



Treasury

2016–17 Crown Entity Financial Statements

incorporating financial reports for:
Restart NSW Fund
Social and Affordable Housing NSW Fund
Electricity Retained Interest Corporation – Ausgrid Fund
Electricity Retained Interest Corporation – Endeavour Energy Fund

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Treasury

Crown Entity

Financial Statements
for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Crown Entity

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Crown Entity, which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Crown Entity as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Crown Entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

The PF&A Act promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Secretary's Responsibility for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary must assess the Crown Entity's ability to continue as a going concern except where the Department's operations will cease as a result of an administrative restructure. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Crown Entity carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Margaret Crawford
Auditor-General

19 October 2017
SYDNEY

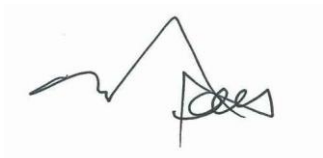
Crown Entity
Financial Statements
for the year ended 30 June 2017

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F (1B) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the financial position of the Crown Entity as at 30 June 2017 and the financial performance for the year then ended; and
- (b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2015*, Treasurer's Directions and applicable Australian Accounting Standards.

I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Michael Pratt
Secretary

17 October 2017

Crown Entity

Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	Actual 2017 \$'000	Actual 2016 \$'000
Revenue			
Retained taxes, fees and fines	3(a)	31,266,805	29,789,423
Commonwealth contributions	3(b)	24,745,318	23,359,493
Financial distributions	3(c)	1,168,676	1,265,007
Investment income	3(d)	889,046	564,552
Share of profit of an associate	5	145,340	43,773
Royalty on minerals		1,578,985	1,188,741
Other income	3(e)	840,566	835,373
Total revenue		60,634,736	57,046,362
Expenses			
Superannuation - defined benefit plans	13	1,971,850	2,149,147
Grants and subsidies	4(a)	3,170,979	1,712,506
Finance costs	4(b)	1,668,323	1,602,957
Appropriations	22	53,123,567	49,811,080
Employee related expenses	4(c)	593,958	1,646,089
Other expenses	4(d)	1,132,397	596,258
Total expenses		61,661,074	57,518,037
Gains/(losses) from financial instruments		(140,504)	4,740
Other gains/(losses)		-	139,627
Deficit for the year		(1,166,842)	(327,308)
Other comprehensive income			
<i>Items that will not be reclassified to surplus or deficit</i>			
Actuarial gains/(losses) on defined benefit plans	13	11,781,710	(14,084,882)
Share of earnings from an associate from revaluations		387,592	(96,628)
Share of associate's other comprehensive income		12,180	(9,048)
Total other comprehensive deficit for the year		12,181,482	(14,190,558)
Total comprehensive result for the year		11,014,640	(14,517,866)

The accompanying notes form part of these financial statements.

Crown Entity

Statement of Financial Position as at 30 June 2017

	Notes	Actual 2017 \$'000	Actual 2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	18	10,331,325	13,551,449
Other financial assets	6	4,352,798	10,718,951
Derivative financial instruments	7	47,851	27,840
Advances repayable to the Crown	8	219,280	454,748
Receivables	9	2,638,280	2,562,132
Non-current asset held-for-sale	26	4,195,952	-
Total current assets		21,785,486	27,315,120
Non-current assets			
Investment in an associate	5	-	3,782,789
Other financial assets	6	16,080,625	3,850,058
Advances repayable to the Crown	8	823,399	811,972
Receivables	9	-	3,702
Total non-current assets		16,904,024	8,448,521
Total assets		38,689,510	35,763,641
Liabilities			
Current liabilities			
Payables	10	381,437	402,162
Bank overdraft	18	10,917,091	16,793,102
Borrowings	11	1,200,667	1,050,349
Unfunded superannuation	13	1,568,520	1,493,491
Employee benefits and other provisions	14	7,451,095	7,617,951
Provisions	15	153,561	134,312
Other	21	284,911	317,877
Total current liabilities		21,957,282	27,809,244
Non-current liabilities			
Borrowings	11	27,737,082	26,681,473
Unfunded superannuation	13	54,237,509	65,566,565
Employee benefits and other provisions	14	640,050	653,779
Provisions	15	1,311,629	1,299,865
Other	21	643,660	599,039
Total non-current liabilities		84,569,930	94,800,721
Total liabilities		106,527,212	122,609,965
Net liabilities		(67,837,702)	(86,846,324)
Equity			
Revaluation surplus reserve		-	2,743,072
Accumulated deficit		(67,837,702)	(89,589,396)
Total equity		(67,837,702)	(86,846,324)

The accompanying notes form part of these financial statements.

Crown Entity

Statement of Changes in Equity for the year ended 30 June 2017

	Notes	Accumulated deficit \$'000	Revaluation surplus \$'000	Total equity \$'000
Balance at 1 July 2016		(89,589,396)	2,743,072	(86,846,324)
Deficit for the year		(1,166,842)	-	(1,166,842)
Other comprehensive income				-
Actuarial gains/(losses) on defined benefit plans	13	11,781,710	-	11,781,710
Investment in an associate		12,180	387,592	399,772
Total other comprehensive income		11,793,890	387,592	12,181,482
Total comprehensive result for the year		10,627,048	387,592	11,014,640
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers	24	7,993,982	-	7,993,982
Total transactions with owners in their capacity as owners		7,993,982	-	7,993,982
Transfer of reserve to accumulated deficit		3,130,664	(3,130,664)	-
Balance at 30 June 2017		(67,837,702)	-	(67,837,702)
Balance at 1 July 2015		(75,853,924)	2,839,700	(73,014,224)
Deficit for the year		(327,308)	-	(327,308)
Other comprehensive income				
Actuarial gains/(losses) on defined benefit plans	13	(14,084,882)	-	(14,084,882)
Investment in an associate		(9,048)	(96,628)	(105,676)
Total other comprehensive income		(14,093,930)	(96,628)	(14,190,558)
Total comprehensive result for the year		(14,421,238)	(96,628)	(14,517,866)
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers	24	685,766	-	685,766
Total transactions with owners in their capacity as owners		685,766	-	685,766
Balance at 30 June 2016		(89,589,396)	2,743,072	(86,846,324)

The accompanying notes form part of these financial statements.

Crown Entity

Statement of Cash Flows for the year ended 30 June 2017

	Notes	Actual 2017 \$'000	Actual 2016 \$'000
Cash flows from operating activities			
Payments			
Employee related		(2,289,265)	(2,180,132)
Grants and subsidies		(3,201,172)	(1,686,535)
Finance costs		(1,373,053)	(1,448,316)
Appropriations	22	(53,123,688)	(49,811,080)
Other		(1,056,290)	(458,079)
Total payments		(61,043,468)	(55,584,142)
Receipts			
Retained taxes, fees and fines		30,952,936	29,588,877
Sale of goods and services		1,038	-
Commonwealth grants	22	24,717,923	23,479,274
Investment income		632,827	367,422
Financial distribution from other entities		1,450,055	2,246,684
Other		2,332,689	1,960,243
Total receipts		60,087,468	57,642,500
Net cash flows from operating activities	18	(956,000)	2,058,358
Cash flows from investing activities			
Purchase of investments		(24,336,149)	(20,518,874)
Advances made		(178,854)	(191,589)
Proceeds from sales of investment		19,471,029	8,400,029
Advance repayments received		433,073	205,095
Dividend received from investment		131,950	104,400
Net cash flows from investing activities		(4,478,951)	(12,000,939)
Cash flows from financing activities			
Proceeds from borrowings and advances		93,640	138,571
Repayment of borrowings and advances		(98,348)	(64,393)
Net cash flows from financing activities		(4,708)	74,178
Net increase/(decrease) in cash		(5,439,659)	(9,868,403)
Opening cash and cash equivalents		(3,241,653)	3,381,131
Other cash transfer in as a result of restructuring		8,095,546	3,245,619
Closing cash and cash equivalents	18	(585,766)	(3,241,653)

The accompanying notes form part of these financial statements.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

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Crown Entity

Notes to the financial statements for the year ended 30 June 2017

1. CROWN ENTITY INFORMATION

Reporting entity

The Crown Entity is a government department for financial reporting purposes under section 45A (1A) of the Public Finance and Audit Act 1983. It is a not-for-profit entity.

Key financial assets and financial liabilities include:

- the Crown debt portfolio
- the Crown superannuation liability for certain general government agencies
- long service leave liability for certain general government agencies

The Crown Entity collects state taxation, Commonwealth contributions and financial distributions from certain NSW agencies. These receipts are paid into a bank account which forms part of the Consolidated Fund. Payments from this account comprise of appropriation payments to principal general government agencies. Note 22 details the receipts and payments from this account.

The Crown Entity is also responsible for miscellaneous finance activities, such as providing grants and subsidies to New South Wales (NSW) public sector agencies. It acts as the residual entity for NSW whole-of-government transactions that are not the responsibility of any other state public sector agency.

The principal office of the Crown Entity is 52 Martin Place, Sydney NSW 2000.

The financial statements were authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Secretary was signed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The Crown Entity financial statements have been prepared on a going concern basis. It is reasonably expected that the entity will have adequate resources to continue operations for the foreseeable future.

The Crown Entity receives the majority of NSW State Government revenue in the form of State taxes, Commonwealth contributions and financial distributions from State Owned Corporations. While the entity holds many of the major liabilities of the State government it also benefits from the government's AAA credit rating allowing it to fund its activities. It is considered that the application of the going concern concept is appropriate.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

These general purpose financial statements have been prepared in accordance with the requirements of:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- *Public Finance and Audit Act 1983*
- *Public Finance and Audit Regulation 2015*
- Treasurer's Directions

The financial statements have been prepared on the following basis:

- financial assets and derivative financial instruments are measured at fair value
- superannuation, long service leave, and insurance gross liabilities are valued at net present value of the expected payments required to settle the liability
- loans and advances are measured at amortised cost
- all other financial statement items are prepared in accordance with the historical cost convention

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest thousand dollars (\$'000).

Statement of compliance

The financial statements and notes comply with applicable Australian Accounting Standards including Australian Accounting Interpretations.

Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. Prior year comparatives have been restated to take account of changes to accounting standards and corrections of prior period errors (if applicable).

New, revised or amending standards and interpretations

The Crown Entity has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting year.

Any significant impacts on the accounting policies from the adoption of these new accounting standards and interpretations are disclosed in the relevant accounting policy.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet effective

As mandated by Treasury Circular TC17-04, the Crown Entity has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

The following lists the new standards and interpretation that whilst not yet effective, may be applicable to the Crown Entity:

- AASB 9 *Financial Instruments*
- AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3 regarding *Revenue from Contracts with Customers*
- AASB 16 *Leases*
- AASB 1058 *Income of Not-for-profit Entities*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 with AASB 4 Insurance Contracts*
- AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

REVENUE

Revenue is recognised when it is probable that economic benefits will flow to the Crown Entity and it can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Royalties, licences and permissive occupancies

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPENSES

Expenses are recognised when it is probable that consumption or loss of future economic benefits have occurred and that can be reliably measured.

Employee arrangements

The Crown Entity has no employees. Its work is performed by staff from NSW Treasury. The Crown Entity reimburses the NSW Treasury for these staffing costs and pays for its share of accommodation and other administrative costs. These costs are recorded in 'Other Expenses'.

Other NSW Government agencies contribute varying levels of service to the Crown Entity free of charge. Due to the irregular and varied nature of those services, no expense for these services is recognised.

Whilst the Crown Entity employs no staff, it recognises employee benefit expenses and liabilities as it assumes these from various NSW public sector agencies.

Superannuation – defined benefit plans

The Crown Entity assumes defined benefit lump sum and pension plans funding responsibility of certain general government sector agencies. The assets of the plans are held in separate funds administered independently by trustees.

The Crown Entity recognises an unfunded superannuation liability for the defined benefit schemes. It is the difference at the reporting date between the present value of forecast employees' accrued benefits (gross liabilities) and the estimated net market value of the superannuation schemes' assets. Gross liabilities are calculated under AASB 119 *Employee Benefits*.

The unfunded liabilities are actuarially assessed at reporting date. More details are provided in Note 13.

Appropriations

Parliamentary appropriations are income where an agency obtains control over appropriated assets after receiving the funds. The Consolidated Fund recognises these appropriations as expenses as soon as the funds are transferred.

Appropriations for a specific financial year are legally only available to an agency until 30 June. Unspent appropriations become liabilities by the agency to the Consolidated Fund. The Consolidated Fund accounts for the appropriations unspent by agencies as receivables.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and Services Tax

Income, expenses and assets are recognised net of goods and services tax (GST), except:

- where the GST is either part of the cost of acquiring an asset or part of an item expense is not recoverable from the Australian Taxation Office
- for receivables and payables which are recognised as including GST

The net GST recoverable or payable is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST recoverable or payable on cash flows arising from investing and financing activities are classified as operating cash flows.

Contingencies and commitments are recognised inclusive of GST.

ASSETS

Assets are future economic benefits controlled by the Crown Entity and are only recognised in the Statement of Financial Position if it is probable that the future economic benefits embodied in the asset will eventuate and the asset possesses a cost or other value that can be measured reliably.

Financial assets

Financial assets are classified as:

- fair value through profit or loss
- loans and receivables

The Crown Entity does not have any held-to-maturity or available-for-sale investments.

The assets are measured at fair value when initially recognised. Investments not at fair value are measured at cost and include directly attributed transaction costs. The Crown Entity classifies assets at initial recognition and subsequently re-evaluates the assets at each reporting date where allowed.

Financial assets at fair value through profit or loss

Financial assets held for trading and derivatives are included as financial assets at fair value through profit or loss. Assets are held for trading if they are acquired to sell in the near term. Financial assets are also designated at fair value through profit or loss when they are managed and their performance is evaluated on a fair value basis. Gains or losses on financial assets through profit or loss are recognised in surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value, usually based on transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method less an allowance for any impairment of receivables. When they are de-recognised or impaired, gains and losses are recognised in surplus or deficit, and through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amounts where the effect of discounting is immaterial.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Crown Entity assesses if a financial asset or group of financial assets, except those measured at fair value through profit and loss, is impaired at each reporting date.

De-recognition of financial assets

The Crown Entity de-recognises a financial asset including a part of an asset, or a part of a group of similar assets, when:

- the rights to receive cash flows from the asset have expired
- it retains the rights to receive cash flows but agree to pay all cash flows without material delay to a third party in a pass-through arrangement
- it transfers the rights to receive cash flows by either substantially transferring all risks and rewards or its control of the assets

LIABILITIES

Liabilities are the future sacrifices of economic benefits that the Crown Entity is presently obliged to make as a result of past transactions or other past events. A liability is recognised in the Statement of Financial Position when it is probable that the future sacrifice of economic benefits will be required and the amount of the liability can be measured reliably.

De-recognition of financial liabilities

The Crown Entity derecognises a financial liability when its obligation is discharged, cancelled or expires.

When a lender replaces an existing financial liability with one on significantly different or modified terms, the Crown Entity derecognises the original liability and recognises the new liability. The difference in carrying amounts is recognised in surplus or deficit.

Use of judgements, estimates and assumptions

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, revenue and expenses. Management judgements and estimates are based on historical experience, independent valuations and/or various other factors that are believed to be reasonable under the circumstances.

Judgements, key assumptions and estimations that have been made in the preparation of the financial statements are disclosed in the relevant notes to the financial statements.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

3. REVENUE

a) Taxes, fees and fines

	2017 \$'000	2016 \$'000
Payroll tax	9,355,974	8,968,149
Stamp duties	11,487,334	10,843,785
Gambling and betting taxes	2,237,444	2,245,661
Land tax	3,233,799	2,809,983
Motor vehicle taxes and fees	2,672,406	2,705,063
Fees and fines	640,559	666,902
Government guarantee fees	399,084	470,391
Waste disposal levy	708,352	688,609
Fire and emergency service levy	127,122	-
Other	404,731	390,880
	31,266,805	29,789,423

Revenue from taxes, fees and fines are recognised as follows:

- Government-assessed (mainly land, fire and emergency service levy and gaming taxes) is recognised when assessments are issued.
- Taxpayer-assessed revenue is recognised when the tax collecting agency receives the funds. These include payroll tax and stamp duty. Additional revenue is recognised upon amended assessment.
- Fees are recognised when cash is received.
- Penalty notice revenue is recognised when payments are received or when they become overdue and further enforcement activity commences.
- Fines are recognised when issued, such as court fines and additional income from overdue fines when they are referred for further enforcement action

Generally, where the flow of economic benefits cannot be reliably measured, income is recognised when cash is received.

b) Commonwealth contributions

Revenue replacement	26,636	22,061
Specific purpose - recurrent	3,416,890	3,111,282
Commonwealth National Partnership payments - recurrent	1,817,329	950,056
Commonwealth National Partnership payments - capital	2,304,327	1,656,780
GST revenue	17,180,136	17,619,314
	24,745,318	23,359,493

Commonwealth contributions help NSW meet expenditure responsibilities. These consist of Specific Purpose and National Partnership payments, GST revenues and other General Revenue Assistance Payments. These contributions are recognised as revenue when cash is received.

The Crown Entity also receives contributions from the Commonwealth Government that are transferred to eligible beneficiaries which are not included in the above. These transfer payments are detailed in Note 23.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

3. REVENUE (continued)

c) Financial distributions

	2017 \$'000	2016 \$'000
Dividends	668,852	738,461
Income tax equivalents	499,824	526,546
	1,168,676	1,265,007

Dividends and income tax equivalents are received from the State's public trading enterprises and public financial enterprises. Revenue is recognised in the period when the right to receive payment is established.

d) Investment income

Interest		
Advances	87,842	93,370
Short term money market deposit - TCorp	-	28,262
Private sector deposits	445,834	365,167
TCorp investments	355,370	77,753
	889,046	564,552

Investment income includes interest income and net gains or losses from changes in the fair value of investments held at fair value through profit or loss. Interest income is recognised as interest accrued by using the effective interest method. The Crown Entity calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate method discounts estimated future cash receipts through the expected life of the financial asset.

e) Other income

Contribution from other Government agencies	295,341	302,340
Revenue from Crown land assets	51,167	58,052
Crown share of Government agency asset sales	11,792	68,435
Repayment of contribution from SICorp	195,000	185,000
Repayments of previous years appropriation	69,679	29,671
Long service leave contributions	58,025	35,997
Unclaimed monies	39,019	37,903
HIH insurance recoveries	5,392	12,201
Defined benefit superannuation contributions	23,670	19,211
Reimbursements of Local Government Elections expense	12,666	-
Other	78,815	86,563
	840,566	835,373

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

3. REVENUE (continued)

f) Contributions

Contributions are received under the National Partnership Agreements with the Commonwealth. Under each agreement, an implementation plan and reporting conditions are agreed. Payments are spent on agreed items and to a timetable agreed with the Commonwealth. Contributions are deemed to be non-reciprocal transfers.

The Crown Entity included the following contributions as revenue where:

(i) Conditional contributions recognised in the current year and not fully spent

Description (Department)	Balance (\$'000)	
	2016-17	2015-16
Education	113,956	107,693
Industry, Skills & Regional Development	312,369	233,368
Ministry of Health	-	15,667
Premier & Cabinet	-	380
Total	426,325	357,108

(ii) Conditional contributions for the provision of goods or services over a future period

Description (Department)	Balance (\$'000)				
	Total	Periods to which the amounts relate			
		2016-17	2017-18	2018-19	2019-20
Transport – Roads & Maritime Services	653,715	653,715	-	-	-
Total	653,715	653,715	-	-	-

2015-16 comparative

Description (Department)	Balance (\$'000)				
	Total	Periods to which the amounts relate			
		2015-16	2016-17	2017-18	2018-19
Transport – Roads & Maritime Services	515,599	515,599	-	-	-
Total	515,599	515,599	-	-	-

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

3. REVENUE (continued)

f) Contributions (continued)

(iii) Amount of contributions passed on to agencies in the current financial year from the previous 30 June balance.

Description (Department)	Balance (\$'000)	
	2016-17	2015-16
Education	198,086	192,885
Industry, Skills & Regional Development	339,207	82,837
Ministry of Health	31,400	107,678
Transport – Roads & Maritime Services	361,199	582,114
Total	929,892	965,514

4. EXPENSES

a) Grants and subsidies

	2017 \$'000	2016 \$'000
Natural disaster relief	-	4
Grant to NSW Self Insurance Corporation	110,000	105,000
Grants to agencies for redundancy payments	120,613	140,087
Grants to other Government agencies	29,173	600
Infrastructure grants made by Restart	2,683,351	1,224,244
First home owners grant	201,872	211,478
Grant to Liability Management Ministerial Corporation	19,671	18,745
Other	6,299	12,348
	<u>3,170,979</u>	<u>1,712,506</u>

Apart from redundancies, grants and subsidies are recognised as expenses when the payments are made. Grants for redundancies are recognised on an accrual basis when approved.

b) Finance costs

Finance charges from:

TCorp	1,450,156	1,373,277
Commonwealth Government	70,429	72,613
Other NSW Government agencies	64,547	70,300
Other	27,974	37,265
Unwinding of discounts	55,217	49,502
	<u>1,668,323</u>	<u>1,602,957</u>

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

4. EXPENSES (continued)

b) Finance costs (continued)

Finance costs mainly refer to borrowing costs. Loans are not held for trading and are recognised at amortised cost using the effective interest method. The discount or premium is treated as a finance cost and amortised over the life of the debt. Borrowing costs are expensed in the period in which they are incurred, in accordance with Treasury's mandate to not-for-profit general government sector entities.

Finance costs also include any gain or loss on restructuring of borrowings and the unwinding of discounts (the increase in the provision resulting from the passage of time) for the provision of outstanding claims and restoration costs.

c) Employee related expenses

The Crown Entity has no employees. Employee related expenses arise from its assumption of certain NSW government agencies long service leave liabilities (LSL). The Crown also takes on the defined benefit superannuation and LSL on-costs from agencies where their defined benefit and LSL liabilities are assumed by the Crown.

The total expenses include any gain or loss on actuarial valuation of these outstanding liabilities.

	2017	2016
	\$'000	\$'000
Long service leave expense	604,015	1,620,385
On-costs on long service leave and recreational leave	(10,057)	25,704
	593,958	1,646,089

d) Other expenses

	2017	2016
	\$'000	\$'000
Remissions and refunds	59,796	62,274
Bad and doubtful debts	110,971	111,587
Audit fees		
Financial statements	864	1,034
Other engagement fees	216	371
Auditor General's reports to Parliament and performance audits	8,460	7,521
Consultants	76,272	74,463
Other contractors	2,275	2,427
Builders warranty claims	(4,610)	(1,924)
Police superannuation scheme - medical claims cost	12,612	13,841
GST administration costs	218,639	215,469
Land Remediation Provision	98,889	(2,651)
Refunds to the Commonwealth	81	126
Land tax discounts	27,387	25,775
Repurchase of mining licences	481,814	-
Other	38,731	85,945
	1,132,397	596,258

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

5. INVESTMENT IN AN ASSOCIATE

The Crown Entity's investment in an associate consists of the NSW Government's 58 per cent share in Snowy Hydro Limited (SHL), with the Commonwealth and Victorian governments holding the other 13 per cent and 29 per cent, respectively. SHL is an unlisted public company limited by guarantee mainly involved in generating and marketing renewable electricity, as well as the storage and diversion of bulk water to the Murray and Murrumbidgee Rivers.

As at 30 June 2017, the investment in SHL was classified as non-current asset held-for-sale.

Prior to reclassification, the Crown Entity applied AASB 128 *Investments in Associates* to the investment. The Crown Entity recognises its investment in SHL based upon 58 per cent of the SHL's reported net assets with the exception of Property, Plant and Equipment (PP&E) which has been adjusted to fair value using the income approach under AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*, consistent with the Crown Entity's account policies.

The valuation is based on the discounted cash flow model which uses historical cash flow data from 2007 through to the current forecasted 2016 financial year and projections out to June 2021. Estimate future cash flows are discounted using an appropriate market derived weighted average cost of capital calculated specific for SHL.

Changes in the Crown Entity's share of the associate's operating results, adjusted to ensure consistency with Crown Entity accounting policy, are reflected in surplus or deficit. Where a change is recognised directly in the associate's equity, the Crown Entity recognises its share in other comprehensive income.

	2017	2016
	\$000	\$000
Non-current investment in an associate	-	3,782,789
	-	3,782,789
Crown's share of associate's assets and liabilities		
Current assets	-	515,214
Non-current assets	-	4,192,443
	-	4,707,657
Current liability	-	322,770
Non-current liability	-	602,098
	-	924,868
Net assets	-	3,782,789
Crown's share of associate's profit		
Revenue	1,503,940	1,283,656
Profit before income tax	208,349	52,863
Income tax expense	(63,009)	(9,090)
Profit after income tax	145,340	43,773
Other comprehensive income	12,180	(9,048)
Total comprehensive income	157,520	34,725

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

5. INVESTMENT IN AN ASSOCIATE (continued)

	2017 \$000	2016 \$000
Crown's share of SHL's commitments for expenditure		
Capital expenditure	-	10,034
Other expenditure	-	95,120
Operating leases	-	74,472
	-	179,626

GST credits

The recoverable input tax credits from the Crown Entity's share of SHL operating lease, capital and other expenditure commitments constitute a contingent asset. These are as follows:

Capital commitments	-	912
Other commitments	-	8,647
Operating lease commitments - lessee	-	6,770
	-	16,329

6. OTHER FINANCIAL ASSETS

Current

Financial assets at fair value	902,798	77
Other loans and deposits	3,450,000	10,718,874
	4,352,798	10,718,951

Non-current

Financial assets at fair value	14,680,625	58
Other loans and deposits	1,400,000	3,850,000
	16,080,625	3,850,058
Total financial assets at fair value	20,433,423	14,569,009

Other loans and deposits are term deposits held at financial institutions with maturities ranging between 3 and 36 months.

7. DERIVATIVE FINANCIAL INSTRUMENTS

In February 2012, Reliance Rail entered into a series of restructure agreements with the State, financial guarantors and other parties to restructure the Reliance Rail financing. These restructure plans included a conditional commitment by the State to invest \$175 million in Reliance Rail in 2018 in return for 100 per cent of the equity in Reliance Rail. The capital commitment is subject to Reliance Rail achieving certain conditions precedent by the funding date which includes the successful delivery of the trains and its ability to refinance its existing debt at that time.

These forward contracts contain underlying derivatives which are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

7. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value of the Crown Entity's derivative financial instruments

	2017 \$'000	2016 \$'000
Current assets		
Forward contracts	47,851	27,840
Net amount receivable	47,851	27,840

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair value for derivatives are shown after net-off of transactions with the same counter-party. Gains or losses arising from changes in the fair value of derivatives are recognised in surplus or deficit.

Fair values of forward contracts are determined by reference to the underlying value of the equity, applying a discounted cash flow method, and the forward price.

8. ADVANCES REPAYABLE TO THE CROWN

Current	219,280	454,748
Non-current	823,399	811,972
Total advances	1,042,679	1,266,720

Represented by:

NSW Land and Housing Corporation	389,344	404,488
Office of Environment and Heritage	40,691	192,158
Trustee of the Home Purchase Assistance Fund	113,833	120,890
NSW Rural Assistance Authority	193,739	158,673
Department of Education	140,500	140,500
Local Government Infrastructure	57,924	73,145
Co-operative advances	59,101	45,716
Ministry of Health	31,474	14,487
Department of Industry, Skills and Regional Development	-	1,814
NSW Police Force	237	387
Asbestos Injuries Compensation Fund Limited	-	99,375
Other	15,135	14,258
Department of Justice	701	829
	1,042,679	1,266,720

The above advances repayable to the Crown have a face value of \$1,372 million as at 30 June 2017 (2016: \$1,626 million) and stated interest rates of 0.0 – 6.0 per cent and mature in 1 - 25 years.

The fair value of advances that are the on-lending of Commonwealth loans is estimated by discounting the expected future cash flows by the relevant Commonwealth bond rate. The fair value of other advances is estimated by discounting the expected future cash flows by the relevant TCorp bond rate.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

9. RECEIVABLES

	2017 \$'000	2016 \$'000
Current:		
Retained taxes, fees and fines	1,919,221	1,662,654
Less: allowance for impairment	(305,306)	(254,522)
Net - retained taxes, fees and fines	1,613,915	1,408,132
Dividends	513,639	738,461
Tax equivalents	44,080	100,637
Unspent appropriations	65,025	31,402
GST Receivable	24,794	1,319
Other	376,827	282,181
	2,638,280	2,562,132
Non-current:		
Other	-	3,702
	-	3,702
Total receivables	2,638,280	2,565,834
Movements in the allowance for impairment		
Balance at 1 July	254,522	206,897
Add: new provisions	127,046	132,914
Less: amounts used	(76,262)	(85,289)
Balance at 30 June	305,306	254,522

Taxes, fees and fines are recognised and carried at the original levied amount less an allowance for any uncollectible amounts. Receivables from reinsurance and other recoveries are actuarially assessed. Dividends, income tax equivalents and other receivables are recognised on an accrual basis.

The average credit period on receivables, unless otherwise specified, is 30 days. No interest is being charged on payments which are delayed except for current receivables that are under objection or appeal. An allowance for impairment of receivables is made for specific receivables which are not likely to be received. Movement of this allowance is recognised in surplus or deficit.

The current receivables included assessments totalling \$124.3 million (2016: \$93.5 million) that were under objection or appeal.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

10. PAYABLES

Payables represent liabilities for goods and services provided but not paid for at each reporting date. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method.

Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

	2017 \$'000	2016 \$'000
Current:		
Financial charges	346,125	371,525
Liability to Nominal Defendant Fund	3,333	3,333
Other	31,979	27,304
Total current payables	381,437	402,162
Non-current:		
Total non-current payables	-	-
Total payables	381,437	402,162

Financial charges mainly represent accrued interest payable to TCorp and Commonwealth Government. Other payables are non-interest bearing and are generally on 30 day terms. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received.

11. BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. The Crown Entity estimates the fair value of Commonwealth specific purpose low interest loans by discounting the expected cash flows by the relevant Commonwealth bond rate. The effective interest method is used to measure interest-bearing loans and borrowings at amortised cost. Gains and losses are recognised in surplus or deficit when the liabilities are derecognised.

Current	1,200,667	1,050,349
Non-current	27,737,082	26,681,473
Total borrowings	28,937,749	27,731,822
Analysed as:		
TCorp	28,279,304	27,038,272
Commonwealth financial agreements	189	7,919
Commonwealth specific purpose advances	610,398	639,360
Commonwealth other	47,858	46,271
Total borrowings at amortised cost	28,937,749	27,731,822

Borrowings from TCorp are interest bearing. The average interest cost, including the amortisation of bond premium or discount, of the TCorp debt portfolio was 5.56 per cent (2016: 5.22 per cent). The weighted average life of the nominal debt portfolio is 7.04 (2016: 5.15) and for the indexed debt portfolio is 10.18 (2016: 9.65). The Crown Entity measures its exposure to interest rate risk in terms of cash flows or notional cash flows generated by financial instruments as discussed in Note 12.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

12. FINANCIAL INSTRUMENTS

The Crown Entity's principal financial instruments are detailed in the following table. These financial instruments arise directly from the Crown Entity's operations or are required to finance those operations. The Crown Entity does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

The Crown Entity's main risks arising from financial instruments are market, credit and liquidity risks. The Crown Entity's objectives, policies and processes for measuring and managing risk, and quantitative and qualitative disclosures are included throughout these financial statements.

Financial instrument categories

	Note	Category	Carrying Amount	
			2017 \$'000	2016 \$'000
Financial assets				
Cash and cash equivalents	18	N/A	10,331,325	13,551,449
Other financial assets	6	At fair value through profit or loss (designated as such upon initial recognition)	15,583,423	135
Other financial assets	6	Loans and Receivables (at amortised cost)	4,850,000	14,568,874
Derivative financial instruments	7	At fair value through profit or loss (classified as held for trading)	47,851	27,840
Advances repayable to the Crown	8	Loans and Receivables (at amortised cost)	1,042,679	1,266,720
Receivables ¹	9	Loans and Receivables (at amortised cost)	890,466	1,024,344
Financial liabilities				
Payables	10	Financial liabilities (at amortised cost)	381,437	402,162
Bank overdrafts	18	N/A	10,917,091	16,793,102
Borrowings	11	Financial liabilities measured at amortised	28,937,749	27,731,822
Financial guarantees	21(b)	Financial liabilities measured at fair value less accumulated amortisation	4,400	6,100

¹ Excludes statutory receivables and prepayments and therefore differs from the amounts shown in the Statement of Financial Position.

Risk management

The activities of the Crown Entity expose it to a variety of financial risks. These are:

- market risk
 - i. interest rate risk
 - ii. currency risk
 - iii. other price risk
- credit risk
- liquidity risk

Management has overall responsibility for the establishment and oversight of risk management, reviews and sets policies for managing each of these risks. Risk management policies are in place to establish frameworks and processes that identify and analyse the risks faced by the Crown Entity, set risk limits and controls, and monitor risks.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

12. FINANCIAL INSTRUMENTS (continued)

Risk management (continued)

The Crown Entity contracts the NSW Treasury Corporation (TCorp) to manage many of these risks in line with Memoranda of Understanding (MoU) and Investment Services Agreement (ISA) between the parties. Treasury's Asset and Liability Committee (ALCO) oversees risks in the Crown Entity's financial instrument activities and reports on the risks associated with the holding of financial instruments, and provides recommendations to the Treasury Secretary around appropriate risk levels and preferences. TCorp actively manages financial instrument risks, and the MoU and ISA are reviewed regularly and updated to include changes in market conditions and/or management's direction. The documents clearly set out investment management objectives, restrictions, and establish performance benchmarks. The MoU and ISA are authorised and approved at the Senior Executive Level within NSW Treasury.

Proposed changes to the MoU and ISA must go through a consultative process between TCorp and the Treasury Management team at NSW Treasury. Regular meetings take place between TCorp, the Treasury Management team and the Director of Crown Finance to monitor the performance and management of the Crown Entity's investment and debt portfolios. The NSW Treasury's representatives managing the Crown Entity's treasury portfolio with TCorp comprise staff with experience in financial risk management, treasury management and economics.

NSW Treasury sets the debt and investment strategy for the Crown Entity and TCorp manages and monitors associated financial risks within the boundaries of its established Board policies, legislative requirements, management guidelines and the MoU. TCorp's operational risks are mitigated through:

- comprehensive and detailed risk management policies
- detailed controls over the security, integrity and accuracy of all key systems
- clear and appropriate reporting lines
- qualified and experienced personnel
- a Risk Management & Compliance function
- regular internal audits

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Crown Entity's exposures to market risk are primarily through interest rate risk on its borrowings and fixed interest investments.

The effects on the Crown Entity's profit and equity due to reasonably possible changes in risk variables are outlined in the information below. A reasonably possible change in each risk variable has been determined after taking into account the economic environment in which the Crown Entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis is performed on the same basis as for 2016. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Exposure to interest rate risk arises primarily through the Crown Entity's interest bearing liabilities. This risk is measured, limited and managed in terms of duration of borrowings. The Crown Entity does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect the Crown Entity's operating result or equity.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

12. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

The following table provides the sensitivity analysis of interest rate risk affecting financial assets and liabilities on the operating result of the Crown Entity. There is no direct effect on equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	Carrying Amount \$'000	-1% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
2017					
Financial assets					
Cash and cash equivalents	10,331,325	(103,313)	-	103,313	-
Other financial assets ¹	902,779	(10,201)	-	10,201	-
Financial liabilities					
Bank overdrafts	10,917,091	109,171	-	(109,171)	-
Borrowings managed by TCorp	28,279,304	1,804,378	-	(1,804,378)	-
2016					
Financial assets					
Cash and cash equivalents	13,551,449	(135,514)	-	135,514	-
Financial liabilities					
Bank overdrafts	16,793,102	167,931	-	(167,931)	-
Borrowings managed by TCorp	27,038,272	1,746,826	-	(1,746,826)	-

¹ Excludes the financial assets which are in the NSW Infrastructure Future Fund facility held at TCorp. These are subject to the overall price risks of the facility. The interest rate sensitivity calculation has been determined more appropriately using +/-0.3% being the movement in the RBA interest rate over 5 years.

Currency risk

The Crown Entity has minimal foreign currency risk exposure from its holding of Canadian dollars in cross border lease arrangements totalling \$19,000 (2016: \$135,000).

Other price risk

Exposure to 'other price risk' primarily arises through the investment in the NSW Treasury Investment facility with TCorp. These investments are held for strategic rather than trading purposes.

The Crown Entity holds units in the following TCorp investment facility:

Facility	Investment Sectors	Investment Horizon	2017 (\$'000)
NSW Infrastructure Future Fund	Cash, Australian shares, International shares, emerging market equities, Australian bonds and investment grade credit	10 years and over	14,680,625

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for the facility. Unit prices are calculated and published daily.

These investments are designated at fair value through profit or loss and therefore any change in unit price impacts directly on surplus or deficit. TCorp provides sensitivity analysis information for each of the facilities using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption price as at each reporting date for each facility.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

12. FINANCIAL INSTRUMENTS (continued)

Other price risk sensitivity analysis

Facility	Change in unit price (%) ¹	Impact on net result (\$'000)
NSW Infrastructure Future Fund	+/-3%	440,419

¹ The 3% sensitivity relates to the sensitivity for the NIFF fund on a standalone basis based on the change in the unit price since inception in December 2016.

Credit risk

Credit risk arises from the financial assets of the Crown Entity, which comprise of cash and cash equivalents, receivables, advances, financial assets, derivatives and financial guarantees. The Crown Entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments net of any allowance for impairment at each reporting date.

There have been no changes in the fair value of financial assets and financial guarantees due to change in credit risks.

Cash and cash equivalents

Cash comprises short-term deposits and bank balances within and outside the NSW Treasury Banking System (TBS). Interest is earned on daily bank balances adjusted for a management fee to NSW Treasury.

The Crown Entity utilises the bank balances of TBS agencies' accounts to offset the Consolidated Fund Account nominal debit balance. This arrangement minimises the overall borrowing requirements of the State. The bank regards all of the individual accounts within the TBS as forming one account. The Crown Entity is paid interest on the overall credit balance of this 'one account'. Thus, the Consolidated Fund can borrow almost the total of other accounts in the TBS at the interest rate agencies would be paid for having cash on deposit, a significant saving on normal borrowing rates.

Receivables and advances repayable to the Crown

Receivables include dividends from certain NSW government agencies. Statutory receivables such as taxes, fees and fines and income tax equivalents are excluded from here.

Advances are given to entities on terms set by parties within the NSW Government and which follow the Treasurer's directions. The Crown Entity assesses outstanding balances for the advances each year, and reduces the carrying value when it no longer expects repayment. The maximum credit risk on advances is the carrying value reported in the Statement of Financial Position.

The Crown Entity has a significant concentration of credit risk with NSW public sector entities. The risk mainly relates to advances to general government sector agencies that are funded from the Consolidated Fund.

The Crown Entity does not receive any collateral for advances and receivables.

The following table shows financial assets that were past due but not impaired at the reporting date:

	Total \$'000	Past due but not impaired \$'000			Considered impaired \$'000
		< 3 months overdue	3 - 6 months overdue	> 6 months overdue	
2017					
Receivables	429	429	-	-	-
2016					
Receivables	1,468	1,468	-	-	-

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

12. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Financial assets

Financial assets at fair value include derivative forward contracts in relation to the unlisted equity securities. These do not give rise to credit risks.

Credit risk exists for financial assets at amortised cost. These financial assets are term deposits with original maturities greater than 90 days.

Concentration of credit risk

By credit rating	AAA	AA+	AA	AA-	A+	A	Other ratings ¹	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017								
Cash and cash equivalents	-	-	-	10,328,149	-	-	3,176	10,331,325
Other financial assets	902,779	-	-	4,850,000	-	-	19	5,752,798
Advances	-	-	-	-	-	-	1,042,679	1,042,679
Receivables	-	-	-	195,490	-	-	694,976	890,466
2016								
Cash and cash equivalents	-	-	-	13,540,633	-	-	10,816	13,551,449
Other financial assets	4,428,689	-	-	10,140,185	-	-	135	14,569,009
Advances	-	-	-	-	-	-	1,266,720	1,266,720
Receivables	-	-	-	153,816	-	-	870,528	1,024,344

By classification of counterparty	Governments	Banks	Other	Total
	\$'000	\$'000	\$'000	\$'000
2017				
Cash and cash equivalents	3,148	10,328,149	28	10,331,325
Other financial assets	902,779	4,850,000	19	5,752,798
Advances	983,578	-	59,101	1,042,679
Receivables	694,976	194,301	1,189	890,466
2016				
Cash and cash equivalents	9,794	13,540,633	1,022	13,551,449
Other financial assets	4,428,689	10,140,185	135	14,569,009
Advances	1,221,004	-	45,716	1,266,720
Receivables	870,528	152,810	1,006	1,024,344

¹ The counterparty has no rating or the rating is lower than A. The majority of receivables are from government agencies with no individual credit rating. The NSW Government, of which they form a part, has a AAA credit rating.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

- **12. FINANCIAL INSTRUMENTS (continued)**

- *Financial guarantees*

The Crown Entity has a number of financial guarantees to which it is a party on behalf of other entities, agencies, departments and the Crown itself. The guarantees outstanding at 30 June 2017 have an estimated amortised total value of \$4.4 million (2016: \$6.1 million). The estimated value was calculated by independent valuers based on the probabilities of these guarantees being exercised.

These guarantees are grouped into three categories.

1. *Structured Finance Activities*: The Crown has guaranteed certain payment and performance obligations under cross border leases. The Crown Entity's exposure for cross border leases is \$445,000 (2016: \$1.6 million). As a part of this exposure, the Crown has a third-party risk in terms of monies being placed on deposit with the US Treasury as the counterparty. TCorp regularly monitors this risk on behalf of the Crown.
2. *GIO Guarantees*: The Crown provided a guarantee over GIO obligations for insurance policies entered into before its sale in 1992. The Crown's guarantee can only be called upon if the existing owners are unable to make payment. The likelihood of invoking the guarantee is measured by the level of the existing owners' equity to their guaranteed liabilities. It is regarded as extremely unlikely given this ratio has grown over time. The credit risk for these guarantees is \$275 million (2016: \$266 million).
3. *Public Private Partnership Guarantees*: The Crown has guaranteed that five State agencies involved in public private partnerships will meet their obligations to pay for finance leases and services provided. These are long term agreements involving significant sums. It is very unlikely that the agencies would cease to pay the finance lease contracts on assets or meet payments for services they require for their operations. The credit risk for these activities is \$5,341 million (2016: \$5,565 million).

Accordingly, the Crown's exposure to financial guarantees is considered to be low.

Liquidity risk

Liquidity risk is the risk that the Crown Entity will be unable to meet its payment obligations when they fall due. The Crown Entity continuously manages risk through monitoring future cash flows and maturities, and through planning to ensure access to borrowing facilities if required.

The Crown Entity aims to maintain a balance between funding continuity and flexibility by using:

The nominal debit balance limit of Treasury Banking 'One Account' of \$25 billion
(2016: \$25 billion)

TCorp's Come and Go Facility with a limit of \$6.0 billion (2016: \$3.5 billion)
borrowings

The Crown Entity outsources the daily management of its borrowings to TCorp, which manages them in accordance with established modified duration targets and in discussions with NSW Treasury.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

12. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

During the current year there were no defaults of loans payable. No assets have been pledged as collateral. The Crown Entity's exposure to liquidity risk is deemed insignificant based on prior years' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with Treasury Circular NSWTC 11-12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Interest is awarded for late payments. There was no interest awarded for late payment during the year.

The table below summarises the maturity profile of the Crown Entity's financial liabilities.

	Weighted average effective interest rate %	Nominal amount ¹ \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000	< 1 Year \$'000	1 - 5 Years \$'000	> 5 Years \$'000
2017								
Payables	-	381,437	-	-	381,437	381,437	-	-
Bank overdrafts	2.37	10,917,091	-	10,917,091	-	10,917,091	-	-
TCorp borrowings	4.04	37,052,736	37,052,736	-	-	1,480,506	13,836,435	21,735,795
Cwith financial agreements	2.82	189	189	-	-	189	-	-
Cwith specific purpose advances	4.40	961,331	961,331	-	-	53,219	216,956	691,156
Cwith other	4.50	47,858	47,858	-	-	-	-	47,858
Financial guarantees ²	-	5,616,819	-	-	5,616,819	278,643	1,002,970	4,335,206
Total financial liabilities³		54,977,461	38,062,114	10,917,091	5,998,256	13,111,085	15,056,361	26,810,015
2016								
Payables	-	402,162	-	-	402,162	402,162	-	-
Bank overdrafts	2.83	16,793,102	-	16,793,102	-	16,793,102	-	-
TCorp borrowings	4.43	35,428,680	35,428,680	-	-	2,168,216	14,221,169	19,039,295
Cwith financial agreements	3.00	7,916	7,916	-	-	7,916	-	-
Cwith specific purpose advances	4.39	1,013,746	1,013,746	-	-	52,418	215,520	745,808
Cwith other	4.50	46,271	46,271	-	-	-	-	46,271
Financial guarantees ²	-	5,832,660	-	-	5,832,660	278,440	999,370	4,554,850
Total financial liabilities³		59,524,537	36,496,613	16,793,102	6,234,822	19,702,254	15,436,059	24,386,224

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities. Therefore the amounts disclosed above will not reconcile to the amounts shown in the Statement of Financial Position.

² The amounts disclosed is the worst case scenario being the maximum amount of the guarantees being allocated to the earliest period in which the guarantees could be called. It is unlikely that the actual liabilities will arise. These guarantees are recognised in the Statement of Financial Position at \$4.4 million (2016: \$6.1million).

³ Total differs from the Statement of Financial Position mainly due to guarantees being measured on a worst case scenario.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

12. FINANCIAL INSTRUMENTS (continued)

Fair value

Financial instruments are generally recognised at cost. Except where specified below, the amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of many of the financial instruments. Financial instruments carried at fair value, or in the case of financial guarantees where fair value cannot be reliably measured, are not shown in the table below.

The following table details the financial instruments where the fair value differs from the carrying amount:

a) Fair value compared to carrying amount

	Carrying amount \$'000	2017	Fair value level	2016	Fair value \$'000
		Fair value \$'000		Carrying amount \$'000	
Financial assets					
Co-operative advances	59,101	59,179	Level 2	45,716	46,328
Unrecognised gain	78	-		612	-
	59,179	59,179		46,328	46,328
Financial liabilities					
TCorp borrowings	28,279,303	30,742,527	Level 2	27,038,272	31,135,477
Commonwealth general purpose borrowings	189	189	Level 2	7,919	7,919
Unrecognised gain	2,463,224	-		4,097,205	-
	30,742,716	30,742,716		31,143,396	31,143,396

b) Fair value recognised in the statement of financial position

The Crown Entity uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 – derived from quoted prices in active markets for identical assets/liabilities

Level 2 – derived from inputs other than quoted prices that are observable directly or indirectly

Level 3 – derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs)

The following table presents the Crown Entity assets measured and recognised at fair value as at 30 June:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2017				
Financial assets at fair value				
Other	902,779	19	-	902,798
Derivative financial instruments	-	6,561	41,290	47,851
	902,779	6,580	41,290	950,649
2016				
Other	-	135	-	135
Derivative financial instruments	-	-	27,840	27,840
	-	135	27,840	27,975

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

12. FINANCIAL INSTRUMENTS (continued)

The fair values of level 3 derivatives that are not traded in an active market are determined using valuation techniques. These techniques include referencing current fair values of substantially similar instruments, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Crown holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors that may arise.

The main level 3 inputs used by the Crown are derived and evaluated as follows:

Discount rate used for the valuation is a market based leveraged cost of equity. An increase/decrease of +/-50 basis points would decrease/increase the fair value of the derivative by \$8.9 million and \$9.8 million respectively (2016: \$7.9 million & \$8.7 million).

Credit Margin assumptions are based on an equally weighted average of historically observed and currently observed BBB corporate bond margins. The inputs range from 189 bps to 222 bps.

Changes in level 2 and 3 fair values are analysed at each reporting date.

Reconciliation of level 3 fair value measurements

	Derivative forward contracts \$'000
Opening balance at 1 July 2016	27,840
Total gains or losses	
- net result for the year (in gain from financial instrument)	<u>13,450</u>
Closing balance at 30 June 2017	<u>41,290</u>
Opening balance at 1 July 2015	23,100
Total gains or losses	
- net result for the year (in gain from financial instrument)	<u>4,740</u>
Closing balance at 30 June 2016	<u>27,840</u>

There were no transfers between the levels during the year ended 30 June 2017 (2016: Nil).

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY

The Crown Entity's total unfunded superannuation liability is made up of the financial assets and liabilities of six NSW public sector defined benefit superannuation schemes listed below:

Scheme	Coverage	Scheme Type	Benefit Type
State Superannuation Scheme (SSS)	Closed to new entrants in 1985	The entire benefit is defined by final salary and service and is not separated into employer and employee financed components	Indexed pension or lump sum
Police Superannuation Scheme (PSS)	Closed to new entrants in 1988	As for SSS	Indexed pension, or lump sums available from 1 April 1988.
Parliamentary Contributory Superannuation Scheme (PCSS)	Closed to new entrants from March 2007 onwards.	As for SSS	Indexed pension or partial indexed pension plus partial lump sum
State Authorities Superannuation Scheme (SASS)	Closed to new entrants on 18 December 1992	Hybrid scheme – employer financed benefit is defined as a proportion of final or final average salary – employee financed benefit is an accumulation of employees' contributions plus earnings	Lump sum; some indexed pensions available to members of schemes amalgamated to form SASS
Judges Pension Scheme (JPS)	Compulsory for members of the judiciary	Benefit is defined in terms of final salary and is employer financed.	Indexed pension
State Authorities Non-contributory Superannuation Scheme (Basic Benefit) (SANCS)	Closed to new entrants on 18 December 1992	Totally employer financed: three percent of final or final average salary for each year of service as from 1 April 1988	Lump sum

The four main schemes SSS, PSS, SASS and SANCS are aggregated into one Pooled Fund (Pooled Fund schemes).

SAS Trustee Corporation (STC) engaged an independent actuary, Mercer Consulting, to provide superannuation financial year-end reporting information required for all individual self-funding employers (apart from the Crown). Mercer also performs the same work for the Crown but through the engagement with NSW Treasury. This work covers the Pooled Fund schemes, PCSS (in conjunction with Consulting Cumpston Sarjeant Pty Ltd) and JPS.

Actuaries calculated unfunded superannuation liabilities as at 30 June 2017 using:

- latest available scheme membership data
- demographic assumptions of the 2015 Triennial Valuation of the Pooled Fund schemes
- an additional allowance for staff reductions
- Australian Accounting Standard AASB 119 applying to employee benefits as at 30 June 2017.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

Regulatory framework

The Pooled Fund schemes are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *Police Regulation (Superannuation) Act 1906*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations.

These schemes are governed by the STC Trustee Board and are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government Agreement, the NSW Government undertakes to ensure that the Pooled Fund schemes will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The NSW Government prudentially monitors and audits the Pooled Fund schemes and the STC Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the STC Trustee Board and internal processes that monitor the STC Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund schemes is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation will be performed at 30 June 2018.

PCSS is established and governed by the *Parliamentary Contributory Superannuation Act 1971*, and its associated regulations. PCSS is an exempt public sector superannuation scheme under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the PCSS will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the PCSS and the activities of its Trustee Board in a manner consistent with the prudential controls of the SIS legislation.

The Judges Pension Scheme (JPS) is established and governed by *Judges' Pensions Act 1953 No 41* (as amended to 19 May 2010). It is essentially a pay-as-you-go pension scheme not a superannuation fund and as such, it does not have a Trustee Board.

Actuarial investigations of the PCSS and JPS are performed every three years. The last actuarial investigations were performed as at 30 June 2014 for PCSS and JPS.

Governance

In general terms, a Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of Fund beneficiaries. The Trustee has the following roles:

- Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- Management and investment of the Fund assets; and
- Compliance with other applicable regulations.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

Risks

There are a number of risks to which a Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk: the risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- Longevity risk: the risk that pensioners live longer than assumed, increasing future pensions.
- Pension indexation risk: the risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- Salary growth risk: the risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk: the risk is that legislative changes could be made which increase the cost of providing the defined benefits.

NSW public sector defined benefit Fund assets are invested with independent Fund managers and have a diversified asset mix. These assets have no significant concentration of investment risk or liquidity risk.

There were no Fund amendments, curtailments or settlements during the year.

Member numbers

	SASS	SANCS	SSS	PSS	JPS	PCSS
Contributors	18,599	23,238	3,608	1,031	124	25
Deferred benefits	9,914	11,016	931	44	-	2
Pensioners	3,221	-	46,597	6,594	233	281
Pensions fully commuted	-	-	13,888	-	-	-

Superannuation position for AASB 119 Employee Benefits

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2016-17 \$'000
Accrued liability ¹	14,429,090	2,465,828	57,034,960	16,625,338	1,143,212	809,000	92,507,428
Estimated reserve account balance	(10,180,148)	(1,744,101)	(19,854,202)	(4,624,248)	-	(298,700)	(36,701,399)
Surplus/(deficit)	4,248,942	721,727	37,180,758	12,001,090	1,143,212	510,300	55,806,029
Future service liability ²	1,226,114	493,084	291,628	(13,873)	-	-	1,996,953
Net liability to be disclosed in the Statement of Financial Position	4,248,942	721,727	37,180,758	12,001,090	1,143,212	510,300	55,806,029
Current							1,568,520
Non-current							54,237,509
							55,806,029

¹ The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15 per cent.

² The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision).

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

Reconciliation of the net defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2016-17 \$'000
<i>Present value at 1/7/16</i>	5,112,263	981,044	44,565,115	14,544,813	1,214,221	642,600	67,060,056
Transfers in/(out) due to business combinations and disposals	(2,045)	(2,050)	78,874	-	-	-	74,779
Current service cost	314,687	66,634	168,689	48,489	50,783	3,200	652,482
Net interest	97,165	17,599	880,540	287,771	23,693	12,600	1,319,368
Actual return on fund assets less interest income	(692,650)	(116,000)	(1,383,711)	(317,680)	-	(34,800)	(2,544,841)
Actuarial (gains)/losses arising from changes in demographic assumptions	8,874	158	(971)	-	-	-	8,061
Actuarial (gains)/losses arising from changes in financial assumptions	(523,630)	(82,768)	(5,618,574)	(2,068,044)	(105,323)	(90,000)	(8,488,339)
Actuarial (gains)/losses arising from liability experience	393,433	50,475	(875,416)	(326,298)	7,715	(6,500)	(756,591)
Employer contribution	(459,155)	(193,365)	(633,788)	(167,961)	(47,877)	(16,800)	(1,518,946)
<i>Present value at 30/6/17</i>	4,248,942	721,727	37,180,758	12,001,090	1,143,212	510,300	55,806,029

Reconciliation of the fair value of fund assets

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2016-17 \$'000
<i>Fair value at 1/7/16</i>	9,776,186	1,636,364	19,139,876	4,479,183	-	268,800	35,300,409
Transfers in/(out) due to business combinations and disposals	45,054	5,308	153,211	-	-	-	203,573
Interest income	189,791	31,887	365,628	86,320	-	5,300	678,926
Actual return on Fund assets less interest income	692,650	116,000	1,383,711	317,680	-	34,800	2,544,841
Employer contributions	459,155	193,365	633,788	167,961	47,877	16,800	1,518,946
Contributions by participants	139,827	-	66,144	8,041	-	700	214,712
Benefits paid	(1,061,236)	(215,620)	(2,111,758)	(475,074)	(47,877)	(26,600)	(3,938,165)
Taxes, premiums & expenses	(61,279)	(23,203)	223,602	40,137	-	(1,100)	178,157
<i>Fair value at 30/6/17</i>	10,180,148	1,744,101	19,854,202	4,624,248	-	298,700	36,701,399

Reconciliation of the defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2016-17 \$'000
<i>Present value at 1/7/16</i>	14,888,449	2,617,408	63,704,991	19,023,996	1,214,221	911,400	102,360,465
Transfers in/(out) due to business combinations and disposals	43,009	3,258	232,085	-	-	-	278,352
Current service cost	314,687	66,634	168,689	48,489	50,783	3,200	652,482
Interest cost	286,956	49,486	1,246,168	374,091	23,693	17,900	1,998,294
Contributions by participants	139,827	-	66,144	8,041	-	700	214,712
Actuarial (gains)/ losses arising from changes in demographic assumptions	8,874	158	(971)	-	-	-	8,061
Actuarial (gains)/losses arising from changes in financial assumptions	(523,630)	(82,768)	(5,618,574)	(2,068,044)	(105,323)	(90,000)	(8,488,339)
Actuarial (gains)/losses arising from liability experience	393,433	50,475	(875,416)	(326,298)	7,715	(6,500)	(756,591)
Benefits paid	(1,061,236)	(215,620)	(2,111,758)	(475,074)	(47,877)	(26,600)	(3,938,165)
Taxes, premiums & expenses	(61,279)	(23,203)	223,602	40,137	-	(1,100)	178,157
<i>Present value at 30/6/17</i>	14,429,090	2,465,828	57,034,960	16,625,338	1,143,212	809,000	92,507,428

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

Reconciliation of the effect of the asset ceiling

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2016-17 \$'000
<i>Adjustment for effect of asset ceiling at beginning of the year</i>	-	-	-	-	-	-	-
Interest on the effect of asset ceiling	-	-	-	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-	-	-	-
<i>Adjustment for effect of asset ceiling at end of the year</i>	-	-	-	-	-	-	-

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

Fair value of Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. The disclosures below relate to total assets of the Pooled Fund.

Asset category ¹	Level 1	Level 2	Level 3	Total	% of total
	\$'000	\$'000	\$'000	2016-17 \$'000	
Short Term Securities	3,077,362	9,945	-	3,087,307	7.7%
Australian Fixed Interest	997	2,499,728	-	2,500,725	6.2%
International Fixed Interest	-	480,991	-	480,991	1.2%
Australian Equities	8,947,483	498,572	24	9,446,079	23.6%
International Equities	9,033,497	1,869,112	1,150,894	12,053,503	30.1%
Property	926,105	533,191	1,993,812	3,453,108	8.6%
Alternatives	390,899	5,068,137	3,607,020	9,066,056	22.6%
Total	22,376,343	10,959,676	6,751,750	40,087,769	100.0%

¹ The following hierarchy is used for disclosing the asset categories:

- Level 1: quoted prices in active markets for identical assets or liabilities. The assets in this levels are listed shares; listed unit trusts
- Level 2: inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities
- Level 3: inputs for the asset or liability not based on observable market data (unobservable inputs). The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

The fair value of the Pooled Fund assets as at 30 June 2017 includes \$354.0 million (2016: \$189.6 million) in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- STC occupies part of a property 100% owned by the Pooled Fund with a fair value of \$250 million (2016: \$222 million).
- Health Administration Corporation occupies part of a property 50 per cent owned by the Pooled Fund with a fair value of \$261 million (2016: \$243 million).

Significant actuarial assumptions at the reporting date

	Pooled Fund	PCSS	JPS
Discount rate	2.62% pa	2.61% pa	2.62% pa
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter		2.5% pa
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.5% pa	N/A
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.		as per 2014 triennial actuarial valuation

Sensitivity analysis

The total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2017.

Pooled Fund

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	2.62%	1.62%	3.62%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	90,555,218	103,946,352	79,679,977
	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above rate plus 0.5%	as above rate less 0.5%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	90,555,218	96,414,190	85,153,160

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above rate plus 0.5%	as above rate less 0.5%
Defined benefit obligation (\$'000)	90,555,218	90,966,272	90,063,271

	Base Case	Scenario G Higher mortality*	Scenario H Lower mortality**
Defined benefit obligation (\$'000)	90,555,218	92,082,146	89,591,942

* Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021.

** Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Parliamentary Contributory Superannuation and Judges Pension Schemes

Scenarios A to D relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios E and F relate to sensitivity to demographic assumptions.

	PCSS			JPS		
	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	2.61%	1.61%	3.61%	2.62%	1.62%	3.62%
Rate of CPI increase	N/A	N/A	N/A	N/A	N/A	N/A
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation (\$'000)	809,000	962,000	690,000	1,143,212	1,311,034	998,197

	PCSS			JPS		
	Base Case	Scenario C +0.5% salary increase rate	Scenario D -0.5% salary increase rate	Base Case	Scenario C +0.5% salary increase rate	Scenario D -0.5% salary increase rate
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	N/A	N/A	N/A	N/A	N/A	N/A
Salary inflation rate	as above	as above rate plus 0.5%	as above rate less 0.5%	as above	as above rate plus 0.5%	as above rate less 0.5%
Defined benefit obligation (\$'000)	809,000	879,000	746,000	1,143,212	1,241,183	1,055,142

	PCSS			JPS		
	Base Case	Scenario E +10% pensioner mortality rates	Scenario F -10% pensioner mortality rates	Base Case	Scenario E +10% pensioner mortality rates	Scenario F -10% pensioner mortality rates
Defined benefit obligation (\$'000)	809,000	779,000	842,000	1,143,212	1,098,808	1,190,376

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

Asset–Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Funding arrangements

Funding arrangements for the Pooled Fund schemes are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding arrangements for PCSS are reviewed around every three years and were last reviewed in 2014. Contribution rates are set after discussions between the PCSS actuary and NSW Treasury.

For the Pooled Fund schemes and PCSS, funding positions are reviewed annually and funding arrangements may be adjusted if required.

JPS is run as a pay-as-you-go scheme, with long-term funding towards full funding by 2030 provided through the Liability Management Ministerial Corporation.

The following is a summary of the 30 June 2017 financial position of the NSW Public Sector defined benefit schemes calculated in accordance with AASB 1056 *Superannuation Entities*.

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2016-17 \$'000
Accrued benefits ¹	11,712,663	2,041,313	29,443,586	7,401,891	629,615	388,500	51,617,568
Net market value of Fund assets	(10,180,148)	(1,744,101)	(19,854,202)	(4,624,248)	-	(298,700)	(36,701,399)
Net deficit	1,532,515	297,212	9,589,384	2,777,643	629,615	89,800	14,916,169

¹ There is no allowance for a contribution tax provision within the accrued benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

Contribution recommendations

SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions	PSS % member salary	JPS % member salary	PCSS multiple of member contributions
N/A	N/A	N/A	N/A	N/A	N/A

Economic assumptions

Weighted-Average Assumptions	Pooled Fund 30/06/17	JPS 30/06/17	PCSS 30/06/17
	%	%	%
Expected rate of return on Fund assets backing current pension liabilities	7.4% pa	7.02% pa	7.8% pa
Expected rate of return on Fund assets backing other liabilities	6.4% pa	N/A	N/A
Expected salary increase rate (excluding promotional salary increases)	2.7% to 30 June 2019 then 3.2% pa thereafter	2.5% pa	2.5% pa for the first 2 years; 3.5% pa thereafter
Expected rate of CPI increase	2.2% pa	N/A	N/A

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

Expected contributions

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000
Expected employer contributions - financial year to 30 June 2018	231,900	55,600	914,900	299,700	48,720	17,700

The weighted average duration is:

13 years for the Pooled Fund defined benefit obligation,

14 years for JPS; and

16 years for PCSS.

Profit or loss impact

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2016-17 \$'000
Current service cost	314,687	66,634	168,689	48,489	50,783	3,200	652,482
Net interest	97,165	17,599	880,540	287,771	23,693	12,600	1,319,368
Defined benefit cost	411,852	84,233	1,049,229	336,260	74,476	15,800	1,971,850

Other comprehensive income

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2016-17 \$'000
Actuarial (gains)/losses on liabilities	(121,323)	(32,135)	(6,494,961)	(2,394,342)	(97,608)	(96,500)	(9,236,869)
Actual return on Fund assets less Interest income	(692,650)	(116,000)	(1,383,711)	(317,680)	-	(34,800)	(2,544,841)
Adjustment for effect of asset ceiling	-	-	-	-	-	-	-
Total remeasurement in Other Comprehensive Income	(813,973)	(148,135)	(7,878,672)	(2,712,022)	(97,608)	(131,300)	(11,781,710)

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

The following figures are 2016 comparatives

Member numbers

	SASS	SANCS	SSS	PSS	JPS	PCSS
Contributors	20,690	26,701	4,865	1,147	124	28
Deferred benefits	10,160	11,425	1,085	59	-	2
Pensioners	3,217	-	45,739	6,583	233	285
Pensions fully commuted	-	-	13,968	-	-	-

Superannuation position for AASB 119 *Employee Benefits*

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2015-16 \$'000
Accrued liability ¹	14,888,449	2,617,408	63,704,991	19,023,996	1,214,221	911,400	102,360,465
Estimated reserve account balance	(9,776,186)	(1,636,364)	(19,139,876)	(4,479,183)	-	(268,800)	(35,300,409)
	<u>5,112,263</u>	<u>981,044</u>	<u>44,565,115</u>	<u>14,544,813</u>	<u>1,214,221</u>	<u>642,600</u>	<u>67,060,056</u>
Future service liability ²	<u>1,532,511</u>	<u>596,853</u>	<u>502,435</u>	<u>35,953</u>	<u>-</u>	<u>-</u>	<u>2,667,752</u>
Net liability to be disclosed in the Statement of Financial Position	<u>5,112,263</u>	<u>981,044</u>	<u>44,565,115</u>	<u>14,544,813</u>	<u>1,214,221</u>	<u>642,600</u>	<u>67,060,056</u>
Current							1,493,491
Non-current							<u>65,566,565</u>
							<u>67,060,056</u>

¹ The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15 per cent.

² The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: This also includes a contributions tax provision).

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

2016 comparatives (continued)

Reconciliation of the net defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2015-16 \$'000
<i>Present value at 1/7/15</i>	3,814,625	828,528	32,666,020	11,207,863	1,024,247	474,000	50,015,283
Net equity transfers	270,279	31,788	1,953,254	-	-	-	2,255,321
Current service cost	391,311	95,454	57,883	69,162	39,162	2,300	655,272
Net interest	108,509	23,060	980,740	336,806	30,360	14,400	1,493,875
Actual return on Fund assets less interest income	(21,932)	(1,770)	(94,097)	(4,825)	-	11,600	(111,024)
Actuarial (gains)/losses arising from changes in demographic assumptions	35,012	(23,881)	1,624,254	363,355	-	-	1,998,740
Actuarial (gains)/losses arising from changes in financial assumptions	834,070	145,875	7,857,622	3,006,183	162,034	147,800	12,153,584
Actuarial (gains)/losses arising from liability experience	147,340	16,961	116,114	(249,463)	4,130	8,500	43,582
Employer contribution	(466,951)	(134,971)	(596,675)	(184,268)	(45,712)	(16,000)	(1,444,577)
<i>Present value at 30/6/16</i>	5,112,262	981,044	44,565,115	14,544,813	1,214,221	642,600	67,060,055

Reconciliation of the fair value of fund assets

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2015-16 \$'000
<i>Present value at 1/7/15</i>	9,394,117	1,615,771	17,672,891	4,626,700	-	283,300	33,592,779
Transfers in/(out) due to business combinations and disposals	607,469	78,891	2,215,047	-	-	-	2,901,407
Interest income	276,986	48,169	513,239	135,710	-	8,200	982,304
Actual return on Fund assets less interest income	21,932	1,770	94,097	4,825	-	(11,600)	111,024
Employer contributions	466,951	134,971	596,675	184,268	45,712	16,000	1,444,577
Contributions by participants	137,588	-	79,275	8,785	-	800	226,448
Benefits paid	(1,049,800)	(221,419)	(2,055,738)	(471,146)	(45,712)	(25,600)	(3,869,415)
Taxes, premiums & expenses	(79,057)	(21,789)	24,390	(9,959)	-	(2,300)	(88,715)
<i>Fair value at 30/6/16</i>	9,776,186	1,636,364	19,139,876	4,479,183	-	268,800	35,300,409

Reconciliation of the defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2015-16 \$'000
<i>Present value at 1/7/15</i>	13,208,742	2,444,299	50,338,911	15,834,563	1,024,247	757,300	83,608,062
Transfers in/(out) due to business combinations and disposals	877,748	110,679	4,168,301	-	-	-	5,156,728
Current service cost	391,311	95,454	57,883	69,162	39,162	2,300	655,272
Interest cost	385,495	71,229	1,493,979	472,516	30,360	22,600	2,476,179
Contributions by participants	137,588	-	79,275	8,785	-	800	226,448
Actuarial (gains)/losses arising from changes in demographic assumptions	35,012	(23,881)	1,624,254	363,355	-	-	1,998,740
Actuarial (gains)/losses arising from changes in financial assumptions	834,070	145,875	7,857,622	3,006,183	162,034	147,800	12,153,584
Actuarial (gains)/losses arising from liability experience	147,340	16,961	116,114	(249,463)	4,130	8,500	43,582
Benefits paid	(1,049,800)	(221,419)	(2,055,738)	(471,146)	(45,712)	(25,600)	(3,869,415)
Taxes, premiums & expenses	(79,057)	(21,789)	24,390	(9,959)	-	(2,300)	(88,715)
<i>Present value at 30/6/16</i>	14,888,449	2,617,408	63,704,991	19,023,996	1,214,221	911,400	102,360,465

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

2016 comparatives (continued)

Reconciliation of the effect of the asset ceiling

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2015-16 \$'000
<i>Adjustment for effect of asset ceiling at beginning of the year</i>	-	-	-	-	-	-	-
Interest on the effect of asset ceiling	-	-	-	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-	-	-	-
<i>Adjustment for effect of asset ceiling at end of the year</i>	-	-	-	-	-	-	-

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

Fair value of Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. The disclosures below relate to total assets of the Pooled Fund.

Asset category ¹	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total 2015-16 \$'000	% of total
Short Term Securities	2,044,454	5,960	-	2,050,414	5.4%
Australian Fixed Interest	2,724	2,717,865	-	2,720,589	7.1%
International Fixed Interest	(1,358)	835,731	-	834,373	2.2%
Australian Equities	9,171,767	549,087	24	9,720,878	25.5%
International Equities	9,026,207	2,078,766	988,694	12,093,667	31.7%
Property	1,113,253	618,946	1,918,068	3,650,267	9.6%
Alternatives	470,130	3,122,185	3,523,634	7,115,949	18.6%
Total²	21,827,177	9,928,540	6,430,420	38,186,137	100.0%

¹ The following hierarchy is used for disclosing the asset categories:

Level 1: quoted prices in active markets for identical assets or liabilities. The assets in this levels are listed shares; listed unit trusts

Level 2: inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government; semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities

Level 3: inputs for the asset or liability not based on observable market data (unobservable inputs). The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

² Additional to the assets disclosed above, at 30 June 2016 the Pooled Fund has provisions for receivables/(payables) estimated to be around \$2.83 billion, giving an estimated total assets of \$41.01 billion.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

2016 comparatives (continued)

The fair value of the Pooled Fund assets included \$189.6 million in NSW Government bonds as at 30 June 2016.

One of the direct properties owned by the Pooled Fund:

- Government Property of NSW occupies part of a property owned by the Pooled Fund with a fair value of \$222 million.
- NSW Ambulance occupies part of a property 50 per cent owned by the Pooled Fund with a fair value of \$243 million.

Significant actuarial assumptions at the reporting date

	Pooled Fund	PCSS	JPS
Discount rate	1.99% pa		
Salary increase rate (excluding promotional increases)	2.50% 2016/2017 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter		2.5% pa
Rate of CPI increase	1.5% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter	N/A	
Pensioner mortality	<p>Pooled Fund: The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.</p> <p>PCSS & JPS: as per 2014 triennial actuarial valuation</p>		

Sensitivity analysis

The total defined benefit obligation as at 30 June 2016 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2016.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Pooled Fund	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
	Discount rate	1.99%	0.99%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	100,234,846	116,478,018	87,317,512
	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above rate	as above rate
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	100,234,846	107,252,434	93,907,551

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

2016 comparatives (continued)

Pooled Fund	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above rate plus 0.5%	as above rate less 0.5%
Defined benefit obligation (\$'000)	100,234,846	100,820,485	99,671,469
	Base Case	Scenario G Higher mortality*	Scenario H Lower mortality**
Defined benefit obligation (\$'000)	100,234,846	99,186,898	102,073,096

* Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021.

** Assumes the short term pensioner mortality improvement factors for years 2016-2021 also apply for years after 2021.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Scenarios A to D relate to sensitivity of the total defined benefit obligation to economic assumptions and scenarios E and F relate to sensitivity to demographic assumptions.

	PCSS			JPS		
	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	1.99%	0.99%	2.99%	1.99%	0.99%	2.99%
Rate of CPI increase	N/A	N/A	N/A	N/A	N/A	N/A
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation (\$'000)	911,400	1,097,000	769,000	1,214,221	1,409,667	1,057,776
	PCSS			JPS		
	Base Case	Scenario C +0.5% salary increase rate	Scenario D -0.5% salary increase rate	Base Case	Scenario C +0.5% salary increase rate	Scenario D -0.5% salary increase rate
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	N/A	N/A	N/A	N/A	N/A	N/A
Salary inflation rate	as above	as above rate plus 0.5%	as above rate less 0.5%	as above	as above rate plus 0.5%	as above rate less 0.5%
Defined benefit obligation (\$'000)	911,400	1,002,000	831,000	1,214,221	1,318,277	1,120,681
	PCSS			JPS		
	Base Case	Scenario E +10% pensioner mortality rates	Scenario F -10% pensioner mortality rates	Base Case	Scenario E +10% pensioner mortality rates	Scenario F -10% pensioner mortality rates
Defined benefit obligation (\$'000)	911,400	876,000	949,000	1,214,221	1,167,059	1,264,314

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

2016 comparatives (continued)

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Funding arrangements

Funding arrangements for the Pooled Fund are generally reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding arrangements for PCSS are reviewed around every three years and were last reviewed in 2014. Contribution rates are set after discussions between the actuary and NSW Treasury.

For the Pooled Fund and PCSS, funding positions are reviewed annually and funding arrangements may be adjusted if required.

JPS is run as a pay-as-you scheme, with long-term funding towards full funding by 2030 provided through the Liability Management Ministerial Corporation.

The following is a summary of the 30 June 2016 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2015-16 \$'000
Accrued benefits ¹	11,474,815	2,040,772	29,361,921	7,373,251	612,110	385,000	51,247,869
Net market value of Fund assets	(9,776,186)	(1,636,364)	(19,139,876)	(4,479,183)	-	(268,800)	(35,300,409)
Net deficit	1,698,629	404,408	10,222,045	2,894,068	612,110	116,200	15,947,460

¹ There is no allowance for a contribution tax provision within the accrued benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

Contribution recommendations

SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions	PSS % member salary	JPS % member salary	PCSS multiple of member contributions
N/A	N/A	N/A	N/A	N/A	N/A

Economic assumptions

Weighted-Average Assumptions	Pooled Fund 30/06/16	JPS 30/06/16	PCSS 30/06/16
Expected rate of return on Fund assets backing current pension liabilities	7.8% pa	7.8% pa	7.02% pa
Expected rate of return on Fund assets backing other liabilities	6.8% pa	N/A	N/A
Expected salary increase rate (excluding promotional salary increases)	3.0% to 30 June 2019 then 3.5% pa thereafter	2.5% pa for the first 3 years; 3.5% pa thereafter	2.5% pa
Expected rate of CPI increase	2.5% pa	N/A	N/A

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

13. UNFUNDED SUPERANNUATION LIABILITY (continued)

2016 comparatives (continued)

Expected contributions

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000
Expected employer contributions - financial year to 30 June 2017	483,057	139,626	617,256	190,624	47,231	16,800

The weighted average duration is:

- 13.9 years for the Pooled Fund defined benefit obligation,
- 14.6 years for JPS; and
- 17.0 years for PCSS.

Profit or loss impact

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2015-16 \$'000
Current service cost	391,311	95,454	57,883	69,162	39,162	2,300	655,272
Net interest	108,509	23,060	980,740	336,806	30,360	14,400	1,493,875
Defined benefit cost	499,820	118,514	1,038,623	405,968	69,522	16,700	2,149,147

Other comprehensive income

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2015-16 \$'000
Actuarial (gains)/losses on liabilities	1,016,422	138,955	9,597,990	3,120,075	166,164	156,300	14,195,906
Actual return on Fund assets less interest income	(21,932)	(1,770)	(94,097)	(4,825)	-	11,600	(111,024)
Adjustment for effect of asset ceiling	-	-	-	-	-	-	-
Total remeasurement in Other Comprehensive Income	994,490	137,185	9,503,893	3,115,250	166,164	167,900	14,084,882

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

14. EMPLOYEE BENEFITS AND OTHER PROVISIONS

Employee benefits and other provisions include long service leave (LSL) liabilities and related consequential on-costs on the superannuation and LSL liabilities that it assumes from selected NSW public sector agencies.

	2017 \$'000	2016 \$'000
Current	7,451,095	7,617,951
Non-current	640,050	653,779
Total employee benefits and other provisions	8,091,145	8,271,730

a) *Long service leave*

LSL is measured at the present value of future payments anticipated for the employee services as at the reporting date. An independent actuary calculates this using:

- expected future wage and salary levels
- experience of employee departures
- periods of service

At the reporting date, estimated future cash outflows are discounted using the ten year Commonwealth government bond rate as at 30 June. With discounting, the increase in the provision due to the recognition of the time value of money is expensed as a finance cost.

LSL liability is classified as current when it satisfies any of the following criteria:

- it is due to be settled within twelve months after the reporting date, or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date

All other liabilities are classified as non-current.

b) *Consequential on-costs*

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

The Crown Entity holds the related defined benefit superannuation and LSL on-costs accruing whilst on annual leave for the selected entities which it has assumed superannuation and LSL liabilities.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

14. EMPLOYEE BENEFITS AND OTHER PROVISIONS (continued)

	2017 \$'000	2016 \$'000
a) Long service leave		
Current		
General Government Sector agencies assumed by the Crown, excluding NSW Health	4,709,487	4,835,407
NSW Health	2,591,610	2,593,413
Crown long service leave pool	59,484	89,647
	7,360,581	7,518,467
Non-current		
General Government Sector agencies assumed by the Crown, excluding NSW Health	409,520	420,470
NSW Health	225,357	225,514
Crown long service leave pool	5,173	7,795
	640,050	653,779
b) Other leave benefits		
Current		
Other leave benefits	90,514	99,484
	90,514	99,484
Total employee benefits and other provisions	8,091,145	8,271,730

The expected payment within the next twelve months for General Government Sector agencies' long service leave is \$581 million (2016: \$568 million), for NSW Health is \$274 million (2016: \$261 million) and for the Crown long service leave pool is \$11.0 million (2016: \$10.8 million).

Movement in major provisions:

	General government sector agencies long service leave (excl. NSW Health) \$'000	NSW Health long service leave \$'000	Crown long service leave pool \$'000	Other leave benefits \$'000	TOTAL \$'000
Balance as at 1 July 2016	5,255,876	2,818,928	97,442	99,484	8,271,730
Add: increase/(decrease) in liability during the year	269,220	146,440	(6,275)	(8,970)	400,415
Add: interest costs	105,000	57,200	1,700	-	163,900
Add/(less): transfer in from other NSW government agency	24,000	-	(4,700)	-	19,300
Less: cash payments	(535,100)	(205,600)	(23,500)	-	(764,200)
Balance as at 30 June 2017	5,118,996	2,816,968	64,667	90,514	8,091,145
Balance as at 1 July 2015	4,581,966	2,460,690	88,950	87,020	7,218,626
Add: increase in liability during the year	903,747	484,292	16,122	12,464	1,416,625
Add: interest costs	142,600	75,700	2,600	-	220,900
Add: transfer in from other NSW government agency	165,239	96	-	-	165,335
Less: cash payments	(537,676)	(201,850)	(10,230)	-	(749,756)
Balance as at 30 June 2016	5,255,876	2,818,928	97,442	99,484	8,271,730

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

15. PROVISIONS

Provisions are recognised for a current obligation due to a past event where it is probable that the Crown Entity must commit economic resources and can reliably estimate the cost. This obligation can be legal or constructive. They are recognised at the net present value of the estimated future costs required to settle the obligation.

The discount applied to recognise the time value of money is unwound over the life of the provision. Any incremental increase resulting from the unwinding of the discount is recognised as finance costs within the net result in the reporting period in which it occurs. All increases or decreases in the provision resulting from periodic changes to the estimated timing or amount of future costs or changes in the discount rate used are recognised in the net result.

	2017 \$'000	2016 \$'000
Current	153,561	134,312
Non-current	1,311,629	1,299,865
Total provisions	1,465,190	1,434,177
Balance as at 1 July	1,434,177	1,438,580
Less: payments	(95,229)	(50,262)
Less: write back	(44,884)	(24,104)
Add: new provisions	100,138	3,696
Actuarial (gains)/losses	15,772	16,764
Interest costs	55,216	49,503
Balance as at 30 June	1,465,190	1,434,177

a) *Outstanding building insurance claims*

In 2002, reinsurers of builders warranty insurance ceased to provide cover to the insurers of builders and building works. To protect consumers and maintain stability in the building industry, the State Government intervened and agreed to provide reinsurance protection to private insurers at the time. This arrangement is no longer in place. Home Warranty Insurance Fund now provides insurance policies to the building industry from 1 July 2010. The run-off reinsurance liabilities are held by the Crown. The outstanding claims provisions are assessed annually by an actuary.

b) *Land remediation*

In July 2009 the Government Property NSW (GPNSW), previously State Property Authority, sold various parcels of the Newcastle landholdings (including two parcels of un-remediated land at Mayfield and Koorangang Island) to the Newcastle Port Corporation (NPC). As part of the transfer arrangements, the NSW Treasurer executed a Deed of Indemnity on behalf of the Crown which indemnified the NPC from liability from any contamination on the lands.

Pursuant to the *2002 Environmental Deed: Amendment and Acknowledgement Deed* (executed in January 2013) and following the final title transfer of the land parcels to the NPC, GPNSW equity transferred to the Crown Entity the land remediation provisions in July 2013.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

15. PROVISIONS (continued)

During 2014-15, as part of the sale agreement of Delta Electricity's Western assets, the State must bear part of the cost of decommissioning and demolishing Wallerawang power station where the total net cost of the demolition exceeds \$10 million. EnergyAustralia will be responsible for the initial \$10 million.

Periodic changes in the provision are accounted for in accordance with the requirements of AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

c) Universities superannuation

The State and the Commonwealth have come to an interim agreement to provide funding support for the unfunded defined benefit superannuation liabilities of NSW Universities who are members of the State Super's defined benefit schemes (SASS, SANCS and SSS). The amount of provision was actuarially assessed by Mercer Actuarial Consulting.

d) Loose-fill asbestos

On 29 June 2015 the State Government announced a voluntary purchase and demolition program for all NSW residential property owners with positive results for loose-fill asbestos insulation. The voluntary purchase/demolition program will offer eligible homeowners a choice of actions:

- i. The State Government purchase of premises and land, or
- ii. The State Government purchase of the premises only.

A Loose-Fill Asbestos Implementation Taskforce (LFAI), managed by NSW Fair Trading, was established to oversee and implement the program. The LFAI will be in place until all properties registered by 1 August 2016 have been demolished and soil remediated under the scheme.

e) NSW Policy Holder Protection Fund

As at 30 June 2017, the amount of funds held by the NSW Policy Holder Protection Fund was in excess to the outstanding claims liabilities. Pursuant to the *Insurance Protection Tax Act 2001*, these excess amounts must be refunded to the insurers.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

16. CONTINGENT LIABILITIES

Snowy Hydro Limited

On 28 June 2002, the Commonwealth's Snowy Mountain Hydro-electric Authority became a new public company, Snowy Hydro Limited (SHL). This company is owned by NSW, Victoria and the Commonwealth. NSW holds 58 per cent of the issued shares in SHL (all of which are fully paid up) and it has entered into guarantees, indemnities and deeds as part of the agreements leading to the corporatisation of the Snowy Scheme.

It is not possible to estimate the amount of exposure at this time for the following situations:

- Under the Snowy Compensation Deed, if any variation to, or revocation of, the Snowy Water Licence by the Water Administration Ministerial Corporation of NSW (which has not been agreed to by SHL) has an adverse financial impact on SHL, the company will receive that corresponding amount in compensation from NSW under a compensation deed. Recent amendments to the Snowy Water Licence were agreed to by SHL and are not expected to have an adverse financial impact on SHL. To the best of SHL's knowledge, no major amendments to the Snowy Licence are currently proposed. The Snowy Water Licence expires on the 75th anniversary of the Corporatisation date (June 2077) or if revoked earlier. The compensation deed terminates on the expiry or revocation of the Snowy Water Licence.
- Under the Snowy Scheme Deed of Indemnity, if a release by SHL of 'Snowy River Increased Flows' (environmental flows or a 'Flushing Flow' under an instruction from the Water Administration Ministerial Corporation) causes spills or downstream damage, the Crown Entity will compensate SHL for the proportion of claims it incurs, to the extent of its share of the cost. No claims currently exist. The risk of exposure is expected to be low. This indemnity lasts while the Snowy Water Licence is in place.

In addition, with its 58 per cent investment in SHL, the Crown Entity assumes the responsibility for this portion of SHL's reported contingent liabilities as detailed below:

SHL is involved in various legal proceedings arising out of the normal course of business. The Directors believe that the outcome of these proceedings will not have a material impact on SHL's financial position or results of operations.

- Snowy Hydro has entered into a number of bank guarantees in relation to operating within the national electricity market and for rental properties in Sydney and Melbourne to the value of \$92.8 million (2016: \$81.8 million).
- Liability for Former Scheme Sites has been extinguished except to the extent of any contaminated former sites. These contaminated sites are being rehabilitated as they are identified. The consolidated entity does not believe that the contingent liability on any sites identified in the future would be material.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

16. CONTINGENT LIABILITIES (continued)

Sale of Pacific Power International

As a condition of the Pacific Power International sale, the State Government must compensate the trustee of the Energy Industry Superannuation Scheme (EISS) funds for a shortfall of assets in the reserves of the fund relating to the transfer of defined benefit scheme membership to Aurecon, previously Connell Wagner Pty Ltd.

The compensation payment amount would be the lower of:

- the actual shortfall between fund assets and fund liabilities
- the potential shortfall if anticipated investment returns (4.5 per cent a year - excluding CPI) had not been realised

At 30 June 2017, the net market value of fund assets was \$7.4 million less (2016: \$8.9 million less) than the estimated value of liabilities (accrued benefits under AASB 1056).

The unfunded liability is different from both the actual fund shortfall and the investment return shortfall. Based on estimates provided for the 2015 EISS triennial review, the actual fund shortfall as at 30 June 2015 was \$10.0 million, and the investment return shortfall was nil. As the payment amount is the lower of the amounts, the compensation payment amount would be nil. The next review will be performed in 2018.

Any amount paid would depend on future earnings and other cash flows in the reserves of the fund. There would not be a liability unless a payment is required on the occurrence of one of the following events:

- Aurecon ceases to be an employer in the fund
- the last benefit was paid
- the relevant assets were exhausted

The liability would arise at the earliest of these events. There would only be one payment.

Defined superannuation benefit guarantee

The State bears the risk of the employer's superannuation guarantee contributions being insufficient to fund the defined employee benefits (in respect of past and future service liabilities) for certain ex-public sector employees following State's decision to sell the businesses. These businesses include Delta West, Eraring and Sydney Ferries.

The State must pay the contribution shortfall on an annual basis and is obliged to make good any employer reserve shortfall upon the insolvency of the employer. The amount of obligation cannot be reliably estimated.

Indemnities have also been provided to the private sector employer in respect of loss suffered, for example, from non-payment of an unfunded amount or tax losses suffered due to payments by the State.

Unclaimed money

The Crown Entity treats Consolidated Fund unclaimed money receipts as income. However, claims can be legally lodged for several years after the money is paid into the Fund. These future claims are a form of contingent liability and cannot be estimated.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

16. CONTINGENT LIABILITIES (continued)

Contracts with private sector parties

The State Government has guaranteed the obligations and performance of various statutory authorities with private sector party contracts. These are:

- Sydney Harbour Tunnel
- Macarthur Water Filtration Plant
- M2 Motorway
- Olympic Multi-Use Arena
- Eastern Distributor
- Illawarra and Woronora Water Treatment Plant
- Prospect Water Filtration Plant and Treatment Works
- Cross City Tunnel
- Western Sydney Orbital
- Eastern Creek Alternative Waste Treatment Plant¹
- Lane Cove Tunnel
- Mater Hospital
- Long Bay Prison and Forensic Hospital
- Suburban Rolling Stock
- VISY Mill: Tumut Timber Supply Agreement
- Orange Hospital Redevelopment
- Royal North Shore Hospital Redevelopment
- Sydney International Convention, Exhibition and Entertainment Precinct
- North West Rail Link – Operations, Trains and Systems
- Northern Beaches Hospital
- Sydney Light Rail
- WestConnex Stage 1
- NorthConnex
- Newcastle Integrated Service Operator
- New Grafton Correctional Centre
- Sydney Growth Trains
- New Intercity Fleet
- Sydney Metro City & Southwest: Tunnel and Station Excavation Works

It is not possible to estimate the amount of contingent liability exposure at this time.

¹ The Crown Entity holds a guarantee, a contingent asset, which fully offsets this contingent liability.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

16. CONTINGENT LIABILITIES (continued)

NSW Energy Industry Reform

The State Government provided a Deed of Indemnity to the directors and designated senior management of some State-owned Corporations (SOC) at the time of the electricity asset transaction. This Deed indemnifies them against claims and liabilities in connection with the Energy Industry Reform transactions (Transaction Process).

The SOCs covered in this indemnity are:

- Essential Energy
- Eraring Energy
- Ausgrid
- Macquarie Generation
- Endeavour Energy
- Delta Electricity

To the extent permitted by law, the indemnity covers each indemnified party, in their capacity as directors or senior managers, against:

- civil liability arising in respect of the Transaction Process if such liability is or was not due to conduct which involved a lack of good faith on the part of the indemnified party, and
- costs in defending proceedings, whether civil or criminal, in which judgement is or was given in favour of the indemnified party or in which the indemnified party is or was acquitted or where the proceedings are discontinued or in connection with any application in relation to a proceeding in which a court grants or granted relief to the indemnified party.

The indemnified parties have a duty to maintain in force comprehensive directors' and officers' insurance policies which cover all of the risks indemnified by the State Government under the indemnities until:

- the completion of the Transaction Process, and
- for seven years following the completion of the Transaction Process for any acts or omissions of the indemnified party occurring before completion of the Transaction Process.

The indemnity does not apply in respect of a liability which arises out of any act or omission on the part of the indemnified party that involves, among others as detailed in the Deed of Indemnity, gross negligence, recklessness and conduct contrary to any written direction or instructions to the indemnified party made by or on behalf of the State Government.

It is not possible to estimate the amount of contingent liability exposure at this time. There are no known claims as at the time of preparing this report.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

16. CONTINGENT LIABILITIES (continued)

Cobbora Holding Company Pty Limited

In February 2011, Cobbora Holding Company Pty Limited (Cobbora) executed coal sales contracts with Origin Energy and two State owned corporations to supply coal to four of the State's power stations from financial year 2016. On 1 July 2013 the State reached agreements with Origin Energy to terminate its Coal Supply Agreement with Cobbora. The remaining agreements with Delta Electricity and Macquarie Generation (both with State-owned corporations) were also terminated.

The State Government provided an indemnity to Cobbora Directors and Officer's against all claims, liabilities and other exposures in connection with these transactions. It is not possible to estimate the amount of contingent liability exposure at this time. There are no known or expected claims in relation to this indemnity as at the reporting date.

The Crown Entity continues to provide funding support for Cobbora, however as the State will no longer develop the mine the risk exposure associated with Cobbora has reduced. The land, totalling approximately 43,500 hectares, is being sold for agricultural use. As at 6 July 2017, Cobbora has sold approximately 26,600 hectares, with the final auction to take place on 14 September 2017. Cobbora is expected to be wound up in 2017-18 once all Cobbora's assets have been sold.

Sale of Delta Electricity's Western Assets

- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Mt Piper power station site to minimum legal standards. Contamination determined by reference to base line study or studies by EnergyAustralia within 3 years after completion (2 September 2013).

Sale of Colongra Power Station

- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Colongra power station site to minimum legal standards. The State has also indemnified Snowy Hydro in relation to the cost to remediate land at the Colongra site if contamination occurs post-completion as a result of the adjacent Munmorah power station site (currently owned by General Property Management Pty Ltd).

99 year leases of TransGrid, Ausgrid and Endeavour Energy network assets

- *General warranties* - under the respective network lease transactions, the State has potential liabilities under various warranties, indemnities and guarantees provided to the respective lessees in relation to performance of certain obligations.

Sale of Macquarie Generation

- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Bayswater and Liddell power station sites to minimum legal standards. The State's obligations end (in respect of each station) 18 months after decommissioning, demolition and remediation of each power station site.
- *Defined benefit superannuation guarantee* – The State has provided a guarantee to the SAS Trustee Corporation to make good any reserve shortfall in relation to the transferring defined benefits employees if the private sector employer becomes insolvent.
- *Barnard river scheme native title indemnity* – The State has indemnified AGL for costs related to any native title claims affecting a parcel of Crown land related to the Barnard River Scheme.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

16. CONTINGENT LIABILITIES (continued)

Sale of Eraring Energy

- *General warranties* - under the Sale and Purchase Agreement, the State has potential liabilities under tax warranties given to Origin Energy. Claims under the tax warranties must be brought before 1 August 2018.
- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Eraring and Shoalhaven power station sites to minimum legal standards. The State's obligations end (in respect of each station) 3 years after decommissioning or the end of the Shoalhaven lease in 2070 (or later if there are further legal obligations to remediate identified during subsequent monitoring).
- *Coal haul road liability* - if existing Aboriginal land right claims affect Crown Land titles over the coal haul road from Newstan Colliery to the Eraring Power station, compensation will be payable by the State to the native title holders to negotiate a continued right to use. The State's obligations end (in respect of each existing Aboriginal Land Claim): 12 months after the date on which the Minister or Court (as applicable) determines that Crown Land subject to an existing Aboriginal Land Claim is not claimable land or an easement or similar for the purposes of the Coal Haul Road is granted to the indemnified party; or the date on which an existing Aboriginal Land Claim is withdrawn or terminated.
- *Ash dam liability* - the State will pay half the incremental cost of implementing an alternative arrangement for ash disposal if the existing proposal (as at 1 August 2013) for further backfilling at the ash dam cannot be implemented. The State's liability ceases if the issue is not resolved by 1 August 2023.

Sale of Vales Point power station

- *Defined benefit superannuation guarantee* - The State has provided a guarantee to the SAS Trustee Corporation to make good any reserve shortfall in relation to the transferring defined benefits employees if the private sector employer becomes insolvent.
- *General warranties* - under the Sale and Purchase Agreement, the State has potential liabilities under various warranties given to the purchaser. Warranties are subject to various caps and carve-outs and claims must be brought before June 2018.
- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Vales Point power station to minimum legal standards. Contamination is determined by reference to studies by the Purchaser within 1 year after completion. The State will also retain the costs for remediating ash dam contamination (migration of contamination in water from ash dams) and legacy contamination (contamination associated with identified asbestos landfill sites) to the minimum legal standards.
- *Vales Point Hand Back Deed* - where an option is exercised under the Hand Back Deed, the State will be responsible for the demolition and remediation of Vales Point and the Site Land.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

16. CONTINGENT LIABILITIES (continued)

NSW Treasury Corporation (TCorp)

Guarantees issued by TCorp

The State Government guaranteed the securities, borrowings and derivative liabilities issued by TCorp with a market value of \$64.9 billion (2016: \$80.1 billion) under the *Public Authorities (Financial Arrangements) Act 1987*.

Other undertakings

TCorp has undertakings for other government authorities for their performance under contracts with third parties. These amounts are recoverable from the government authority participants. At the reporting date the undertakings were valued at \$103.7 million (2016: \$142.2 million).

Interest rate exposure on motor vehicle financing arrangements

The State Government's motor vehicles are financed by an internal arrangement managed by StateFleet and funded by TCorp. The facility is funded through a portfolio of debt with a modified duration of around 2.9 years. There is an interest rate exposure on a principal of \$365 million as at 30 June 2017 (2015: \$524 million).

Data Centre Reform Project

In May 2012, the Government entered into a 10 year operating lease agreement for the provision of data centre capacity on a government-wide basis. The Government committed to move a minimum of 3 megawatts of Information and Communications Technology load into the data centres over the 10 years. The total value of the lease payments is estimated to be \$134 million.

The Government is party to a Tripartite Deed with respect to finance facilities provided to the lessor by a financier. The Government has a contingent liability to the financier with a maximum exposure of up to \$72 million, and which reduces to zero over the contract period.

If the Government is obliged to make a payment to the financier, it is entitled to be reimbursed by the lessor. Failing such reimbursement, the Government has recourse to security over the data centres and related assets.

The lease obligations of the Government are managed by the Department of Finance, Services and Innovation (DFSI). The operating lease commitments are reported in the financial statements of DFSI.

TAB Exclusivity

The New South Wales TAB, a wholly owned subsidiary of Tabcorp, holds a 99-year licence issued in March 1998 to conduct totalizator betting in NSW. The licence included a 15-year 'exclusivity period' which expired on 22 June 2013. The State has agreed to extend TAB's exclusivity licence for a further 20 years to 2033 for a payment of \$75 million from Tabcorp. The \$75 million licence fee comprises of an initial payment of \$50 million (paid during 2013-14) with the balance to be paid over 10 years from 2024.

Under the agreement, the State must compensate Tabcorp if an adverse regulatory event occurs. The amount to be refunded is the initial payment reduced by \$2.5 million for each year between the year of receipt and when the adverse regulatory event occurs.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

17. CONTINGENT ASSETS

HIH collapse

Following the HIH collapse, the Crown Entity assumed builders warranty and third party motor insurance liabilities of about \$650 million. The discounted present value of the outstanding liability is estimated to be \$33.9 million (2016: \$40.4 million).

The liquidators currently intend to distribute up to “more than 50 per cent” depending on the scheme company. During the year the Crown Entity received \$5.4 million (2016: \$12.2 million). Recoveries from the liquidators are paid into the Consolidated Fund.

18. CASH FLOW INFORMATION

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise:

- cash at bank
- restricted cash in the balances of Special Deposit Accounts and Trust Funds
- other short term deposits with an original maturity of 3 months or less

The Statement of Cash Flows shows these cash and cash equivalents net of outstanding bank overdrafts.

Under the *Public Authorities (Financial Arrangements) Act 1987*, the Crown Entity has approved financial accommodation of \$29,000 million for debt funding. This amount is the overall funding to the Crown Entity which includes existing and new loans, including Waratah bond borrowings for Restart NSW Fund.

The Come and Go Facility has a limit of \$6,000 million. No amounts were drawn under the Come and Go Facility as at 30 June 2017 (2016: Nil).

Of the cash and cash equivalents, \$9,957 million is restricted cash assets (2016: \$13,212 million). This is cash in Special Deposit Accounts and trust funds that can only be used in line with the Special Deposit Account legislation and for trust fund purposes. Notes 20 and 21 details these transactions. Conditional contributions disclosed in Note 3(f) are also considered restricted assets.

Cash and cash equivalents in the Statement of Financial Position are cash at bank, restricted cash in special deposit accounts and other short term deposits.

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

	2017 \$'000	2016 \$'000
Cash at bank	10,331,325	13,551,449
Bank overdraft	<u>(10,917,091)</u>	<u>(16,793,102)</u>
Net cash and cash equivalents per Statement of Cash Flows	<u>(585,766)</u>	<u>(3,241,653)</u>

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

18. CASH FLOW INFORMATION (continued)

(b) Reconciliation of cash flows used from operating activities to deficit for the year

	2017 \$000	2016 \$000
Net cash flows from operating activities	(956,000)	2,058,358
Non cash items added back		
Share of profit of an associate	145,340	43,773
Realised gain on investments	-	139,627
Non cash finance costs	(167,283)	(41,251)
Administrative restructure - transfer in	101,565	2,406,606
Proceeds on asset disposals	15,136	4,740
	94,758	2,553,495
Change in operating assets and liabilities		
Movement in working capital	(1,443)	(963,231)
Increase/(decrease) in other liabilities	(355,485)	(3,972,435)
Decrease/(increase) in other assets	51,328	(3,495)
	(305,600)	(4,939,161)
Movement for the year	(210,842)	(2,385,666)
Deficit for the year	(1,166,842)	(327,308)

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

19. TRUST FUNDS

The Crown Entity holds money in various trust funds for various purposes. The monies held in trust are included in the financial statements as the Crown Entity holds them in its main operating account. The Crown Entity cannot use these amounts for the achievement of its objectives. The following is a summary of the transactions in the trust accounts:

Accounts	Land Acquisition Fund -		
	State Rail Authority wind-up \$'000	compensation deposits \$'000	Funeral Fees \$'000
Balance 1.7.2016	64	143	112
Add: receipts	185	-	-
Less: payments	(236)	-	-
Balance 30.6.2017	13	143	112
Balance 1.7.2015	4,138	143	112
Add: receipts	-	-	-
Less: payments	(4,074)	-	-
Balance 30.6.2016	64	143	112

The *Trustee Act 1925* requires that trust funds should be held separate from other operating funds of the agency. The Crown Entity has not kept a separate bank account for the above trust funds due to the immateriality of the amounts involved. These trust funds are included in other liabilities of the Crown Entity.

State Rail Authority

This account was established to hold money vested to the Crown by the previous State Rail Authority of NSW for the payment of fine and legal costs relating to the Waterfall train accident.

Land Acquisition Fund

This trust account holds the funds vested in regards to payments of compensation on land resumptions.

Funeral Fees

This account was set up to meet the claims of people whom have prepaid their funeral fees to Russell Kinsella Pty Ltd. The company was unable to provide the service due to receivership. The Department of Fair Trading was the original holder of the trust and may from time to time, receive claims for compensation.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

20. SPECIAL DEPOSIT ACCOUNTS

The Crown Entity operates a number of special deposits accounts. These are:

NSW Policyholders Protection Fund

The *Insurance Protection Tax Act 2001* established this fund to hold taxes and other payments to meet HIH home building and third-party motor accident insurance policy claims of declared insolvent insurers.

Crown long service leave pool

This account holds long service leave funds for certain government agencies.

Structured finance activities

This account is used to finance cross border leases and other structured finance activities arranged by TCorp.

Confiscated proceeds account

The *Criminal Assets Recovery Act 1990* established this account to hold money recovered from criminals until used in accordance with the Act.

Restart NSW

The purpose of this account is to improve economic growth and productivity in the State through funding major infrastructure projects. It is funded from major State asset sales, windfall State tax revenue allocated through the Budget process and other funds such as the proceeds of issuing Waratah Bonds.

Electricity Networks Residual Liabilities Fund

Established under Section 12 of the *Electricity Network Assets (Authorised Transactions) Act 2015 No 5* (the Act), this account was set up for the holding and payment of moneys in connection with the transactions to transfer electricity network assets to the private sector under the Act.

Social and Affordable Housing NSW Fund

Established under Section 4 of the *Social and Affordable Housing NSW Fund Act 2016 No 51*, the purpose of the Fund is to provide funding to promote any of the objects of the *Housing Act 2001* or the *Community Housing Providers (Adoption of National Law) Act 2012*.

Electricity Retained Interest Corporation Fund – Ausgrid

Established under Section 32 of the *Electricity Retained Interest Corporations Act 2015 No 6*, the purpose of the Fund is to provide funding to the Electricity Retained Interest Corporation in its function to provide stewardship and oversight of the State's retained interest in the leased electricity network infrastructure assets.

Electricity Retained Interest Corporation Fund – Endeavour Energy

Established under Section 32 of the *Electricity Retained Interest Corporations Act 2015 No 6*, the purpose of the Fund is to provide funding to the Electricity Retained Interest Corporation in its function to provide stewardship and oversight of the State's retained interest in the leased electricity network infrastructure assets.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

20. SPECIAL DEPOSIT ACCOUNTS (continued)

Accounts	NSW Policyholders	Crown Long	Structured Finance	Confiscated	Restart NSW
	Protection Fund	Service Leave Pool	Activities	Proceeds Account	
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1.7.2016	104,345	30,078	718	121,311	12,931,616
Plus receipts	-	16,981	126	15,317	13,114,320
Less payments	-	(28,199)	(218)	(32,710)	(17,620,264)
Balance 30.6.2017	104,345	18,860	626	103,918	8,425,672
Balance 1.7.2015	116,345	25,203	776	122,635	7,834,994
Plus receipts	-	15,105	82	30,196	7,445,888
Less payments	(12,000)	(10,230)	(140)	(31,520)	(2,349,266)
Balance 30.6.2016	104,345	30,078	718	121,311	12,931,616

Accounts	Electricity Network	Social and Affordable Housing	Electricity Retained Interest Corporation	Electricity Retained Interest Corporation
	Residual Liabilities	NSW	Fund - Ausgrid	Fund - Endeavour
	\$'000	\$'000	\$'000	
Balance 1.7.2016	23,970	-	-	-
Plus receipts	175,600	1,120,000	99,292	1,000
Less payments	(18,480)	(29)	(98,387)	-
Balance 30.6.2017	181,090	1,119,971	905	1,000
Balance 1.7.2015	-	-	-	-
Plus receipts	23,970	-	-	-
Less payments	-	-	-	-
Balance 30.6.2016	23,970	-	-	-

Separate bank accounts are kept for Structured Finance Activities, Restart NSW, Electricity Networks Residual Liabilities, Social Affordable Housing Fund and Electricity Retained Interest Corporation Fund - Alpha. The transactions for these accounts are recognised in the financial statements.

21. OTHER LIABILITIES

	2017	2016
	\$'000	\$'000
Current:		
Confiscated proceeds	103,918	121,311
Special deposit and trust accounts	267	319
Deferred income ^(a)	132,985	121,471
Unclaimed prizes	-	1,000
Financial guarantees ^(b)	1,900	1,900
Other	45,841	71,876
	284,911	317,877
Non-current:		
Deferred income ^(a)	641,160	590,587
Financial guarantees ^(b)	2,500	4,200
Unclaimed prizes	-	4,252
	643,660	599,039
Total other liabilities	928,571	916,916

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

21. OTHER LIABILITIES (continued)

(a) Deferred income

Deferred income represents revenues collected but not earned as at 30 June and primarily consists of multi-year licence fees. Income is recognised on a straight-line basis over the specified period of time in accordance with the substance of the relevant agreement/item.

Movements in deferred income

	2017 \$'000	2016 \$'000
Balance at beginning of the year	712,058	775,266
Add: licence fees deferred	183,595	199,093
Less: amortisation	(121,507)	(262,301)
Balance at the end of the year	<u>774,146</u>	<u>712,058</u>

(b) Financial guarantees

Financial guarantee contracts are initially recognised as a liability at fair value plus directly attributable transaction costs. After initial recognition the guarantee is measured at the higher of:

- a) initial valuation less cumulative amortisation, or
- b) a revaluation of the liability if the specified debtor is considered likely to default.

Where the guarantee is issued for nil consideration, the guarantee is recognised at fair value as an expense and liability, with the liability subsequently amortised over the term of the agreement. Financial guarantee contracts are reported at fair value less cumulative amortisation.

Movements in financial guarantees

Balance at the beginning of the year	6,100	8,000
Less: amortisation	<u>(1,700)</u>	<u>(1,900)</u>
Balance at the end of the year	<u>4,400</u>	<u>6,100</u>

(i) Structured finance activities

Through the Structured Finance Activities Special Deposits Account, the State has several finance leases for rail stock. The Crown has guaranteed certain payment and performance obligations under these cross-border lease arrangements.

The estimated fair value was made at the date of inception and amortised over the life of the guarantees. The guarantees have a current amortised value of \$2.2 million (2016: \$3.1 million).

The likelihood of these guarantees being called upon is very low due to the arrangements in place as part of the leases to ensure the payments are made. TCorp regularly monitors risk exposure on behalf of the Crown.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

21. OTHER LIABILITIES (continued)

(ii) Government Insurance Act 1927

Under the *Government Insurance Act 1927*, the State Government has provided guarantees for the GIO liabilities for general, life and reinsurance policies that it issued until 15 June 1992.

Actuarial assessment of the GIO liabilities is:

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
General insurance	228,300	215,700
Life insurance	45,400	48,500
Inward reinsurance	1,200	1,900
	274,900	266,100

The guarantee on these policies continues under the State Government Deed issued for GIO's privatisation and subsequent purchase by AMP Limited.

The guarantees have a current amortised value of \$2.2 million (2016: \$3.0 million).

(iii) Public private partnerships

The Crown has provided guarantees to a number of statutory authorities who do not represent the Crown. These guarantees which includes payment guarantees, give lenders a similar assurance as if they were lending to a Crown agency.

The current outstanding guarantees relate to:

- Eastern Creek Alternative Waste Treatment Plant
- Mater Hospital
- Long Bay Prison and Forensic Hospital
- Suburban Rolling Stock
- Orange Hospital Redevelopment
- Royal North Shore Hospital Redevelopment
- Macarthur Water Filtration Plant
- Illawarra and Woronora Water Treatment Plant
- Prospect Water Filtration Plant and Treatment Works
- Northern Beaches Hospital
- North West Rail Link – Operations, Trains and Systems
- Sydney Light Rail
- WestConnex Stage 1
- NorthConnex

The guarantees have been valued at Nil (2016: Nil). This is due to the remote likelihood of any of these guarantees being called. Government has structured its arrangements to minimise the risk of default.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

22. CONSOLIDATED FUND TRANSACTIONS

	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Receipts		
Retained taxes, fees and fines	31,694,979	29,624,589
Commonwealth grants	24,717,923	23,479,274
Financial distributions	1,450,055	2,246,684
Other	2,239,627	1,772,949
Total receipts	<u>60,102,584</u>	<u>57,123,496</u>
Payments		
Appropriations paid to other agencies	(53,123,688)	(49,811,080)
Appropriations paid to Crown Finance Entity	(11,253,618)	(8,017,668)
Total payments	<u>(64,377,306)</u>	<u>(57,828,749)</u>
Net cash flows used in operating activities	(4,274,722)	(705,253)
Other cash flows		
Borrowing transferred	9,638,030	(6,894,929)
Investment income transferred	131,950	104,400
Interest receipts transferred	460,691	360,652
Advance repayments transferred	414,859	201,155
Other	162,642	417,418
	<u>10,808,172</u>	<u>(5,811,304)</u>
Net increase/(decrease) in cash and cash equivalents	6,533,450	(6,516,557)
Opening cash and cash equivalents	(16,697,779)	(10,249,526)
Cash transferred in as a result of restructuring	(706,461)	68,304
Return of capital	29,421	-
Closing cash and cash equivalents	<u>(10,841,369)</u>	<u>(16,697,779)</u>
Cash and cash equivalents		
Cash in transit	75,722	95,323
Bank overdraft	(10,917,091)	(16,793,102)
	<u>(10,841,369)</u>	<u>(16,697,779)</u>

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

23. TRANSFER PAYMENTS

The Crown Entity receives contributions from the Commonwealth Government that are transferred to eligible beneficiaries. The beneficiaries are non-government schools and Local Governments.

Payments to non-government schools are paid directly by the Crown Entity while payments to Local Governments are made by the Local Government Division within the Department of Premier and Cabinet.

	2017 \$'000	2016 \$'000
Payments		
Non-Government schools - recurrent	(3,582,506)	(3,373,184)
Local Government - financial assistance	(770,729)	(508,088)
Local Government - roads	(309,618)	(204,073)
	(4,662,853)	(4,085,345)
Receipts		
Non-Government schools - recurrent	3,582,506	3,373,184
Local Government - financial assistance	770,729	508,088
Local Government - roads	309,618	204,073
	4,662,853	4,085,345

Transfer payments are not recognised as revenue or expenditure as the Crown Entity does not have control over these funds.

24. EQUITY TRANSFERS

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and 'equity appropriations' are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government departments are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value.

All other equity transfers are recognised at fair value.

The following is a summary of increase/(decrease) in net liabilities from equity transfer during the year:

	2016-17 \$'000
Transfers from sale of Government businesses	10,619,670
Capital injection into Transport Asset Holding Entity	(1,669,240)
Investment in Sydney Motorway Corporation	(915,084)
Net superannuation liabilities transferred in	(74,779)
Long Service Leave liabilities transferred in	(10,497)
Capital injection into Hunter Water	(8,493)
Return of capital	29,421
Other net assets/(liabilities) transferred from administrative restructure	22,984
	7,993,982

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

24. EQUITY TRANSFERS (continued)

	2015-16
	\$'000
Transfers from sale of Government businesses	6,211,451
Capital injection into Transport Asset Holding Entity	(1,847,053)
Investment in Sydney Motorway Corporation	(1,446,156)
Cash management policy reforms - return of cash surpluses	210,000
Net superannuation liabilities transferred in	(2,255,321)
Long Service Leave liabilities transferred in	(164,905)
Capital injection into Pillar	(7,900)
Capital injection into Hunter Water	(850)
Capital injection into Sydney Water	(13,500)
	685,766

25. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The NSW Government is the ultimate parent of the Crown Entity and is also the ultimate parent of the NSW Treasury. NSW Treasury provides key management personnel services to the Crown Entity.

(b) Key management personnel remuneration

Key management personnel (KMP) are those considered to have the authority and responsibility for planning, directing and controlling of the entity's activities. KMP of the Crown Entity includes the Treasurer, NSW Treasury Secretary, and certain NSW Treasury Deputy Secretary and Executive Directors.

The Crown Entity does not have any employees, key management personnel services were provided by NSW Treasury. There was no remuneration paid to any of the KMP by the Crown Entity during the period and no loans were made to any of the KMP during the period.

(c) Transactions with related parties

Terms and conditions of transactions with related parties

All transactions with related parties are conducted on an arm's length basis and in the normal course of business and on normal commercial terms and conditions. Expenditure paid by the Crown Entity with related parties was recovered at cost.

(i) *Transactions with KMP*

The Crown Entity follows the NSW Treasury's framework and processes in the identification, recording and determination of disclosure for KMP and related party transactions. All identified KMP are required to complete annual declarations in relation to related party transactions. During the year in review, no KMP has declared that he/she or their close family members have made any transactions with the Crown Entity.

(ii) *Transactions with other related entities*

The Crown Entity interacts extensively with other government agencies in its role to fund the operations of government. Key activities of the Crown Entity include, but not restricted to, administration of the *Appropriation Act*, central management of the State's borrowing needs and reporting on the unfunded superannuation and long service leave liabilities of certain general government agencies. Services provided by other government agencies to the Crown Entity include staffing and certain investment and debt management activities.

Crown Entity

Notes to the financial statements for the year ended 30 June 2017

26. NON-CURRENT ASSET HELD-FOR-SALE

	2017 \$000	2016 \$000
Asset held-for-sale		
Investment in an associate held-for-sale	4,195,952	-
	<u>4,195,952</u>	<u>-</u>
Amounts recognised in other comprehensive income relating to asset held-for-sale		
Net change in revaluation surplus of investment in an associate held-for-sale	387,592	-
	<u>387,592</u>	<u>-</u>

The Crown Entity holds 58 per cent share in Snowy Hydro Limited (SHL). As part of the 2017-18 Federal Budget announced in May 2017, the Commonwealth Government announced that it is open to acquiring a larger share or outright ownership of SHL. The Premier of NSW has publicly announced that the State is interested in pursuing the transaction. Treasury is working with its counterparts in the Commonwealth and Victoria to consider the terms of any such acquisition.

As at 30 June 2017, this investment is classified as asset held-for-sale consistent with the classification requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. AASB 5 requires that the asset classified as held for sale to be recognised at the lower of its carrying amount and fair value less costs to sell.

AASB 13 *Fair Value Measurement* defines the fair value to be the price (exit price) that would be received to sell the asset. The exit price has been determined by discounting cash flow projections of SHL's operations out to June 2021. These projections are based on historical cash flow data from 2007 through to the current financial year. Estimate future cash flows are discounted using an appropriate market derived weighted average cost of capital calculated specific for SHL.

There are other significant estimates and judgements used in determining the fair value of this asset. These include the effect on income of prevailing economic conditions, changes in the productivity of the business and the actions of other participants in the National Energy Market to reduce exposure to electricity wholesale price risk. Management has obtained expert assistance in making these estimates and judgements.

The fair value has been adjusted for the estimated undiscounted costs to sell.

27. EVENTS AFTER THE REPORTING DATE

There were no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Crown Entity 2016–17 Expenditure on Consultants

Consultant	Project Description	Amount (excl GST) \$
Consultants costing \$50,000 or more		
Finance and Accounting/Tax		
Deutsche Bank	Financial Advisory services for Electricity Networks Transaction	10,875,473
UBS AG	Financial Advisory services for Electricity Networks Transaction	10,874,594
J.P. Morgan Australia Ltd	Financial Advisory services for Land & Property Information	7,250,000
Ernst & Young	Accounting, Tax & Business Optimisation Advisory services for Electricity Networks Transaction	6,424,116
Ernst & Young	Transaction Advisory services for Disability & Customer Care Service Transfer	2,397,697
KPMG Corporate Finance	Accounting & Tax Advisory services for Land & Property Information	1,804,146
KPMG Corporate Finance	Accounting & Tax Advisory services for PILLAR Mk 3 & Pillar Mk2	1,610,416
KPMG	Financial Advisory services for ANZ Stadium Project	1,159,277
KPMG Australia	Specialist Disability Advisory services for Disability & Customer Care Service Transfer	829,780
KPMG	Transport Assets Holding Entity	752,037
KPMG	Financial Advisory services for PILLAR Mk 3 & Pillar Mk2	415,397
PricewaterhouseCoopers Securities	Accounting & Tax Advisory services for West Connex	339,262
KPMG Australia	Accounting & Tax Advisory services for PILLAR Mk 3 & Pillar Mk2	334,907
Lazard	Financial Advisory services for Reliance Rail PPP	150,000
Goldman Sachs Australia Pty Ltd	Financial Advisory services for West Connex	143,000
Morgan Stanley Australia Limited	Strategic & Financial Advisory services for Australian Rail Track Corporation	136,350
KPMG	Electricity Generator sale	69,701
KPMG Corporate Finance	Accounting & Tax Advisory services for RESIDUAL ASSET TRANSACTIONS	69,271
Mercer Consulting (Australia) Pty Limited	Actuarial Advisory services for Electricity Networks Transaction	55,941
Economic Services		
Houston Kemp Economists	Regulatory advice for Electricity Networks Transaction	503,919
BIS Shrapnel Pty Ltd	Economic Advisory services for Electricity Networks Transaction	473,746
BIS Shrapnel Pty Ltd	Economic Advisory services for Land & Property Information	330,858
Information Technology		
Hacklabs	IT Security & Assessment advice for Electricity Networks Transaction	72,600
Legal Services		
Allens Linklaters	Legal Advisory services for Electricity Networks Transaction	8,355,457
The Partnership trading as Gilbert & Tobin	Legal Advisory services for Land & Property Information	2,661,510
Allens Linklaters	Legal Advisory services for PILLAR Mk 3 & Pillar Mk2	1,314,706
Clayton Utz	Legal Advisory services for ANZ Stadium Project	1,140,091
Baker & McKenzie	Legal Advisory services for Disability & Customer Care Service Transfer	1,116,667

Consultant	Project Description	Amount (excl GST) \$
Consultants costing \$50,000 or more		
Minter Ellison	Legal Advisory services for Transport Assets Holding Entity	535,805
Allens Linklaters	Legal Advisory services for Electricity Generator sale	188,870
Allens Linklaters	Legal Advisory services for residual asset transactions	179,186
Baker & McKenzie	Legal Advisory services for Electricity Generator sale	153,924
Ashurst	Legal Advisory services for West Connex	114,263
Management Services		
Ironstone Capital Advisory Pty Ltd	Transactions Advisory services for Disability & Customer Care Service Transfer	3,609,300
Boston Consulting Group	Business Optimisation advices for Electricity Networks Transaction	3,436,000
Worley Parsons	Technical Engineering advice for Electricity Networks Transaction	3,289,247
Environmental Resources Management Australia (ERM)	Environmental Engineering advice for Electricity Networks Transaction	573,900
Sydney Motorway Corporation Pty Ltd	Traffic Consulting advice for West Connex	537,873
Boston Consulting Group	Transport Assets Holding Entity	408,818
Newgate Communications Pty Limited	Communications and Issues Management advice for Electricity Networks Transaction	348,660
Worley Parsons	Technical Engineering advice for residual asset transactions	288,504
Birdandco Nominees trading as RSM Bird Cameron	Probity advice for Electricity Networks Transaction	206,919
O'Connor Marsden	Probity advice for Land & Property Information	144,138
Newgate Communications Pty Limited	Communications and Issues Management advice for Land & Property Information	125,789
Mercer Consulting (Australia) Pty Limited	Actuarial advice for Land & Property Information	114,804
Willis Towers	Insurance advice for Land & Property Information	100,000
Atworthy Advisory Pty Limited	Advisory services for Sydney Desalination Plant Repairs	86,595
Ansarada Pty Ltd	Online Data service for West Connex	84,500
Environmental Resources Management Australia (ERM)	Environmental Engineering advice for residual asset transactions	76,131
Birdandco Nominees trading as RSM Bird Cameron	Probity advice PILLAR Mk 3 & Pillar Mk2	58,503
Cannings Corporate Communications	Communications advice for Land & Property Information	58,000
Deloitte Touche Tohmatsu	Advisory services for PILLAR Mk 3 & Pillar Mk2	51,000
Sub Total		76,431,648
Consultants costing less than \$50,000		
Finance and Accounting/Tax	5 projects totalling	97,724
Management Services	8 projects totalling	283,607
Legal	1 project totalling	77,469
Sub Total		458,800
Total Expenditure on Consultants*		76,890,448

* Total consultancy cost reported in the Crown Entity financial statements of \$76.3 million include an expense reclassification from consultancy to Operating Expenditure.



Restart NSW Fund

Financial Report
for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Restart NSW Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements, being a special purpose financial report of the Restart NSW Fund (the Fund), which comprise a statement of the Fund's activities and position for the year ended 30 June 2017, notes to the financial report and a statement by the Department Head. The financial statements have been prepared by the Secretary using the basis of accounting described in Note 2 to the financial statements to help the Treasurer fulfil the annual reporting obligations under the *Restart NSW Fund Act 2011* (the Act).

In my opinion, the financial statements are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the financial statements.

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the provision of non-audit services.

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

Without modifying my opinion, I draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to help the Treasurer fulfil the annual reporting obligations under the Act. As a result, the financial statements may not be suitable for another purpose. My report is intended solely for the Secretary and should not be distributed to any other parties.

The Secretary's Responsibility for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Secretary has determined that the accounting policies described in Note 2 meet the needs of the Treasurer for the purpose of fulfilling the financial reporting obligations under the Act.

In preparing the financial statement, the Secretary is responsible for assessing the Fund's ability to continue as a going concern. The assessment must disclose as applicable, matters relating to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:
www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance that the Fund carried out its activities effectively, efficiently and economically.



Margaret Crawford
Auditor-General

4 October 2017
SYDNEY

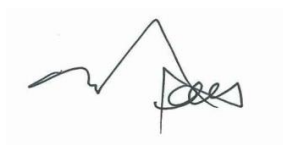
Restart NSW Fund
Financial Report
for the year ended 30 June 2017

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 9 of the *Restart NSW Fund Act 2011*, I declare that in my opinion:

- (a) The accompanying financial report provides details of the transactions of the Restart NSW Fund for the year ended 30 June 2017; and
- (c) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

Further, I am not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.



Michael Pratt
Secretary

26 September 2017

Restart NSW Fund

Statement of the Fund's Activities and Position as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Receipts			
Windfall tax revenue	3	1,483,772	814,397
Proceeds from issue of bonds by the State	3	62,250	108,557
Interest earned	3	236,174	160,568
Other authorised transfers	3	11,326,680	6,162,164
Contributions from other Government agencies	3	5,444	200,202
Total receipts		<u>13,114,320</u>	<u>7,445,888</u>
Payments			
Infrastructure projects	4	3,120,254	2,349,256
Administrative expenses	4	10	10
Total payments		<u>3,120,264</u>	<u>2,349,266</u>
Net receipts		<u>9,994,056</u>	<u>5,096,622</u>
Add opening balance of the Fund		12,931,616	7,834,994
Income/(loss) from investments	5	180,625	-
Closing balance of the Fund		<u>23,106,297</u>	<u>12,931,616</u>
Balance of Fund held in			
Cash and cash equivalents		8,425,672	12,931,616
Investment in NSW Infrastructure Future Fund	5	14,680,625	-
		<u>23,106,297</u>	<u>12,931,616</u>

The accompanying notes form part of the financial report.

Restart NSW Fund

Notes to the Financial Report for the year ended 30 June 2017

1. RESTART NSW FUND INFORMATION

Reporting entity

Restart NSW Fund (the Fund) is required to prepare an annual report under Section 9 of the *Restart NSW Fund Act 2011* (“the Act”). Section 6 of the Act states that the purpose of the Fund is to improve economic growth and productivity in the State, and for that purpose:

- a) to fund major infrastructure projects, and
- b) to fund infrastructure projects that will improve:
 - i) public transport, and
 - ii) roads, and
 - iii) infrastructure required for the economic competitiveness of the State (including the freight, inter-modal facilities and access to water), and
 - iv) local infrastructure in regional areas that are affected by mining operations, and
 - v) hospital and other health facilities and services, and
 - vi) workplaces for law and justice officers, teachers, nurses and other staff providing services to the public.

Section 6(2) of the Act states a reference to **funding a project** includes a reference to funding the planning, selection, implementation and delivery of the project.

Section 5 of the Act establishes the Fund as a Special Deposit Account. Section 5 of the *Public Finance and Audit Act 1983* defines Special Deposit Account as an account which the Treasurer is required, by statutory or other authority, to hold apart from the Consolidated Fund. The Treasurer is responsible for the Act and the Fund.

The annual report for the Fund is a Special Purpose Financial Report with the “financial year” being from 1 July to 30 June.

The financial report was authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Secretary was signed.

Key Activities

The Fund was established for the purpose of setting aside funding for, and securing the delivery of, major infrastructure projects and other necessary infrastructure.

Funding Sources for Restart NSW Fund

Section 7(1) of the Act states the amounts payable into the Fund. These are:

- a) all money advanced by the Treasurer or appropriated by Parliament for the purposes of the Fund, including any such money that is certified by the Treasurer as windfall tax revenue in excess of Budget forecasts, and
- b) money borrowed for the purposes of the Fund, including by the issue of special bonds to the people of the State and others, and
- c) the proceeds of the investment of money in the Fund, and
- d) all money directed or authorised to be paid into the Fund by or under this or any other Act or law, and
- e) all money received from voluntary contributions to the Fund made by a government agency or other person or body.

Section 7(2) gives authority to Government agencies to make voluntary contributions to the Fund.

Restart NSW Fund

Notes to the Financial Report for the year ended 30 June 2017

1. RESTART NSW FUND INFORMATION (continued)

Payments out of the Fund

Section 8 of the Act prescribes the payments from the Fund. These are:

- a) any money approved by the Minister on the recommendation of Infrastructure NSW to fund all or any part of the cost of any project that the Minister is satisfied promotes a purpose of the Fund, and
- b) any money required to meet administrative expenses related to the Fund, and
- c) any money directed or authorised to be paid from the Fund by or under this or any other Act or law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial statement which has been prepared on a cash basis except for the Fund's investments in other financial assets which are measured at fair value. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Receipts are recognised and recorded when cash is received. Payments are recorded when cash is actually paid. The investments in other financial assets are remeasured to fair value at the reporting date.

The measurement focus in the financial statement is balances of the Fund at the reporting date and changes during the year.

All amounts are rounded to the nearest thousand (\$'000) dollars and are expressed in Australian dollars.

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash and other financial assets.

Cash is controlled by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is controlled by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

Other financial assets of the Fund are investments held in the NSW Infrastructure Future Fund (NIFF), a unit trust investment facility administered by the NSW Treasury Corporation (TCorp). The NIFF's investment strategy is designed to best meet scheduled infrastructure funding commitments over the life of these commitments.

Restart NSW Fund

Notes to the Financial Report for the year ended 30 June 2017

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 7 of the Act.

	2017	2016
	\$'000	\$'000
Section 7(1)(a) receipts - windfall tax		
Windfall tax revenue	1,483,772	814,397
Section 7(1)(b) receipts - issue of bonds		
Proceeds from Waratah bonds	62,250	108,557
Section 7(1)(c) receipts - interest earned		
Interest earned	236,174	160,568
Section 7(1)(d) receipts - other monies authorised to be paid into the Fund		
Proceeds from the long term lease of Ausgrid	5,072,526	-
Proceeds from the long term lease of Endeavour Energy	2,604,760	-
Proceeds from the issuance of Land and Property Information titling and registry licence	2,621,915	-
Assets recycling incentives received from Commonwealth	1,007,900	-
Proceeds from the sale of Pillar Administration	15,260	-
Proceeds from the sale of Brown Mountain assets	4,310	-
Proceeds from the long term lease of TransGrid	-	6,140,185
Proceeds from the sale of Vales Point	-	21,266
GST received	9	713
	<u>11,326,680</u>	<u>6,162,164</u>
Section 7(1)(e) receipts - contributions from other Government agencies		
Contribution from Government Property NSW - sale proceeds of Government properties	5,444	200,202
Total Receipts	13,114,320	7,445,888

Proceeds from Waratah bonds issued were paid into the Fund by the Crown Entity. The Fund has no obligation to repay these bonds. The liability is assumed by the Crown Entity.

As at 30 June 2017 the Fund held all of its cash in the Treasury Banking System. Interest receivable by the Fund and not yet received was \$126.614 million (2016: \$131.736 million).

Restart NSW Fund

Notes to the Financial Report for the year ended 30 June 2017

4. PAYMENTS

Payments from the Fund are in accordance with Section 8 of the Act.

	2017 \$'000	2016 \$'000
Section 8(a) payments - infrastructure projects		
<i>Restart NSW (excluding Rebuilding NSW)</i>		
Bells Line of Road Corridor Improvement Program	7,715	8,285
Bridges for the Bush Program	4,776	25,472
Cobbora Transition Fund	2,378	6,699
Easing Sydney's Congestion (Pinch Points)	44,678	52,132
Fixing Country Roads	10,111	24,896
Grafton Bridge	43,048	13,500
Hawkesbury - Nepean Flood Mitigation Strategy	-	1,884
Hunter Infrastructure and Investment Fund	12,708	-
Illawarra Infrastructure Fund	19,870	22,621
Newcastle Inner Bypass (Rankin Park to Jesmond)	2,949	4,000
Northern Beaches Hospital Roads	122,935	108,000
Pacific Highway	17,709	11,699
Parramatta Light Rail	111,397	-
Princes Highway	37,999	46,000
Regional Freight Pinch Point Program and Safety Program	25,441	18,567
Regional Health Infrastructure Program	11,850	-
Regional Tourism Infrastructure Program	13,189	2,668
Resources for Regions Program	46,373	41,003
Sydney Motorways Network Planning	-	7,288
Taronga Zoo Visitor Plan	4,841	3,200
Water Security for Regions Program	21,804	21,399
WestConnex Enabling Works	17,658	6,000
WestConnex Gateway (planning)	11,050	4,350
Western NSW Freight Productivity Improvement Program	14,344	14,323
Western Sydney Infrastructure Plan	27,621	63,238
	632,444	507,225
<i>Rebuilding NSW</i>		
Bridges for the Bush Program	1,945	-
Fixing Country Roads	7,732	-
Gateway to the South Pinch Points	23,599	6,500
Pinch Points and Clearways	32,570	410
Regional Growth - Environment and Tourism fund	6,267	-
Regional Growth Roads	51,679	3,000
Regional Multipurpose Services (MPS) Health Facilities	5,290	-
Regional Road Freight Corridor	84,070	4,315
Smart Motorways	30,825	99
Sports Stadia	46,316	3,000
Sydney Metro City and Southwest	1,746,797	699,000
Traffic Management Upgrades	6,970	-
WestConnex Northern/Southern Extensions and Western Harbour Tunnel	6,854	707
	2,050,914	717,031

Restart NSW Fund

Notes to the Financial Report for the year ended 30 June 2017

4. PAYMENTS (continued)

	2017 \$'000	2016 \$'000
<i>Other equity payments</i>		
Investment in shares in Sydney Mortorway Corporation for WestConnex	175,000	1,125,000
Equity contribution to Rail Corporation	261,896	-
	436,896	1,125,000
Total Section 8(a) payments	3,120,254	2,349,256
Section 8(b) payments - administrative expenses		
Bank charges	1	1
Auditors Remuneration	9	9
	10	10
Total payments	3,120,264	2,349,266
<u>Percentage of payments made to regional and rural areas</u>		
Section 9(2) payments - payments made to regional and rural areas	435,364	241,135
% of total payments from the Fund	14%	10%

5. OTHER FINANCIAL ASSETS

Opening balance	-	-
Add: Investments - cash transferred in from the operating bank account	14,500,000	-
Add/(less) net income/(loss) from investments		
Distribution reinvested	336,266	-
Unrealised gain/(loss) on other financial assets	(155,641)	-
	180,625	-
Closing balance	14,680,625	-

The Fund is authorised to invest in accordance with Section 10 of the Act. Implemented during 2016-17, NIFF is the investment vehicle for the Fund in assisting the NSW Government to meet its infrastructure objectives. NIFF is managed by TCorp.

Asset allocation and investment instructions of NIFF are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp in December 2016.

Restart NSW Fund

Notes to the Financial Report for the year ended 30 June 2017

5. OTHER FINANCIAL ASSETS (continued)

Asset allocation

Actual NIFF asset allocation as at the reporting date:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value (\$'000)
Cash	56.0	56.2	8,250,512
Australian Shares	11.0	10.7	1,570,827
International Shares (unhedged)	14.0	13.9	2,040,607
International Shares (hedged)	3.0	3.1	455,099
Emerging Market Equities	3.0	3.1	455,099
Australian Nominal Bonds	8.0	8.0	1,174,450
Investment Grade Credit	5.0	5.0	734,031
Total	100.0	100.0	14,680,625

Performance returns

NIFF investment return objective is to achieve CPI + 2.0% over a 10 year period. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return (<i>after fees</i>)	4.17	4.17
SAA benchmark	3.56	3.56
Net relative to SAA benchmark	0.61	0.61

6. FINANCIAL INSTRUMENTS

The Fund's main risks arising from financial instruments are interest rate and other price risks.

NIFF is a unit trust investment facility and is subject to other price risks only. The unit price of the facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue. Unit prices are calculated daily. Investments in NIFF limits the Fund's exposure to risk as it allows diversification across a pool of funds with different investment horizons and a mix of asset classes. The management of risk is further discussed below.

The Fund's other financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in interest earned of approximately \$84.257 million (2016: \$129.316 million).

Restart NSW Fund

Notes to the Financial Report for the year ended 30 June 2017

6. FINANCIAL INSTRUMENTS (continued)

Risk management

TCorp actively manages all the risks associated with NIFF investments for the Fund in line with the ISA, and monitors associated financial risks within the boundaries of its established Board policies, legislative requirements and management guidelines. TCorp's operational risks are mitigated through:

1. comprehensive and detailed risk management policies
2. detailed controls over the security, integrity and accuracy of all key systems
3. clear and appropriate reporting lines
4. qualified and experienced personnel
5. a Risk Management & Compliance function
6. regular internal audits

The ISA is reviewed at least annually and updated to include changes in market conditions and/or significant changes to the Fund capital expenditure profile. Proposed changes to the ISA must go through a consultative process between TCorp and the Treasury Management team at NSW Treasury. Treasury's Asset and Liability Committee have overall responsibility to oversee investment risks in NIFF and reports on the risks associated with the holding of other financial assets, and provides recommendations to the Treasury Secretary around appropriate risk levels and preferences.

7. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial report



Social and Affordable Housing NSW Fund

Financial Report
for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Social and Affordable Housing NSW Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements, being a special purpose financial report of the Social and Affordable Housing NSW Fund (the Fund), which comprise a statement of Fund's activities and position for the year ended 30 June 2017, notes to the financial report and a statement by the Department Head. The financial statements have been prepared by the Secretary using the basis of accounting described in Note 2 to the financial statements to help the Treasurer fulfil the annual reporting obligations under the *Social and Affordable Housing NSW Fund Act 2016* (the Act).

In my opinion, the financial statements are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the financial statements.

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the provision of non-audit services.

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

Without modifying my opinion, I draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to help the Treasurer fulfil the annual reporting obligations under the Act. As a result, the financial statements may not be suitable for another purpose. My report is intended solely for the Secretary and should not be distributed to any other parties.

The Secretary's Responsibility for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Secretary has determined that the accounting policies described in Note 2 meet the needs of the Treasurer for the purpose of fulfilling the financial reporting obligations under the Act.

In preparing the financial statement, the Secretary is responsible for assessing the Fund's ability to continue as a going concern. The assessment must disclose as applicable, matters relating to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.aasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance that the Fund carried out its activities effectively, efficiently and economically.



Margaret Crawford
Auditor-General

4 October 2017
SYDNEY

Social and Affordable Housing NSW Fund

Financial Report for the period ended 30 June 2017

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 12 of the *Social and Affordable Housing NSW Fund Act 2016*, I declare that in my opinion:

- (a) The accompanying financial report provides details of the transactions of the Social and Affordable Housing NSW Fund for the period ended 30 June 2017; and
- (d) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

Further, I am not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.



Michael Pratt
Secretary

26 September 2017

Social and Affordable Housing NSW Fund

Statement of the Fund's Activities and Position as at 30 June 2017

	Note	2017 \$'000
Receipts		
Government contribution	3	<u>1,120,000</u>
Total receipts		<u>1,120,000</u>
Payments		
Other expenses	4	<u>29</u>
Total payments		<u>29</u>
Net receipts		<u>1,119,971</u>
Closing balance of the Fund		<u>1,119,971</u>

The accompanying notes form part of the financial report.

Social and Affordable Housing NSW Fund

Notes to the Financial Report for the period ended 30 June 2017

1. SOCIAL AND AFFORDABLE HOUSING NSW FUND INFORMATION

Reporting entity

The Social and Affordable Housing NSW Fund (“the Fund”) is required to prepare an annual report under Section 12 of the *Social and Affordable Housing NSW Fund Act 2016* (“the Act”). Section 5 of the Act states that the purpose of the Fund is to provide funding to promote any of the objects of the *Housing Act 2001* or the *Community Housing Providers (Adoption of National Law) Act 2012*. The primary objective of which is to boost the delivery of social and affordable housing across NSW.

Section 4 of the Act establishes the Fund as a Special Deposit Account. Section 5 of the *Public Finance and Audit Act 1983* defines Special Deposit Account as an account which the Treasurer is required, by statutory or other authority, to hold apart from the Consolidated Fund. The Treasurer is responsible for the funding and investment operations of the Fund and the Department of Family and Community Services (FACS) is responsible for procurement and commissioning functions of the Fund.

The annual report for the Fund is a Special Purpose Financial Report with reporting date being from establishment date 3 January 2017 to 30 June 2017.

The financial report was authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Secretary was signed.

Key Activities

The Fund was established for provision of a long-term revenue stream to address the funding gap for social and affordable housing developments.

Funding Sources for Social and Affordable Housing NSW Fund

Section 7(1) of the Act states the amounts payable into the Fund. These are:

- a) all money appropriated by Parliament, or advanced by the Treasurer, for payment into the Fund,
- b) all money appropriated by Parliament to the Treasurer for the general purposes of the Government (and not for the purposes of individual government agencies) and directed by the Treasurer to be paid into the Fund,
- c) the proceeds of the investment of money in the Fund,
- d) any money borrowed by the Minister for the purpose of the Fund,
- e) any grant, gift, bequest or other contribution of money to the Fund made by a government agency or other person or body,
- f) the payment or repayment of principal or interest on money loaned from the Fund (including fees associated with the loan),
- g) any money payable arising from a financial adjustment (or other financial risk management strategy) effected by the Minister for the purpose of the Fund,
- h) all other money directed or authorised to be paid into the Fund by or under any Act or law.

Section 7(2) gives authority to Government agencies to make contributions to the Fund.

Section 7(3) provides that the Treasurer may direct that any money directed to be paid into the Fund by the Treasurer is subject to repayment including an amount in the nature of interest from the Fund.

Social and Affordable Housing NSW Fund

Notes to the Financial Report for the period ended 30 June 2017

Payments out of the Fund

Section 8 of the Act prescribes the payments from the Fund. These are:

- a) all or any part of the cost of any project, program or initiative that the Minister is satisfied promotes the purpose of the Fund,
- b) administrative expenses relating to the control and management of the Fund,
- c) the payment or repayment of principal or interest on money borrowed by the Minister for the purpose of the Fund (including any costs associated with the borrowing),
- d) any payment or repayment of money from the Fund referred to in section 7(3),
- e) any money payable arising from a financial adjustment (or other financial risk management strategy) effected by the Minister for the purpose of the Fund,
- f) any money directed or authorised to be paid from the Fund by or under this Act or any other Act or law.

Section 8(2) states that payments for the cost of a project may be provided by way of a grant, subsidy, loan, or other financial assistance and may be subject to terms as the Minister thinks fit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial statement which has been prepared on a cash basis. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Revenues are realised and recorded when received in cash. Expenditures are recorded when cash is actually paid.

The measurement focus in the financial statement is balances of the Fund at the reporting date and changes during the year.

All amounts are rounded to the nearest thousand (\$'000) dollars and are expressed in Australian dollars.

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash.

Cash is controlled by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is controlled by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

Receipts and Payments

Receipts are recognised and recorded when received in cash. Payments are recorded when cash is actually paid.

Social and Affordable Housing NSW Fund

Notes to the Financial Report for the period ended 30 June 2017

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 7 of the Act.

	2017 \$'000
Section 7(1)(a) receipts - government contribution	
Government contribution	1,120,000
Total Receipts	<u>1,120,000</u>

4. PAYMENTS

Payments from the Fund are in accordance with Section 8 of the Act.

Section 8(a) payments - other expenses	
Other expenses	29
Total payments	<u>29</u>

6. FINANCIAL INSTRUMENTS

Risk management

The Fund's only financial instrument is the cash held in the Treasury Banking System which is subject to interest rate risk. As at 30 June 2017, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in interest earned of approximately \$11.12 million.

7. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial report



Electricity Retained Interest Corporation – Ausgrid (ERIC–A) Fund

Financial Report
for the period ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation – Ausgrid (ERIC – A) Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements, being a special purpose financial report of the Electricity Retained Interest Corporation – Ausgrid (ERIC – A) Fund (the Fund), which comprise a statement of the Fund's activities and position for the year ended 30 June 2017, notes to the financial report and a statement by the Department Head. The financial statements have been prepared by the Secretary using the basis of accounting described in Note 2 to the financial statements to help the Treasurer fulfil the annual reporting obligations under the *Electricity Retained Interest Corporations Act 2015* (the Act).

In my opinion, the financial statements are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the financial statements.

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the provision of non-audit services.

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

Without modifying my opinion, I draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to help the Treasurer fulfil the annual reporting obligations under the Act. As a result, the financial statements may not be suitable for another purpose. My report is intended solely for the Secretary and should not be distributed to any other parties.

The Secretary's Responsibility for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Secretary has determined that the accounting policies described in Note 2 meet the needs of the Treasurer for the purpose of fulfilling the financial reporting obligations under the Act.

In preparing the financial statement, the Secretary is responsible for assessing the Fund's ability to continue as a going concern. The assessment must disclose as applicable, matters relating to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:
www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance that the Fund carried out its activities effectively, efficiently and economically.



Margaret Crawford
Auditor-General

4 October 2017
SYDNEY

**Electricity Retained Interest Corporation – Ausgrid
ERIC–A Fund**

**Financial Report
for the period ended 30 June 2017**

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 35 of the Electricity Retained Interest Corporations Act 2015, I declare that in my opinion:

- (a) The accompanying financial report provides details of the transactions of the Electricity Retained Interest Corporation – Ausgrid Fund for the period ended 30 June 2017; and
- (e) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

Further, I am not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.



**Michael Pratt
Secretary**

26 September 2017

**Electricity Retained Interest Corporation – Ausgrid
ERIC–A Fund**

**Statement of the Fund’s Activities and Position
as at 30 June 2017**

	Note	2017 \$'000
Receipts		
Grants	3	1,000
Distributions	3	<u>98,292</u>
Total receipts		<u>99,292</u>
 Payments		
Board remuneration	4	219
Administrative Expenses	4	78
Funds transferred to NSW Consolidated Fund	4	<u>98,090</u>
Total payments		<u>98,387</u>
 Net receipts		<u>905</u>
 Closing balance of the fund		<u>905</u>

The accompanying notes form part of the financial report.

Electricity Retained Interest Corporation – Ausgrid ERIC–A Fund

Notes to the Financial Report for the period ended 30 June 2017

1. ERIC-A FUND INFORMATION

Reporting entity

Electricity Retained Interest Corporation – Ausgrid Fund (the Fund) is required to prepare an annual report under Section 35 of the *Electricity Retained Interest Corporations Act 2015* (“the Act”). The Fund was set up pursuant to Section 32 of the Act which establishes a Fund in the Special Deposits Account for each Corporation constituted by the Act for each separate part of the retained interest following the transfer of electricity network assets.

Electricity Retained Interest Corporation – Ausgrid (“the Corporation”) is the corporation that oversees the State’s retained interest as a lessee of network infrastructure assets of Ausgrid for the purpose of protecting its value to the State.

Section 5 of the *Public Finance and Audit Act 1983* defines Special Deposit Account as an account which the Treasurer is required, by statutory or other authority, to hold apart from the Consolidated Fund. The Fund is controlled by the State and Section 32(2) of the Act gives the Corporation responsibility for the administration of the Fund on behalf of the State.

The annual report for the Fund is a Special Purpose Financial Report with the reporting date being from the establishment of the fund 29 November 2017 to 30 June 2017.

The financial report was authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Secretary was signed.

Key Activities

The principal objective of the Fund is to set aside an account where all financial returns (including dividend income, return of capital and any financial distribution) derived by the Corporation or any subsidiary of the Corporation are deposited.

Payments into the Fund

Section 33 of the Act states the amounts payable into the Fund. These are:

- a) all financial returns (including dividend income, return of capital and any other financial distribution) derived by the Corporation or any subsidiary of the Corporation from that part of the retained interest for which the Corporation is responsible, and
- b) the proceeds of investment of the Fund, and
- c) such money as may be advanced by the Treasurer for payment into the Fund, and
- d) such money as may be appropriated by Parliament for payment into the Fund, and
- e) any money borrowed by the Corporation or a subsidiary of the Corporation.

**Electricity Retained Interest Corporation – Ausgrid
ERIC–A Fund**

**Notes to the Financial Report
for the period ended 30 June 2017**

Payments out of the Fund

Section 34 of the Act prescribes the payments from the Fund. These are:

- a) such amounts as the Treasurer directs for payment into the Consolidated Fund, and
- b) such amounts (if any) as the Corporation is required to pay the Treasurer under Part 4A (Payment of tax-equivalents) of the *Public Finance and Audit Act 1983*, and
- c) such amounts as the Treasurer authorises for expenditure by the Corporation or a subsidiary of the Corporation in the exercise of the functions of the Corporation, and
- d) such amounts as the Treasurer directs for payment of the costs of operation of the Corporation and any subsidiary of the Corporation, including remuneration, allowances, accommodation and other associated costs of the Board, General Manager and staff of the Corporation or a subsidiary of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial statement which has been prepared on a cash basis. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Revenues are realised and recorded when received in cash. Expenditures are recorded when cash is actually paid.

The measurement focus in the financial statement is balances of the Fund at the reporting date and changes during the year.

All amounts are rounded to the nearest thousand (\$'000) dollars and are expressed in Australian dollars.

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash only.

Cash is controlled by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is controlled by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

Receipts and Payments

Receipts are recognised and recorded when received in cash. Payments are recorded when cash is actually paid.

**Electricity Retained Interest Corporation – Ausgrid
ERIC–A Fund**

**Notes to the Financial Report
for the period ended 30 June 2017**

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 33 of the Act.

	2017 \$'000
Section 33 - payments into the fund	
Grants	1,000
Distributions	98,292
Total receipts	99,292

4. PAYMENTS

Payments from the Fund are in accordance with Section 34 of the Act.

Section 34 - payments out of the fund

Board remuneration

Salaries & wages	148
Superannuation	20
Payroll tax	51
Total payroll expenses	219

Administrative Expenses

ASIC fees	3
Audit fees	32
Other	43
Total administrative expenses	78

Funds transferred to NSW Consolidated Fund	98,090
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Total payments	98,387
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5. FINANCIAL INSTRUMENTS

Risk management

The Fund's only financial instrument is the cash held in the Treasury Banking System which is subject to interest rate risk. As at 30 June 2017, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in the interest earned of approximately \$9,050.

**Electricity Retained Interest Corporation – Ausgrid
ERIC–A Fund**

**Notes to the Financial Report
for the period ended 30 June 2017**

6. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial report



Electricity Retained Interest Corporation – Endeavour Energy (ERIC–E) Fund

Financial Report
for the period ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation – Endeavour (ERIC – E) Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements, being a special purpose financial report of the Electricity Retained Interest Corporation – Endeavour (ERIC – E) Fund (the Fund), which comprise a statement of Fund's activities and position as at 30 June 2017, notes to the financial report and a statement by the Department Head. The financial statements have been prepared by the Secretary using the basis of accounting described in Note 2 to the financial statements to help the Treasurer fulfil the annual reporting obligations under the *Electricity Retained Interest Corporations Act 2015* (the Act).

In my opinion, the financial statements are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the financial statements.

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the provision of non-audit services.

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

Without modifying my opinion, I draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to help the Treasurer fulfil the annual reporting obligations under the Act. As a result, the financial statements may not be suitable for another purpose. My report is intended solely for the Secretary and should not be distributed to any other parties.

The Secretary's Responsibility for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Secretary has determined that the accounting policies described in Note 2 meet the needs of the Treasurer for the purpose of fulfilling the financial reporting obligations under the Act.

In preparing the financial statement, the Secretary is responsible for assessing the Fund's ability to continue as a going concern. The assessment must disclose as applicable, matters relating to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance that the Fund carried out its activities effectively, efficiently and economically.



Margaret Crawford
Auditor-General

4 October 2017
SYDNEY

**Electricity Retained Interest Corporation – Endeavour
ERIC-E Fund**

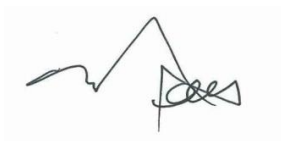
**Financial Report
for the period ended 30 June 2017**

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 35 of the *Electricity Retained Interest Corporations Act 2015*, I declare that in my opinion:

- (a) The accompanying financial report provides details of the transactions of the Electricity Retained Interest Corporation – Endeavour Fund for the period ended 30 June 2017; and
- (f) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

Further, I am not aware of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.



**Michael Pratt
Secretary**

26 September 2017

**Electricity Retained Interest Corporation – Endeavour
ERIC-E Fund**

**Statement of the Fund's Activities and Position
as at 30 June 2017**

	Note	2017 \$'000
Receipts		
Grants	3	1,000
Total receipts		<u>1,000</u>
Payments		
Expenses	4	-
Closing balance of the Fund		<u>1,000</u>

The accompanying notes form part of the financial report.

Electricity Retained Interest Corporation – Endeavour ERIC-E Fund

Notes to the Financial Report for the period ended 30 June 2017

1. ERIC-E FUND INFORMATION

Reporting entity

Electricity Retained Interest Corporation – Endeavour Fund (“the Fund”) is required to prepare an annual report under Section 35 of the *Electricity Retained Interest Corporations Act 2015* (“the Act”). The Fund was set up pursuant to Section 32 of the Act which establishes a Fund in the Special Deposits Account for each Corporation constituted by the Act for each separate part of the retained interest following the transfer of electricity network assets.

Electricity Retained Interest Corporation – Endeavour (“the Corporation”) is the corporation that oversees the State’s retained interest as a lessee of network infrastructure assets of Endeavour Energy for the purpose of protecting its value to the State.

Section 5 of the *Public Finance and Audit Act 1983* defines Special Deposit Account as an account which the Treasurer is required, by statutory or other authority, to hold apart from the Consolidated Fund. The Fund is controlled by the State and Section 32(2) of the Act gives the Corporation responsibility for the administration of the Fund on behalf of the State.

The annual report for the Fund is a Special Purpose Financial Report with the reporting date being from the establishment date 29 June 2017 to 30 June 2017.

The financial report was authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Secretary was signed.

Key Activities

The principal objective of the Fund is to set aside an account where all financial returns (including dividend income, return of capital and any financial distribution) derived by the Corporation or any subsidiary of the Corporation are deposited.

Payments into the Fund

Section 33 of the Act states the amounts payable into the Fund. These are:

- a) all financial returns (including dividend income, return of capital and any other financial distribution) derived by the Corporation or any subsidiary of the Corporation from that part of the retained interest for which the Corporation is responsible, and
- b) the proceeds of investment of the Fund, and
- c) such money as may be advanced by the Treasurer for payment into the Fund, and
- d) such money as may be appropriated by Parliament for payment into the Fund, and
- e) any money borrowed by the Corporation or a subsidiary of the Corporation.

**Electricity Retained Interest Corporation – Endeavour
ERIC-E Fund**

**Notes to the Financial Report
for the period ended 30 June 2017**

Payments out of the Fund

Section 34 of the Act prescribes the payments from the Fund. These are:

- a) such amounts as the Treasurer directs for payment into the Consolidated Fund, and
- b) such amounts (if any) as the Corporation is required to pay the Treasurer under Part 4A (Payment of tax-equivalents) of the *Public Finance and Audit Act 1983*, and
- c) such amounts as the Treasurer authorises for expenditure by the Corporation or a subsidiary of the Corporation in the exercise of the functions of the Corporation, and
- d) such amounts as the Treasurer directs for payment of the costs of operation of the Corporation and any subsidiary of the Corporation, including remuneration, allowances, accommodation and other associated costs of the Board, General Manager and staff of the Corporation or a subsidiary of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial statement which has been prepared on a cash basis. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Revenues are realised and recorded when received in cash. Expenditures are recorded when cash is actually paid.

The measurement focus in the financial statement is balances of the Fund at the reporting date and changes during the year.

All amounts are rounded to the nearest thousand (\$'000) dollars and are expressed in Australian dollars.

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash.

Cash is controlled by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is controlled by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

Receipts and Payments

Receipts are recognised and recorded when received in cash. Payments are recorded when cash is actually paid.

**Electricity Retained Interest Corporation – Endeavour
ERIC-E Fund**

**Notes to the Financial Report
for the period ended 30 June 2017**

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 33 of the Act.

	2017 \$'000
Section 33(c) receipts - grant received	
Grant received	1,000
Total Receipts	1,000

4. PAYMENTS

Payments from the Fund have to be in accordance with Section 34 of the Act. No payments were made from the Fund for the period ending 30 June 2017.

5. FINANCIAL INSTRUMENTS

Risk management

The Fund's only financial instrument is the cash held in the Treasury Banking System which is subject to interest rate risk. As at 30 June 2017, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in the interest earned of approximately \$10,000.

6. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial report



Treasury

www.treasury.nsw.gov.au