | 949 | - | - | 4,859 |
| Revaluation decrement | - | - | (117) | - | - | (117) |
| Transfers | 156 | - | 6,046 | 4,333 | (12,503) | (1,968) |
| Depreciation expense | (345) | - | (617) | (5,395) | - | (6,357) |
| **Balance at 30 June 2015** | **15,781** | **17,000** | **31,496** | **23,951** | **11,272** | **99,500** |

## 15 Non-current assets - investment properties

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Investment property - at fair value | 1,831 | 2,011 |

### (a) Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Opening fair value | 2,011 | 1,876 |
| Additions | 37 | 101 |
| Fair value - increment / (decrement) | (217) | 34 |
| **Closing fair value** | **1,831** | **2,011** |

## 15 Non-current assets - investment properties (continued)

### (b) Valuation of investment properties

Investment property comprises vacant land at Thomastown, Victoria. Independent valuation (performed by CBRE on 31 March 2015) is $4,500,000 (2014: $4,875,000). This property was formerly used by AGR Matthey Partnership. The former partners own the property as joint tenants in common, with Western Australian Mint's share being 40%.

## 16 Non-current assets - intangible assets

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Software - at cost | 6,221 | 3,258 |
| Less: accumulated amortisation | (3,412) | (3,217) |
| **Total intangible assets** | **2,809** | **41** |

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

## 16 Non-current assets - intangible assets (continued)

*(i) Reconciliation*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Assets under construction $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|
| **Year ended 30 June 2014** | | | |
| Opening net book amount | - | 120 | 120 |
| Additions | - | 26 | 26 |
| Amortisation expense | - | (105) | (105) |
| **Balance as at 30 June 2014** | **-** | **41** | **41** |
| **Year ended 30 June 2015** | | | |
| Opening net book amount | - | 41 | 41 |
| Additions | 2,198 | 89 | 2,287 |
| Transfers | 305 | 1,663 | 1,968 |
| Amortisation expense | - | (252) | (252) |
| Impairment charge | (1,086) | (149) | (1,235) |
| **Balance as at 30 June 2015** | **1,417** | **1,392** | **2,809** |

*(ii) Impairment loss*

In 2015, the impairment loss of $1,235,000 represented the write-off of certain projects formally placed on hold by the Corporation. The impairment charge has been recognised within the statement of profit and loss. The recoverable value was assessed based on the future value of the work performed prior to the projects being formally placed on hold.

## 17 Current liabilities - trade and other payables

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Trade payables | 97,152 | 61,320 |
| Other payables and accrued expenses | 9,759 | 8,850 |
| **Total trade and other payables** | **106,911** | **70,170** |

Refer to note 28 for further information on financial instruments.

## 18 Current liabilities - borrowings - interest bearing

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Precious metal borrowings | 675,572 | 344,336 |

Precious metal borrowings and customer owned precious metal are guaranteed by Government of Western Australia under Section 22 (1) of the *Gold Corporation Act 1987*, with annual limits for gold, silver, platinum and palladium approved by the Treasurer.

## 19 Current liabilities - employee benefits

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Annual leave | 1,888 | 1,602 |
| Long service leave | 2,744 | 2,339 |
| Employment on-costs | 500 | 425 |
| **Total employee benefits** | **5,132** | **4,366** |

Annual leave liabilities and long service leave have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

## 20 Current liabilities - provisions

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Other | 429 | 632 |

### (a) Incentive plan

The consolidated entity's incentive plan was originally approved by the Board in 2003 and is designed to motivate all staff to strive towards the consolidated entity achieving an acceptable return on assets. A plan was put into place whereby an appropriate profit target was set over a number of years. If the target for any year is exceeded then a certain proportion of the amount by which the profit exceeds target is available for distribution to employees. All employees are eligible for payments in terms of the scheme.

## 20 Current liabilities - provisions (continued)

### (a) Incentive plan (continued)

There are upper limits on payments to employees and an upper limit to the total amount which can be paid out. The total amount to be paid out in any year must be approved by the Board at its discretion and then all individual payments must be approved by the Remuneration and Allowances Committee.

In the 2015 financial year the consolidated entity did exceed its profit target, so employees will be eligible for incentive payments of $429,110 (2014: $632,000).

### (b) Movement in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Incentive plan** | | |
| Carrying amount at the start of the year | 632 | 1,624 |
| Additional provisions recognised | 429 | 632 |
| Payments | (632) | (1,624) |
| **Carrying amount at the end of the year** | 429 | 632 |

## 21 Current liabilities - precious metal borrowings

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Precious metal borrowings | 2,335,229 | 2,480,080 |

### (a) Security for borrowings

Precious metal borrowings and customer owned precious metal are guaranteed by Government of Western Australia under Section 22 (1) of the *Gold Corporation Act 1987*, with annual limits for gold, silver, platinum and palladium approved by the Treasurer. These do not attract interest and are utilised in the consolidated entity's operations.

## 22 Non-current liabilities - deferred tax liabilities

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Deferred tax liability comprises temporary differences attributable to:** | | |
| **Deferred tax assets** | | |
| Impairment of receivables | 22 | 12 |
| Property, plant and equipment | 782 | 1,587 |
| Employee benefits | 1,681 | 1,493 |
| Inventories | 2,419 | 2,129 |
| Other payables | 205 | 250 |
| Total deferred tax assets | 5,109 | 5,471 |
| **Deferred tax liabilities** | | |
| Property, plant and equipment | 6,533 | 6,160 |
| Other | 4 | 32 |
| Prepayments | 77 | 85 |
| Total deferred tax liabilities | 6,614 | 6,277 |
| **Net deferred tax liabilities** | **1,505** | **806** |
| Deferred tax liabilities expected to be settled after more than 12 months | 1,505 | 806 |
| **Movements:** | | |
| Opening balance | 806 | 1,464 |
| Charged/(credited) to profit or loss (note 8) | (672) | (736) |
| Charged/(credited) to equity (note 8) | 1,371 | 78 |
| **Closing balance** | **1,505** | **806** |

## 23 Non-current liabilities - employee benefits

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Long service leave | 305 | 407 |
| Employment on-costs | 20 | 27 |
| **Total employee benefits** | **325** | **434** |

## 23 Non-current liabilities - employee benefits (continued)

### (a) Superannuation commitments

The consolidated entity contributes to a superannuation fund, the IOOF Employer Super, which is operated and administrated by IOOF Investment Management Limited.

All permanent employees of the consolidated entity are entitled to join the fund. Trustee, funds management and administration services are provided by IOOF Investment Management Ltd. The IOOF Employer Superannuation Fund provides benefits on retirement, total and permanent disability or death. The consolidated entity contributes to the fund at rates based on the salary of each member employee.

The consolidated entity's employees not wishing to, or who are ineligible to join the IOOF Employee Superannuation Fund are members of the OnePath Master Fund, to which the consolidated entity contributes at the current rate required by superannuation guarantee legislation.

All the consolidated entity's employees can request that contributions be made to a fund of their own choice, rather than the IOOF Employee Superannuation Fund or the OnePath Master Fund, in accordance with legislation.

Award-based employees of the Western Australian Mint who made the election prior to December 1996 are entitled to contributory membership of the Western Australian Government Employees Superannuation Fund (Gold State Super). Such employees contribute to that Fund at specified percentages of their wages. The Western Australian Mint contributes to the Fund at rates set by Government Employee's Superannuation Board.

Western Australian Mint award employees who do not wish to, or who are ineligible to join Gold State Super are entitled to non-contributory membership of West State Super or Government Employee Superannuation Board (GESB), to which the Western Australian Mint contributes at the current rate required by superannuation legislation. Members also have the option of choice of fund and to make personal contributions.

## 24 Equity - issued capital

| | 2015 Shares | 2014 Shares | 2015 $'000 | 2014 $'000 |
|---|---|---|---|---|
| Ordinary shares - fully paid | 31,602,582 | 31,602,582 | 31,603 | 31,603 |

### (a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends.

### (b) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

## 24 Equity - issued capital (continued)

### (b) Capital risk management (continued)

The Board's policy is to maintain an adequate capital base so as to sustain the future development of the business. The Board of Directors monitors the return on capital, which the consolidated entity defines as net operating income divided by total shareholders' equity. The level of dividends payable is defined in accordance with government policy.

The consolidated entity's target is to achieve a return on equity of 19.9% before Income Tax equivalent. During the year ended 30 June 2015 the return was 16.4% (2014: 24.2%).

Neither the consolidated entity nor any of its subsidiaries are subject to externally imposed capital requirements. The capital risk management policy remains unchanged from the 30 June 2014 Financial Report.

## 25 Equity - reserves

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Reserve - asset revaluation | 19,393 | 16,193 |

### (a) Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

## 26 Equity - retained profits

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Retained profits at the beginning of the financial year | 69,425 | 71,483 |
| Profit after income tax expense for the year | 14,059 | 17,220 |
| Dividends paid (note 27) | (12,916) | (19,278) |
| **Retained profits at the end of the financial year** | **70,568** | **69,425** |

## 27 Equity - dividend

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Western Australian Government | 12,916 | 19,278 |

In accordance with section 21(4) of the *Gold Corporation Act 1987* the Board recommended to the Treasurer that an amount of $10,543,940 (2014:$12,915,503) be payable as dividend for the financial year ended 30 June 2015. The dividend was declared and approved after the end of the financial year and therefore has not been provided for in the financial statements.

## 28 Financial risk management

### (a) Financial risk management objectives

The consolidated entity has exposure to the following risks:

- market risk
- credit risk
- liquidity risk

This note presents information about the consolidated entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit & Risk Management Committee, which is responsible for reviewing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entities.

The consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The primary risk management document is the Prudential Management Policy which describes the risks the consolidated entity is exposed to, how those risks are to be managed and within what parameters exposure to risks can be taken.

## 28 Financial risk management (continued)

### (a) Financial risk management objectives (continued)

The consolidated entity's Audit & Risk Management Committee oversees how management monitors compliance with the consolidated entity's risk management policies and procedures, and reviews the adequacy and effectiveness of the risk management framework in relation to the risks faced by the consolidated entity. The consolidated entity's Audit & Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the consolidated entity's Audit & Risk Management Committee.

### (b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the consolidated entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Prudential Management Policy determines what instruments can be used to manage market risk. These include spot deferred and forward transactions, options and currency swaps, all within pre-determined limits. The consolidated entity currently does not use hedging or derivatives to manage this risk other than for purchases of capital equipment.

*(i) Currency risk*

The consolidated entity is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the consolidated entity, the Australian dollar.

The consolidated entity does not hedge its estimated foreign currency exposure in respect of forecast sales and purchases. The consolidated entity does not hedge trade receivables, but may hedge trade payables denominated in a foreign currency where appropriate. The consolidated entity uses forward exchange contracts to hedge this currency risk, most with maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled at maturity.

In respect of other monetary assets and liabilities denominated in foreign currencies, the consolidated entity ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. The average exchange rates and reporting date exchange rates applied were as follows:

## 28 Financial risk management (continued)

### (b) Market risk (continued)

| | Average exchange rates | | Reporting date exchange rates | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Australian dollars** | | | | |
| USD | 0.8380 | 0.9182 | 0.7685 | 0.9401 |
| EUR | 0.6966 | 0.6777 | 0.6847 | 0.6908 |
| CHF | 0.7862 | 0.8317 | 0.7110 | 0.8398 |
| CAD | 0.9782 | 0.9825 | 0.9524 | 1.0050 |
| HKD | 6.4655 | 7.1249 | 5.9510 | 7.3063 |

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| USD | 75,222 | 41,123 | (75,900) | (42,478) |
| EUR | - | 3,290 | (4) | (104) |
| CHF | - | 2,286 | - | - |
| HKD | - | - | - | (11) |
| CAD | - | - | - | (2) |
| | **75,222** | **46,699** | **(75,904)** | **(42,595)** |

The consolidated entity is exposed to foreign currency risk on sales and purchases in currencies other than Australian dollars. The currencies giving rise to this risk are primarily US dollars. Foreign currency risk on sales and purchases are generally not hedged, except for purchases of certain capital items. The consolidated entity uses forward exchange contracts to hedge such purchases, and contracts have maturity of less than one year after reporting date.

A (strengthening) weakening of the Australian dollar against other currencies at 30 June would have (increased) decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2014.

## 28 Financial risk management (continued)

### (b) Market risk (continued)

| | AUD strengthened | | | AUD weakened | | |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2015** | **% change** | **Effect on profit before tax $'000** | **Effect on equity $'000** | **% change** | **Effect on profit before tax $'000** | **Effect on equity $'000** |
| USD | 10% | 62 | - | 10% | (75) | - |
| | | **62** | **-** | | **(75)** | **-** |

| | AUD strengthened | | | AUD weakened | | |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2014** | **% change** | **Effect on profit before tax $'000** | **Effect on equity $'000** | **% change** | **Effect on profit before tax $'000** | **Effect on equity $'000** |
| USD | 10% | 123 | - | 10% | (151) | - |
| | | **123** | **-** | | **(151)** | **-** |

*(ii) Price risk*

The consolidated entity is not exposed to any significant price risk.

*(iii) Metal price risk*

The consolidated entity does not enter into commodity (precious metals) contracts other than to meet the consolidated entity's expected sale requirements, and then only on a back to back basis so as to eliminate the risk of movements in precious metal prices. The consolidated entity has a policy of minimising its long or short precious metal positions by utilising leased precious metal and unallocated precious metal owned by the consolidated entity's customers in its working inventories.

*(iv) Interest rate risk*

The consolidated entity adopts a policy of not hedging its exposure to change in interest rates on borrowings. At the reporting date the interest rate profile of the consolidated entity interest-bearing financial instruments was:

## 28 Financial risk management (continued)

### (b) Market risk (continued)

| | 2015 Weighted average interest rate % | 2015 Balance $'000 | 2014 Weighted average interest rate % | 2014 Balance $'000 |
|---|---|---|---|---|
| Variable rate - financial assets interest | 0.7% | **68,295** | 1.7% | 55,982 |
| Fixed rate - financial liabilities metal lease | 0.1% | **(675,572)** | 0.4% | (344,336) |
| **Net exposure to cash flow interest rate risk** | | **(607,277)** | | **(288,354)** |

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities are set out below. No interest rate hedging has been entered into during the period.

*Fair value sensitivity analysis for fixed rate instruments*

The consolidated entity does not account for any fixed rate financial assets and liabilities at fair value through the consolidated statement of profit and loss and other comprehensive income.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2014.

| | Impact on post-tax profit | | Impact on other components of equity | |
|---|---|---|---|---|
| | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** |
| Interest rates - increase by 50 basis points (50 bps) | 342 | 280 | - | - |
| Interest rates - decrease by 50 basis points (50 bps) | (342) | (280) | - | - |

## 28 Financial risk management (continued)

### (c) Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers, subsidiaries and investment securities. The consolidated entity's exposure to credit risk can occur through the provision of trade credit (both within Australia and internationally), the provision of consignment stock facilities and the provision of bullion trading and settlement facilities. The Prudential Management Policy determines the levels of credit exposure the consolidated entity can take to various categories of customers and counterparties.

*(i) Guarantees*

The consolidated entity does not provide financial guarantees.

*(ii) Trade and other receivables*

The consolidated entity's exposure to credit risk is influenced mainly by the individual financial characteristics of each customer. The demographics of the consolidated entity's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. No significant percentage of the consolidated entity's revenue is attributable to sales transactions with a single customer. Geographically there is no concentration of credit risk.

The Audit & Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the consolidated entity's standard payment and delivery terms and conditions are offered. The review includes external ratings, when available, and in some cases bank references. Credit and settlement limits are established for each customer, which represents the maximum open amount without requiring approval from the Audit & Risk Management Committee; these limits are reviewed annually. Customers that fail to meet the consolidated entity's benchmark creditworthiness may transact with the consolidated entity only on a prepayment basis or against the provision of acceptable security such as letters of credit, bank guarantees and other forms of payment guarantees.

The majority of the trade and other receivables customers have been transacting with the consolidated entity for over four years, and losses have occurred infrequently. The consolidated entity's trade and other receivables relate mainly to wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the consolidated entity may have a secured claim. The consolidated entity may require collateral in respect of trade and other receivables.

The consolidated entity has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for the group of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

## 28 Financial risk management (continued)

### (c) Credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Australia | 2,885 | 3,098 |
| United States | 23,799 | 13,935 |
| Europe | - | 5,576 |
| | **26,684** | **22,609** |

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Wholesale customers | 26,684 | 22,609 |

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Term deposits | 10,000 | 20,000 |
| Trade and other receivables | 29,445 | 25,202 |
| Cash and cash equivalents | 58,330 | 36,014 |
| | **97,775** | **81,216** |

### (d) Liquidity risk

Prudent liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

## 28 Financial risk management (continued)

### (d) Liquidity risk (continued)

*(i) Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|
| **At 30 June 2015** | | | | | |
| **Non-derivatives** | | | | | |
| Trade payables | (97,152) | - | - | - | (97,152) |
| Precious metal borrowings - interest bearing | (675,572) | - | - | - | (675,572) |
| Precious metal borrowings - non interest bearing | (2,335,229) | - | - | - | (2,335,229) |
| **Total non-derivatives** | **(3,107,953)** | **-** | **-** | **-** | **(3,107,953)** |
| **At 30 June 2014** | | | | | |
| **Non-derivatives** | | | | | |
| Trade payables | (61,320) | - | - | - | (61,320) |
| Precious metal borrowings - interest bearing | (344,336) | - | - | - | (344,336) |
| Precious metal borrowings - non interest bearing | (2,480,080) | - | - | - | (2,480,080) |
| **Total non-derivatives** | **(2,885,736)** | **-** | **-** | **-** | **(2,885,736)** |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## 29 Fair value measurement

The fair values of assets and liabilities, together with their carrying amounts in the consolidated statement of financial position, for the consolidated entity are as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Carrying amount $'000 | Fair value $'000 | Carrying amount $'000 | Fair value $'000 |
| **Assets** | | | | |
| Investment Properties (note 15) | 1,831 | 1,831 | 2,011 | 2,011 |
| Land (note 14) | 17,000 | 17,000 | 15,600 | 15,600 |
| Buildings (note 14) | 47,277 | 47,277 | 38,695 | 38,695 |
| Precious metal inventory (note 11) | 3,020,593 | 3,020,593 | 2,833,053 | 2,833,053 |
| **Total Assets** | **3,086,701** | **3,086,701** | **2,889,359** | **2,889,359** |
| **Liabilities** | | | | |
| Precious metal borrowings - interest bearing (note 18) | 675,572 | 675,572 | 344,336 | 344,336 |
| Precious metal borrowings - non-interest bearing (note 21) | 2,335,229 | 2,335,229 | 2,480,080 | 2,480,080 |
| **Total Liabilities** | **3,010,801** | **3,010,801** | **2,824,416** | **2,824,416** |

The following tables detail the consolidated entity's fair values of assets and liabilities categorised by the following levels:

**Level 1:** Quoted market prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

## 29 Fair value measurement (continued)

| At 30 June 2015 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment Properties | - | - | 1,831 | 1,831 |
| Land | - | - | 17,000 | 17,000 |
| Buildings | - | - | 47,277 | 47,277 |
| Precious metal inventory | 3,020,593 | - | - | 3,020,593 |
| **Total assets** | **3,020,593** | **-** | **66,108** | **3,086,701** |
| **Liabilities** | | | | |
| Precious metal borrowings - interest bearing | 675,572 | - | - | 675,572 |
| Precious metal borrowings - non interest bearing | 2,335,229 | - | - | 2,335,229 |
| **Total liabilities** | **3,010,801** | **-** | **-** | **3,010,801** |

| At 30 June 2014 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Land | - | - | 15,600 | 15,600 |
| Investment Properties | - | - | 2,011 | 2,011 |
| Buildings | - | - | 38,695 | 38,695 |
| Precious metal inventory | 2,833,053 | - | - | 2,833,053 |
| **Total assets** | **2,833,053** | **-** | **56,306** | **2,889,359** |
| **Liabilities** | | | | |
| Precious metal borrowings - interest bearing | 344,336 | - | - | 344,336 |
| Precious metal borrowings - non interest bearing | 2,480,080 | - | - | 2,480,080 |
| **Total liabilities** | **2,824,416** | **-** | **-** | **2,824,416** |

The $2,335,229,000 (2014: $2,480,080,000) of precious metal deposited by Perth Mint Depository clients (note 21) was used in operations by the consolidated entity as working inventory.

There were no transfers between levels during the financial year.

## 29 Fair value measurement (continued)

### (i) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2015 and 30 June 2014:

| | Investment properties $'000 | Land $'000 | Buildings $'000 | Total $'000 |
|---|---|---|---|---|
| **Opening balance 1 July 2013** | **1,876** | **15,658** | **29,941** | **47,475** |
| Additions | 101 | - | - | 101 |
| Transfers | - | - | 9,190 | 9,190 |
| Losses recognised in other comprehensive income | - | (58) | - | (58) |
| Depreciation expense | - | - | (919) | (919) |
| Gains recognised in other comprehensive income | - | - | 318 | 318 |
| Gains/(losses) recognised in other income | 34 | - | 165 | 199 |
| **Closing balance 30 June 2014** | **2,011** | **15,600** | **38,695** | **56,306** |
| | | | | |
| **Opening balance 1 July 2014** | **2,011** | **15,600** | **38,695** | **56,306** |
| Additions | 37 | - | - | 37 |
| Transfers | - | - | 6,202 | 6,202 |
| Depreciation expense | - | - | (962) | (962) |
| Gains recognised in other comprehensive income | - | 1,400 | 3,171 | 4,571 |
| Gains/(losses) recognised in other income | (217) | - | 171 | (46) |
| **Closing balance 30 June 2015** | **1,831** | **17,000** | **47,277** | **66,108** |

## 29 Fair value measurement (continued)

### (b) Significant level 3 inputs

Significant Level 3 inputs used by the consolidated entity are derived and evaluated as follows:

**Historical cost per square metre floor area (m2)**
The costs of constructing specialised buildings with similar utility are extracted from financial records of the consolidated entity, then indexed by movements in CPI.

**Consumed economic benefit/obsolescence of asset**
These are estimated by the Western Australian Land Information Authority (Valuation Services).

**Selection of land with restricted utility**
Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).

**Historical cost per cubic metre (m3)**
The costs of construction of infrastructure are extracted from financial records of the consolidated entity and indexed by movements in construction costs by quantity surveyors.

| **Description** | **Fair value at 30 June 2015 $'000** | **Unobservable inputs** | **Range of inputs (probability - weighted average)** | **Relationship of unobservable inputs to fair value** |
|---|---|---|---|---|
| Investment property | $4,500 | Restricted use | $200/sqm to $210/sqm | Higher value of similar land increases the estimated fair value. |
| Land | $17,000 | Restricted use | $1,422/sqm | Higher value of similar land increases the estimated fair value. |
| Buildings | $47,277 | Depreciated replacement cost | 2.5% per annum | Greater consumption of economic benefit or increased obsolescence lowers fair value. |

## 29 Fair value measurement (continued)

### (c) Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some assets, these assets are valued at level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements.

## 30 Key management personnel disclosures

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Short-term employment benefits | 3,410,736 | 3,621,787 |
| Post-employment benefits | 403,724 | 338,287 |
| **Total employment benefits** | **3,814,460** | **3,960,074** |

Total fees received by non-executive directors was $247,693 (2014: $274,656).

Number of directors whose total of fees, salaries, superannuation and other benefits, received or due and receivable for the financial year, falls within the following bands:

| | 2015 | 2014 |
|---|---|---|
| $0 - $10,000 | 1 | 1 |
| $30,001 - $40,000 | 1 | - |
| $40,001 - $50,000 | 3 | 4 |
| $80,001 - $90,000 | 1 | - |
| $90,001 - $100,000 | - | 1 |
| $440,001 - $450,000 | 1 | - |
| $470,001 - $480,000 | - | 1 |
| $580,001 - $590,000 | 1 | - |
| $610,001 - $620,000 | - | 1 |
| | **8** | **8** |

## 30 Key management personnel disclosures (continued)

**Compensation (continued)**

Number of senior officers other than directors whose total of fees, salaries, superannuation and other benefits, received or due and receivable for the financial year, falls within the following bands:

| | **2015** | **2014** |
|---|---|---|
| $60,001 - $70,000 | 1 | - |
| $70,001 - $80,000 | 1 | - |
| $80,001 - $90,000 | - | 1 |
| $90,001 - $100,000 | - | 1 |
| $130,001 - $140,000 | - | 1 |
| $150,001 - $160,000 | 1 | - |
| $160,001 - $170,000 | 1 | 1 |
| $170,001 - $180,000 | 1 | 1 |
| $180,001 - $190,000 | 1 | 1 |
| $200,001 - $210,000 | 1 | 1 |
| $270,001 - $280,000 | 1 | - |
| $280,001 - $290,000 | - | 1 |
| $290,001 - $300,000 | 3 | - |
| $300,001 - $310,000 | - | 2 |
| $310,001 - $320,000 | - | 1 |
| $350,001 - $360,000 | 1 | 1 |
| | **12** | **12** |

## 31 Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the Office of the Auditor General, the auditor of the company:

| | **2015** **$** | **2014** **$** |
|---|---|---|
| *Office of the Auditor General* | | |
| Audit and review of financial statements and key performance indicators | 198,000 | 171,000 |

## 32 Contingent liabilities

In addition to the liabilities included in the financial statements, there is the following contingent liability:

In prior years, ground water contamination occurred at the Newburn site of the AGR Matthey refinery. The AGR Joint Venture partners (Western Australian Mint and Australian Gold Alliance Pty Ltd) were responsible for any remediation and restoration of the site. Pursuant to the dissolution of the AGR Matthey Partnership on 29 March 2010, Western Australian Mint has assumed full responsibility for any future liabilities. Expenses incurred to date have been expensed in the financial statements. It is not practicable to estimate the potential financial effects, if any, of remediation. Hence it is not possible to quantify these as at 30 June 2015.

Gold Corporation has a number of State Battery sites vested within its subsidiary the Western Australian Mint. The sites have been classified as “Possibly Contaminated Investigation required” in accordance with the Contaminated Sites Act 2003. The ongoing maintenance of these sites has been undertaken by Gold Corporation with the expenditure being funded by other government agencies. Consultation with other agencies in Government is taking place so that the sites can be taken over by an agency or agencies in government better equipped to deal with these sites. It is not practicable to estimate the potential financial effects, if any, of the maintenance of these sites.

## 33 Commitments

### (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | **2015 $'000** | **2014 $'000** |
|---|---|---|
| Capital commitments - property, plant and equipment | | |
| Within one year | 535 | 9,130 |
| **Total capital commitments** | **535** | **9,130** |

## 33 Commitments (continued)

### (b) Non-cancellable operating leases

Significant lease commitments at the end of the reporting period but not recognised as liabilities is as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | 91 | 175 |
| Later than one year but not later than five years | 14 | 95 |
| **Total commitments** | **105** | **270** |

The operating lease commitments are for leases of computer equipment. The terms of these are various, with the maximum term being until June 2017. During 2015 $212,919 was recognised as an expense in the income statement in respect of operating leases (2014: $234,560).

## 34 Parent entity financial information

### (a) Summary financial information

Set out below is the supplementary information about the parent entity.

| | Parent entity | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **Statement of profit and loss and other comprehensive income** | | |
| Profit or loss for the year | 12,875 | 15,269 |
| **Total comprehensive income for the year** | **12,875** | **15,269** |
| | | |
| **Statement of financial position** | | |
| **Assets** | | |
| Current assets | 3,935,711 | 3,691,719 |
| Non-current assets | 54,195 | 61,571 |
| **Total assets** | **3,989,906** | **3,753,290** |

## 34 Parent entity financial information (continued)

### (a) Summary financial information (continued)

| | Parent entity 2015 $'000 | Parent entity 2014 $'000 |
|---|---|---|
| **Liabilities** | | |
| Current liabilities | 3,877,349 | 3,643,952 |
| Non-current liabilities | 5,243 | 1,985 |
| **Total liabilities** | **3,882,592** | **3,645,936** |
| **Net assets** | **107,314** | **107,354** |
| **Equity** | | |
| Issued capital | 31,603 | 31,603 |
| Retained earnings | 75,711 | 75,751 |
| **Total Equity** | **107,314** | **107,354** |

### (b) Guarantees entered into by the parent entity

The parent entity had no guarantees in relation to the debts of its subsidiaries as at reporting date.

### (c) Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

## 35 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name of entity | Country of incorporation | Equity holding 2015 % | Equity holding 2014 % | Contribution to consolidated result 2015 $'000 | Contribution to consolidated result 2014 $'000 |
|---|---|---|---|---|---|
| Gold Corporation | Australia | | | 12,875 | 15,269 |
| **Subsidiaries of Gold Corporation:** | | | | | |
| GoldCorp Australia | Australia | 100 | 100 | 1,124 | 1,199 |
| Western Australian Mint | Australia | 100 | 100 | (86) | 752 |
| AGR Management Service Pty Ltd | Australia | 100 | 100 | - | - |
| | | | | **13,913** | **17,220** |

## 36 Cash flow information

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Profit after income tax expense for the year | 14,059 | 17,220 |
| Depreciation and amortisation | 6,609 | 6,025 |
| Provision for doubtful debts | 30 | 34 |
| Revaluation of land and buildings | 46 | (199) |
| Impairment of intangible assets | 1,235 | - |
| Net loss on disposal of property, plant and equipment | (5) | 4 |
| Income tax expense | 5,860 | 11,157 |
| Change in operating assets and liabilities: | | |
| Increase /(decrease) in employee benefits | 657 | 681 |
| Increase/(decrease) in precious metal leases | (1,154) | 2,043 |
| (Increase)/decrease in inventories | (1,067) | (2,053) |
| (Increase)/decrease in prepayments | (7) | 30 |
| (Increase)/decrease in receivables | (4,274) | (10,406) |
| Increase/(decrease) in payables | 36,744 | (20,915) |
| Increase/(decrease) in provisions | (203) | (984) |
| **Net cash inflow (outflow) from operating activities** | **58,530** | **2,637** |

## 37 Explanatory statement

Section 40 of the *Financial Management Act* requires statutory authorities to prepare annual budget estimates. *Treasurer's Instruction 945* requires an explanation of significant variations between these estimates and actual results. Gold Corporation prepares a Strategic Development Plan and Statement of Corporate Intent for submission to the Minister in accordance with section 9B of the *Gold Corporation Act 1987*.

The consolidated entity's business plans for 2014/2015 projected an operating result before income tax equivalent of $28.0 million against an actual profit before income tax equivalent of $19.92 million. The most significant variations were:

- Lower than anticipated sales of a variety of cast bullion bars, especially into the Asian region.
- Less than expected anticipated silver refining volumes.
- Unfavourable product mix resulting in decreased profit margins.

**Variations from previous year**

*Treasurer's Instruction 945* requires an explanatory statement providing reasons for and the detailing of any significant variations between actual revenue and expenditure for the financial year and the corresponding item in the financial statements of the immediately preceding year. The most significant variations over 10% of the balance and $5,000,000 or $10,000,000 were:

*(i) Sales revenue*

Sales revenue of $6.61 billion in 2015 was 27.8% higher than the $5.17 billion revenue in 2014 due to increased levels of both bullion coin sales and bullion product sales in depository. Some of the increased levels of revenue were driven by investors rebalancing their portfolios into precious metals from other asset classes.

*(ii) Cost of sales*

Cost of sales in 2015 of $6.53 billion was 28.5% increased from the $5.08 billion cost of sales in 2014, in line with the increase in revenue.

*(iii) Trading profit*

Trading profit decreased to $76.2 million in 2015, 15.4% below the trading profit of $90.1 million in 2014, this is due to unfavourable product mix during the year.

*(iv) Fees and Rents*

Fees and Rents increased by 23.9% in 2015 due to an increases in fees received in a number of business lines.

*(v) Employee Benefits expense*

Employee benefits expense increased by $0.6 million (1.8%) to $34.21 million in 2015. This is attributable to additional staffing requirements, annual wage increases and employee separation payments.

## 37 Explanatory statement (continued)

### Variations from previous year (continued)

*(vi) Materials and Services*

Materials and services decreased to $29.48 million, from $34.40 million in 2014 due to decreased production costs during the year.