NSW GOVERNMENT | Treasury

2016-17 Crown Related Entities' Annual Reports

State Rail Authority Residual Holding Corporation
Liability Management Ministerial Corporation
Ports Assets Ministerial Holding Corporation
Electricity Assets Ministerial Holding Corporation
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www.treasury.nsw.gov.au

31 October 2017

State Rail Authority Residual Holding Corporation

Financial Statements
for the year ended 30 June 2017

NSW GOVERNMENT | Treasury

State Rail Authority Residual Holding Corporation

Charter

The State Rail Authority Residual Holding Corporation (SRARHC) was constituted under the *Transport Administration Act 1988.* It represents those parts of the former State Rail Authority which were not incorporated into the new Railcorp and Rail Infrastructure Corporation. By 2008 all transfers were completed and there have been no further activities.

Objective

The sole remaining purpose of the SRARHC is to hold the cross border rolling stock leases that were excluded from the vesting of all State Rail assets rights and liabilities. SRARHC is a named party in the lease agreements.

SRARHC has no assets and liabilities and remains a reporting entity until the last of the lease contracts expire in 2021.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The Corporation has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

State Rail Authority Residual Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the State Rail Authority Residual Holding Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and 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 Corporation 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 41B 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 Corporation 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.

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 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.

The Secretary of Treasury'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 Corporation's ability to continue as a going concern unless the Corporation will be dissolved by an Act of Parliament or otherwise cease operations. 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 Corporation 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
- about any other information which may have been hyperlinked to/from the financial statements.

Aaron Green
Director, Financial Audit Services

30 August 2017
SYDNEY

State Rail Authority Residual Holding Corporation

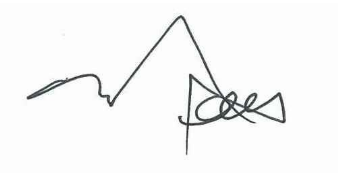
Financial Statements
for the year ended 30 June 2017

Pursuant to Section 41C (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 State Rail Authority Residual Holding Corporation 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*, the *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

8 August 2017

State Rail Authority Residual Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2017

	2017 $	2016 $
Expenses excluding losses	-	-
Total expenses excluding losses	-	-
Revenue	-	-
Total revenue	-	-
Gain/(loss) on disposal	-	-
Other gains/(losses)	-	-
Net result	-	-
Total other comprehensive income	-	-
Total comprehensive income	-	-

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

Statement of Financial Position
as at 30 June 2017

	2017 $	2016 $
Assets	-	-
Total assets	-	-
Liabilities	-	-
Total liabilities	-	-
Net assets	-	-
Equity	-	-
Total equity	-	-

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

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

	2017 $	2016 $
Balance at 1 July	**-**	**-**
Net result for the year	-	-
Total other comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Balance at 30 June	**-**	**-**

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2017

	2017 $	2016 $
Cash flows from operating activities	-	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	**-**	**-**
Opening cash and cash equivalents	-	-
Closing cash and cash equivalents	**-**	**-**

The accompanying notes form part of these financial statements.

1. STATE RAIL AUTHORITY RESIDUAL HOLDING CORPORATION INFORMATION

The State Rail Authority of New South Wales (StateRail) was a statutory body representing the Crown in right of the State of New South Wales, as constituted by the *Transport Administration Act 1988* (the TAA). Since 1 January 2004, pursuant to amendments to the TAA that provided for the restructuring of the Rail Industry, StateRail's principal activities have been to manage the transfer of selected assets, rights and liabilities to Rail Corporation New South Wales (RailCorp), and to manage the disposal of the remainder in consultation with RailCorp.

By 30 June 2008, all remaining functions, assets (including assets related to the cross border rolling stock leases), rights and liabilities of StateRail with the unique exception of its rights and liabilities relating to specified ongoing cross border rolling stock leases, were transferred to various agencies, including RailCorp, Rail Infrastructure Corporation and the Crown Entity. As part of the sale and lease agreements, the Crown Entity provided financial guarantees to the transaction parties, effectively removing their rights to make direct claims against StateRail.

StateRail itself was subject to the enactment of an *Amendment of Transport Administration Act 1988 No 109,* presented as *Schedule 4 of the State Revenue and Other Legislation Amendment (Budget) Act 2007*. The commencement date for the Act is 1 July 2007. The effect of the amendment in Schedule 4 is to change the name of StateRail to "State Rail Authority Residual Holding Corporation" (SRARHC), remove it from the definition of NSW rail authorities and place it under the control of the Treasurer. The sole remaining purpose of the re-named SRARHC is to hold the cross border rolling stock leases that were excluded from the vesting of all other StateRail assets, rights and liabilities. SRARHC is a named party in the lease agreements.

SRARHC has no assets and liabilities and remains a reporting entity until the last of the lease contracts expire in 2021.

SRARHC is a statutory body under the *Public Finance and Audit Act 1983*. It is a not-for-profit entity with its principal office at 52 Martin Place, Sydney NSW 2000, Australia.

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

Basis of preparation

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 accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest dollar.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Statement of compliance

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

New standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2017. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

The SRARHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC17-04.

New, revised or amending standards and interpretations

The SRARHC 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.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the SRARHC.

INCOME

Income is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Income is only recognised if its receipt is probable and the amount is reliably measurable.

EXPENSE

Finance officers of the NSW Treasury provide administrative services, including the preparation of financial statements of the SRARHC. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and no charge is made to the entity for them.

The Crown Entity also pays for the entity’s audit fees inclusive of GST of $3,850 (2016: $3,850).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS

Assets are future economic benefits controlled by SRARHC and is 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.

LIABILITIES

Liabilities are the future sacrifices of economic benefits that SRARHC 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

TAXATION

The activities of the SRARHC are exempt from income tax.

3. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets or contingent liabilities.

4. RELATED PARTY DISCLOSURES

There are no related party transactions requiring disclosure.

5. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2017

Liability Management Ministerial Corporation

Charter

The Liability Management Ministerial Corporation (LMMC) was constituted under the *General Government Liability Management Fund Act 2002* to manage the General Government Liability Management Fund.

Objective

The LMMC accumulates financial assets to support the long term fiscal target of eliminating total sector unfunded superannuation liabilities by 30 June 2030.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The Corporation has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

Liability Management Ministerial Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Liability Management Ministerial Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and 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 Corporation 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 41B 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 Corporation 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.

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 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.

The Secretary of the Treasury'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 Corporation's ability to continue as a going concern except where the Corporation will be dissolved by an Act of Parliament or otherwise cease operations. 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:

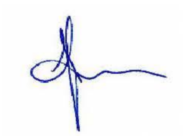
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 Corporation carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Aaron Green
Director, Financial Audit Services

12 September 2017
SYDNEY

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2017

Pursuant to Section 41C (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 Liability Management Ministerial Corporation as at 30 June 2017 and the financial performance for the year then ended; and

(c) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *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

7 September 2017

Liability Management Ministerial Corporation

Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Expenses excluding losses				
Operating expenses	3	20	20	20
Total expenses excluding losses		**20**	**20**	**20**
Revenue				
Investment revenue	4	12,806	8,152	693
Grants and contributions	5	19,671	19,671	18,745
Total revenue		**32,477**	**27,823**	**19,438**
Net result		**32,457**	**27,803**	**19,418**
Other comprehensive income		-	-	-
Total comprehensive income		**32,457**	**27,803**	**19,418**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Financial Position
as at 30 June 2017

	Note	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Assets				
Current assets				
Cash and cash equivalents	6	10	10	25
Receivables	7	2	2	2
Total current assets		**12**	**12**	**27**
Non-current assets				
Financial assets at fair value	8	135,432	129,738	102,954
Total non-current assets		**135,432**	**129,738**	**102,954**
Total assets		**135,444**	**129,750**	**102,981**
Liabilities				
Current liabilities				
Payables	9	17	20	11
Total current liabilities		**17**	**20**	**11**
Total liabilities		**17**	**20**	**11**
Net assets		**135,427**	**129,730**	**102,970**
Equity				
Accumulated funds		135,427	129,730	102,970
Total equity		**135,427**	**129,730**	**102,970**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

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

	Accumulated Funds $'000	Total Equity $'000
Balance at 1 July 2016	**102,970**	**102,970**
Net result for the year	32,457	32,457
Total other comprehensive income	-	-
Total comprehensive income for the year	**32,457**	**32,457**
Balance at 30 June 2017	**135,427**	**135,427**
Balance at 1 July 2015	**83,552**	**83,552**
Net result for the year	19,418	19,418
Total other comprehensive income	-	-
Total comprehensive income for the year	**19,418**	**19,418**
Balance at 30 June 2016	**102,970**	**102,970**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Cash Flows
for the year ended 30 June 2017

	Note	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Cash flows from operating activities				
Payments				
Other		(15)	(22)	(34)
Total payments		**(15)**	**(22)**	**(34)**
Receipts				
Grants and contributions		19,671	19,671	18,745
Interest received		2	4,484	2
Other		1	2	3
Total receipts		**19,674**	**24,157**	**18,750**
Net cash flows from operating activities	6	**19,659**	**24,135**	**18,716**
Cash flows from investing activities				
Purchase of investments		(19,674)	(24,135)	(18,712)
Net cash flows from investing activities		**(19,674)**	**(24,135)**	**(18,712)**
Net cash flows from financing activities		**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**(15)**	-	**4**
Opening cash and cash equivalents		25	10	21
Closing cash and cash equivalents	6	**10**	**10**	**25**

The accompanying notes form part of these financial statements.

1. LIABILITY MANAGEMENT MINISTERIAL CORPORATION INFORMATION

The Liability Management Ministerial Corporation (LMMC) is a statutory body under the *Public Finance and Audit Act 1983*. The LMMC was constituted under the *General Government Liability Management Fund Act 2002* (the Act) for the purpose of managing the General Government Liability Management Fund (GGLMF). The GGLMF is a special deposit account which receives funding from the Crown Entity to meet its obligations as required by the Act. The LMMC commenced receiving contributions from the Crown Entity in 2011-12. Prior to this, the LMMC was dormant from 2008 to 2011.

The LMMC accumulates financial assets to support the long term fiscal target of eliminating total sector unfunded superannuation liabilities by 30 June 2030.

The LMMC is a not-for-profit entity with its principal office at 52 Martin Place, Sydney, NSW 2000,Australia. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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 accrual basis of accounting has been adopted in the preparation of the financial statements.

The financial assets are measured at fair value. 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).

Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and valuation of investments

LMMC classifies its investments as fair value through profit or loss. The fair value has been determined by reference to the quoted market price for similar instruments and the underlying value provided by the Portfolio manager, New South Wales Treasury Corporation (TCorp). TCorp values financial assets and liabilities using valuation techniques, which discount cash flows to present value based on observable market yields for the same or equivalent securities. Changes in fair value are mainly attributable to fluctuations in market yields and prices arising from changes in market conditions. This information is specifically relevant to Notes 8 and 10 to the financial statements.

Statement of compliance

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

New, revised or amending standards and interpretations

LMMC 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. First time adoption does not have a material impact on the measurement and recognition of assets, liabilities, equity, revenue or expenses in these financial statements.

The following Australian Accounting Standards have been adopted in 2016-17.

AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*
AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*
AASB 1057 *Application of Australian Accounting Standards*

New standards and interpretations not yet effective

The following lists the new standards and interpretations that whilst not yet effective, may be applicable to the LMMC:

AASB 9 *Financial Instruments (2014)* (operative date 1 July 2018)
AASB 15 *Revenue from Contracts with Customers* (operative date 1 July 2018)
AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (operative date 1 July 2017)
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities (operative date 1 July 2017)
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (operative date 1 July 2017)
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (operative date 1 July 2019)
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle (operative date 1 July 2017)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

It is considered impracticable to presently determine the impact of adopting the listed accounting standards issued, but not yet effective. At this time it is considered unlikely that the impact of these standards will be material.

LMMC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC17/04.

REVENUE

Revenue is recognised when it is probable that economic benefits will flow to the entity and it can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The LMMC uses the following criteria to recognise and measure income:

Contribution from the Crown Entity

Contributions received from the Crown Entity are recognised as income when the LMMC obtains control of the contributions or the right to receive the contributions. Control over contributions is normally obtained upon receipt of cash.

Investment income

Interest revenue is recognised using effective interest method as set out in AASB 139 *Financial instruments: Recognition and Measurement*. Investment income includes interest income and net realised and unrealised gains or losses from changes in the fair value of investments. Interest income is recognised on an accrual basis.

EXPENSES

Employee arrangements

The LMMC has no employees. Finance officers of NSW Treasury provide administrative services, including the preparation of the financial statements of the LMMC. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and accordingly, no expense is recognised for them.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

for when the GST cannot be recovered from the Australian Taxation Office (ATO), then it is either part of the cost of acquiring an asset, or part of an item of expense

for receivables and payables which are recognised as including GST.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flow arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows. The net GST recoverable from or payable to, the ATO, is included as part of receivables or payables in the Statement of Financial Position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS

Cash and cash equivalents

Cash and cash equivalents represent the cash at bank and are recognised in the Statement of Financial Position and reconciled to the Statement of Cash Flows.

Financial assets

Financial assets comprise investments in TCorpIM Long Term Growth Fund (LTGF) Investment Facilities. The financial assets are designated at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis. The movement in the fair value of the TCorpIM LTGF incorporates distributions received and unrealised movements in fair value and is reported as investment revenue in the Statement of Comprehensive Income.

Fair value measurement and hierarchy

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

Under AASB 13, the valuation techniques used in the fair value measurement of TCorpIM LTGF investment is based in the valuation technique as follows:

- 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).

TCorpIM Investment are held in Units in trusts and classified under level 2 fair value hierarchy as prices are observable, however, no active market exists for these funds as they are only accessible to government agencies.

LIABILITIES

Payables

Payables represent liabilities for goods and services provided but not paid for at each reporting date. This occurs when the LMMC must make future payments for the goods and services, even if it has not been billed for them.

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 original invoiced amount where the effect of discounting is immaterial.

EQUITY

Accumulated Funds

The category ‘Accumulated Funds’ includes all current and prior periods retained funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION

The activities of the LMMC are exempt from Australian income tax.

BUDGETED AMOUNTS

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are outlined in Note 12.

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.

	2017 $'000	2016 $'000
3. OTHER OPERATING EXPENSES		
Audit fees	20	20

4. INVESTMENT REVENUE

	2017 $'000	2016 $'000
Revenue from financial assets held at fair value		
TCorpIM Investment Facility	8,715	5,291
Gains/(losses) from financial assets held at fair value		
TCorpIM Investment Facility	4,089	(4,600)
Bank interest	2	2
	12,806	**693**

5. GRANTS AND CONTRIBUTIONS

	2017 $'000	2016 $'000
Contributions from the Crown Entity	19,671	18,745

6. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash held at financial institutions	10	25

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

	2017 $'000	2016 $'000
Cash and cash equivalents (per Statement of Financial Position)	10	25
Bank overdraft	-	-
Cash and cash equivalents (per Statement of Cash Flows)	10	25

6. CASH AND CASH EQUIVALENTS (continued)

Reconciliation of net cash flows from operating activities to net result for the year

	2017 $'000	2016 $'000
Net cash flows from operating activities	**19,659**	**18,716**
Gain/(Loss) on investments	12,804	691
Decrease/(Increase) in liabilities	(6)	11
Net result for the year	**32,457**	**19,418**

7. CURRENT RECEIVABLES

GST receivable	2	2

8. NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE

TCorpIM Investment Facility	135,432	102,954

As at 30 June 2017, total investments of the LMMC are financial assets designated at fair value through profit or loss.

Note 10 provide details of the risk exposure of these financial instruments.

9. PAYABLES

Other accruals	17	11

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 a statement is received.

10. FINANCIAL INSTRUMENTS

The LMMC's principal financial instruments are outlined in the table below. These financial instruments arise directly from the LMMC's operations of improving the accuracy of the funding plan to fully fund superannuation liabilities. Management has overall responsibility for the establishment and oversight of risk management, investment strategy, monitoring and reviewing the performance of investments and service providers.

Financial instrument categories

	Note	Category	Carrying amount 2017 $'000	Carrying amount 2016 $'000
Financial assets				
Cash and cash equivalents	6	N/A	10	25
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	135,432	102,954
Financial liabilities				
Payables	9	Payables (measured at amortised cost)	17	11
Total			**135,425**	**102,968**

Risk management

The assets of the LMMC are invested in TCorpIM LTGF Facility in accordance with the investment strategy determined by the Management Committee.

The actual rate of return on LMMC assets during the year was 11.48 per cent (2016: 0.51 per cent).

The LMMC has appointed TCorp, the State's central financing authority which has recognised expertise in the management of treasury related risks, to advise on, and actively manage its asset portfolio. TCorp manages investment risk in line with its Risk and Compliance Framework.

(a) 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 LMMC's exposure to market risk is primarily through interest rate risk on its bank deposits and other price risks associated with the movement in the unit price of the LTGF.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.
The LMMC's exposure to interest rate risk on its holding of cash and cash equivalents is derived from historically based data. The basis is reviewed annually and amended where required. LMMC's interest rate risk is immaterial given the low level of cash holding at the reporting date.

10. FINANCIAL INSTRUMENTS (continued)

Other price risk

Exposure to other price risk is through the investment in the TCorpIM LTGF. The LMMC has no direct equity investments.

The LMMC holds units in the following TCorpIM investment facility:

Facility	Investment Sectors	Investment Horizon	2017 $'000	2016 $'000
Long Term Growth Facility	Cash, money market instruments, Australian bonds, listed property, Australian & International shares	7 years and over	135,432	102,954

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.

The sensitivity percentage is derived from historically based data. The basis is reviewed annually and amended where required.

Other price risk sensitivity analysis

TCorpIM LTGF Investment facilities	Change in unit price		Impact on net result	
	2017 %	2016 %	2017 $'000	2016 $'000
Long Term Growth Facility	+/- 16.0	+/- 16.0	+/-21,669	+/- 16,473

Currency risk

LMMC has foreign currency exposure within its investment in TCorpIM Long Term Growth Fund (LTGF). The LTGF has approximately 36% foreign currency exposure (30% of LTGF is allocated to unhedged international shares and 6% to unhedged emerging market shares).

The level of foreign exchange exposure within LTGF may change from time to time depending on currency levels and market conditions.

(b) Credit risk

Credit risk arises from the financial assets of the LMMC, which comprise of cash and cash equivalents. The LMMC's exposure to credit arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at each reporting date.

The Fund has not granted any financial guarantees. The Fund may obtain, or provide, collateral to support amounts due under derivative transactions with certain counterparties. These arrangements are agreed between the Fund and each counter party and take the form of annexures to the standard industry agreement governing the underlying derivative transaction.

Cash and cash equivalents
Cash comprises bank balances held at a financial institution. Interest is earned on daily bank balances.

10. FINANCIAL INSTRUMENTS (continued)

Financial assets at fair value
Financial assets at fair value include investments in TCorpIM LTGF. The investments within the LTGF are unit holdings, and as such, do not give rise to credit risk.

There are no financial assets that are past due or considered impaired at the reporting date.

Fair value

The financial assets and liabilities of LMMC at the reporting date comprise mainly monetary financial assets and their carrying values approximate to their fair values. The value of the TCorpIM Investments is based on the LMMC's share of the value of the underlying assets of the facility, based on the market value. All of the LTGF are valued using 'redemption' pricing.

Fair value recognised in the statement of financial position

The LMMC 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).

	Level 1	Level 2	Level 3	Total
2016-17	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value				
TCorpIM LTGF	-	135,432	-	**135,432**
	-	**135,432**	**-**	**135,432**
2015-16				
Financial assets at fair value				
TCorpIM LTGF	-	102,954	-	**102,954**
	-	**102,954**	**-**	**102,954**

11. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or contingent liabilities as at the reporting date (2016: Nil).

12. BUDGET REVIEW

TCorpIM LTGF full year investment revenue of $12.804 million reflected an investment return of 11.48% pa which is higher than the budgeted return rate of 7.02%pa.

13. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The NSW Government is the parent of the LMMC.

(b) Key management personnel remuneration

The LMMC defines key management personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Corporation. NSW Government is the ultimate controlling party of the LMMC, the Treasurer, NSW Treasury Secretary and the Deputy Secretary are considered as KMP.

The LMMC does not have employees. The key management personnel services were provided by NSW Treasury. There was no remuneration paid to any of the KMP by the LMMC during the period.

No loans were made to any of the KMP by the LMMC 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.

(i) Transactions with KMP

The LMMC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP is required to complete annual declarations in relation to the related party transactions. No KMP has declared that he/she and their close family members have made any transactions with the LMMC during the reporting period.

(ii) Transactions with other related entities

The NSW Cabinet are considered related parties of LMMC because of its role to direct overall government policy and make decisions about state issues. The Crown Finance Entity provides grants to LMMC in meeting its objective of accumulating assets to eliminate unfunded superannuation liabilities.

14. EVENTS AFTER THE REPORTING DATE

There are no material events subsequent to reporting date requiring disclosure.

End of audited financial statements

Ports Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2017

Ports Assets Ministerial Holding Corporation

Charter

The Ports Assets Ministerial Holding Corporation (PAMHC) was established on 26 November 2012 by the *Ports Assets (Authorised Transactions) Act 2012* (the Act). This Act authorises and provides for the transfer to the private sector of the State's ports.

Objectives

The Act establishes the Ports Assets Ministerial Holding Corporation to hold ports assets acquired by it or transferred to it by or under the Act or any other Act, to carry on any activities or business that relate to any ports assets held by it, including demanding, collecting and receiving charges, levies, rates and fees, and such other functions for the purposes of an authorised transaction as may be prescribed by the regulations.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The Corporation has no staff of its own

INDEPENDENT AUDITOR'S REPORT

Ports Assets Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Ports Assets Ministerial Holding Corporation (the Corporation), 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 of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Corporation 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 Corporation 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.

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 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.

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 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 Corporation's ability to continue as a going concern except where the Corporation'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 Corporation carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Aaron Green
Director, Financial Audit Services

18 September 2017
SYDNEY

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F 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 Ports Assets Ministerial Holding Corporation's financial position as at 30 June 2017 and the financial performance for the year then ended; and

(d) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and mandatory NSW Treasury accounting publications.

Further 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

13 September 2017

Ports Assets Ministerial Holding Corporation

Statement of Comprehensive Income
for the year end 30 June 2017

	Notes	Actual Consolidated 2017 $'000	Budget Consolidated 2017 $'000	Actual Consolidated 2016 $'000	Actual Parent 2017 $'000	Actual Parent 2016 $'000
Expenses excluding losses						
Operating expenses	3	34,715	36,844	33,217	180	181
Total expenses excluding losses		**34,715**	**36,844**	**33,217**	**180**	**181**
Revenue						
Investment revenue	4	46	13,400	61	22	26
Grants and Contributions	5	300	300	-	300	-
Other revenue	6	47,807	36,449	45,388	-	-
Total Revenue		**48,153**	**50,149**	**45,449**	**322**	**26**
Net result		**13,438**	**13,305**	**12,232**	**142**	**(155)**
Other comprehensive income		-	-	-	-	-
Total comprehensive income		**13,438**	**13,305**	**12,232**	**142**	**(155)**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2017

	Notes	Actual Consolidated 2017 $'000	Budget Consolidated 2017 $'000	Actual Consolidated 2016 $'000	Actual Parent 2017 $'000	Actual Parent 2016 $'000
Assets						
Current assets						
Cash and cash equivalents	7	1,696	1,569	1,701	517	510
Receivables	8	80	42	101	51	35
Total current assets		**1,776**	**1,611**	**1,802**	**568**	**545**
Non-current assets						
Receivables	8	202,994	202,995	189,655	-	-
Investments	9	-	-	-	156,983	156,983
Total non-current assets		**202,994**	**202,995**	**189,655**	**156,983**	**156,983**
Total assets		**204,770**	**204,606**	**191,457**	**157,551**	**157,528**
Liabilities						
Current liabilities						
Payables	10	77	145	202	24	143
Total current liabilities		**77**	**145**	**202**	**24**	**143**
Total liabilities		**77**	**145**	**202**	**24**	**143**
Net assets		**204,693**	**204,461**	**191,255**	**157,527**	**157,385**
Equity						
Accumulated funds		204,693	204,461	191,255	157,527	157,385
Total equity		**204,693**	**204,461**	**191,255**	**157,527**	**157,385**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

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

	Consolidated Accumulated Funds 2017 $'000	Consolidated Total 2017 $'000	Parent Accumulated Funds 2017 $'000	Parent Total 2017 $'000
Balance at beginning of year	191,255	191,255	157,385	157,385
Net result for the year	13,438	13,438	142	142
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**13,438**	**13,438**	**142**	**142**
Balance at end of year	**204,693**	**204,693**	**157,527**	**157,527**

	Consolidated Accumulated Funds 2016 $'000	Consolidated Total 2016 $'000	Parent Accumulated Funds 2016 $'000	Parent Total 2016 $'000
Balance at beginning of year	179,023	179,023	157,540	157,540
Net result for the year	12,232	12,232	(155)	(155)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**12,232**	**12,232**	**(155)**	**(155)**
Balance at end of year	**191,255**	**191,255**	**157,385**	**157,385**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	Actual Consolidated 2017 $'000	Budget Consolidated 2017 $'000	Actual Consolidated 2016 $'000	Actual Parent 2017 $'000	Actual Parent 2016 $'000
Cash flows from operating activities						
Payments						
Operating expenses		38,962	40,713	37,486	977	745
Total payments		**38,962**	**40,713**	**37,486**	**977**	**745**
Receipts						
Interest received		57	60	44	24	19
Grants and contributions		300	300	-	300	-
Other		38,600	40,318	36,945	660	657
Total Receipts		**38,957**	**40,678**	**36,989**	**984**	**676**
Net cash flows from operating activities	11	(5)	(35)	(497)	7	(69)
Net increase/(decrease) in cash		**(5)**	**(35)**	**(497)**	**7**	**(69)**
Opening cash and cash equivalents		1,701	1,604	2,198	510	579
Closing cash and cash equivalents	7	**1,696**	**1,569**	**1,701**	**517**	**510**

The accompanying notes form part of these financial statements.

NOTES INDEX

1. PORTS ASSETS MINISTERIAL HOLDING CORPORATION INFORMATION

The Ports Assets Ministerial Holding Corporation (PAMHC) was created on 26 November 2012 by the *Ports Assets (Authorised Transactions) Act 2012 (the Act)*. The object of this Act is to authorise and facilitate the transfer to the private sector of the State's ports.

On 1 January 2013, the Treasurer authorised the transfer of specific assets, rights and liabilities relating to the relevant assets at Port Botany, Enfield, Cooks River and Port Kembla from Sydney Ports Corporation and Port Kembla Port Corporation to the Port Botany Lessor Pty Ltd (PBL) and Port Kembla Lessor Pty Ltd (PKL). On 31 May 2013, these Companies entered into 99-year finance leases with an external acquirer. On the same date, the ownership of these Companies was transferred from Sydney Ports Corporation and Port Kembla Port Corporation to PAMHC.

On 1 January 2014, the Treasurer authorised the transfer of specific assets, rights and liabilities relating to the relevant assets at the Port of Newcastle from Newcastle Port Corporation to Port of Newcastle Lessor Pty Limited (PNL). On 30 May 2014, a 98-year finance lease was executed with an external acquirer and the relevant assets were derecognised by PNL. Upfront proceeds received from the acquirer were paid direct to the Restart NSW Fund, the NSW Government's priority infrastructure fund. On the same date, the ownership of the PNL was transferred from Newcastle Port Corporation to PAMHC.

The functions of the PAMHC are:

- to hold ports assets acquired by it or transferred to it
- to carry on any activities or business that relate to any ports assets held by it, including demanding, collecting and receiving charges, levies, rates and fees, and
- such other functions for the purposes of an authorised transaction as may be prescribed by the regulations.

PAMHC uses an outsourcing model for the management of lease and property related matters for its subsidiary lessor companies. PAMHC has established a Memorandum of Understanding (MoU) with Government Property NSW (GPNSW) for the outsourcing arrangement effective from 1 July 2015. GPNSW receives a management fee from PAMHC for its services.

The PAMHC is a NSW government entity. The PAMHC is a not-for-profit entity. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

- Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of *the Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions issued by the NSW Treasurer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

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

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the PAMHC (Parent Entity) as at 30 June 2017 and the results of all controlled entities for the period then ended. The PAMHC and its controlled entities, PBL, PKL and PNL (together the Ports Lessor Companies), together are referred to in these financial statements as the consolidated entity. The effects of all transactions and balances between entities in the consolidated entity are eliminated in full and like transactions and events are accounted for using the same accounting policies.

The consolidated reporting entity is consolidated as part of the NSW Total State Sector Accounts.

Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

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.

Changes in accounting policy, including new or revised Australian Accounting Standards

New, revised or amending standards and interpretations

The PAMHC and its controlled entities have 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. First time adoption does not have a material impact on the financial performance or position of PAMHC. The following Australian Accounting Standards have been adopted in 2016-17.

AASB 1057 *Application of Australian Accounting Standards*
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*
AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs*

New standards and interpretations not yet effective

The following new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2017.

AASB 9 *Financial Instruments (2014)* (operative date 1 July 2018)
AASB 15 *Revenue from Contracts with Customers* (operative date 1 July 2018)
AASB 16 *Leases* (operative date 1 July 2019)
AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* (operative date 1 July 2018)
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* (operative date 1 July 2018)
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* (operative date 1 July 2017)
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (operative date 1 July 2017)
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* (operative date 1 July 2018)
AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* (operative date 1 July 2017)
AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* (operative date 1 July 2017)
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle* (operative date 1 July 2017)

It is unlikely the adoption of the above accounting standards issued but not yet effective will have material impact on the financial performance or position of the Corporation.

The PAMHC and its controlled entities have not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC 17/04.

REVENUE

Revenue is measured at the fair value of the consideration or contributions received or receivable to the extent it is probable that the economic benefits will flow to PAMHC and the amount is reliably measurable. The PAMHC uses the following criteria to recognise and measure income:

(i) Investment revenue

Interest revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Corporation, it is recognised using the effective interest method as set out in AASB139 *Financial Instruments: Recognition and Measurement*.

(ii) Grants and contributions

Grants and contributions are recognised when PAMHC obtains control of the contribution. Control of contribution is normally obtained upon the receipt of cash.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Other revenue

Land tax, council rates and water costs incurred are recoupable from lessees under the lease contracts and are recognised on an accrual basis.

Finance income is recognised reflecting a constant periodic rate of return on PAMHC's investment in the finance lease in accordance with AASB 117 *Leases*.

EXPENSES

Expenses are recognised when incurred.

Land Tax is recognised as an expense in the period in which it is incurred and based on land tax assessment notices issued by Office of State Revenue.

Council rates and water costs are recognised as expenses when incurred and based on rate notices issued by the council and tax invoices issued by the Sydney Water Corporation.

Finance officers of the NSW Treasury provide administrative services, including the preparation of financial statements of the PAMHC. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and no charge is made to the entity for them.

PAMHC entered a contractual outsourcing arrangement with GPNSW effective from 1 July 2015 to provide lease and property management service to PAMHC for its subsidiary lessor companies. Costs of $170,731.10 (GST inclusive) were incurred by PAMHC in 2017 in relation to the outsourcing service provided by GPNSW for all three lessor companies lease and property matters. The MoU is between PAMHC and GPNSW. It is impractical to calculate and ascertain the costs for individual lessor companies therefore no charge out was made to the individual lessor companies.

ASSETS

Cash and cash equivalents

Cash and cash equivalents represent the cash at bank and are recognised in the Statement of Financial Position and reconciled to the Statement of Cash Flows.

Receivables (excluding lease receivable)

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets 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, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

An allowance for impairment of receivables is established when there is objective evidence that PAMHC will not be able to collect all amounts due. Financial difficulties of the debtors and default of payments are considered objective evidence of impairment. Bad debts are written off as incurred against the provision for impairment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating leases

PAMHC has no operating lease arrangements.

Finance leases

The Ports Lessor Companies are lessors in 99 and 98 year leases which are classified as finance leases as they are deemed to have transferred substantially all of the risks and rewards incidental to ownership of the leased assets to the lessees.

Finance lease accounting requires the Ports Lessor Companies to recognise finance leased assets as a receivable equal to the net investment in the lease, which is defined as the gross investment in the lease discounted at the interest rate implicit in the leases.

The gross investment in the lease is the aggregate of the minimum lease payments receivable by the Ports Lessor Companies and any unguaranteed residual value accruing to the Ports Lessor Companies. The unguaranteed residual value represents the amount the Ports Lessor Companies expect to recover from the value of the leased assets at the end of the lease term that is not guaranteed in any way by either the lessee or third parties unrelated to the Ports Lessor Companies. As all of the payments under the finance leases have been paid upfront by the successful bidders, the Ports Lessor Companies gross investment in these leases comprises only the unguaranteed residual value of the assets which will be handed back to the Ports Lessor Companies at the expiry of the lease term.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased assets and any initial direct costs of the Ports Lessor Companies.

The Ports Lessor Companies residual interest in the leased assets has been independently valued by external consultants as at 30 June 2013 (PBL and PKL) and 30 June 2014 (PNL) and will be regularly re-assessed at least every five years. The next assessments are scheduled for 2018 and 2019 respectively. The expected residual value will depend upon specific factors such as the nature of the asset, volatility of land values, the rate of technological change and competitive conditions.

Parcels of the Newcastle land (including two parcels of un-remediated land at Mayfield and Koorangang Island) included in the Newcastle 98 years finance lease were contaminated while owned by Newcastle Port Corporation. As part of the lease arrangements, liabilities in respect of the land remediation costs for the pre-existing land contamination is assumed by the Crown.

Investments

Investments represent the PAMHC's 100 per cent interest in the shares of the Ports Lessor Companies. Investments in subsidiaries are accounted for at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LIABILITIES

Payables

Payables represent liabilities for goods and services provided but not paid for at each reporting date. This occurs when the entity must make future payments for the goods and services, even if it has not been billed for them.

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 original invoiced amount where the effect of discounting is immaterial.

Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by the entity as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expenses and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

ADMINISTERED ACTIVITIES

The entity administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the entity's own objectives.

Transactions and balances relating to the administered activities are not recognised as the entity's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered Income', 'Administered Expenses', 'Administered Assets' and 'Administered Liabilities'.

The accrual basis of accounting and applicable accounting standards have been adopted.

Port Logistics Contribution (PLC) and Newcastle Community Contribution (NCC) are the administered activities of PAMHC.

BUDGETED AMOUNTS

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 15.

3. OPERATING EXPENSES

	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Operating Expenses				
Land tax	24,440	23,286	-	-
Audit fees - audit of financial statements	85	85	25	25
Contractors	155	121	155	121
Council rates	8,707	8,502	-	-
Consultants	3	85	-	35
Water costs	1,325	1,137	-	-
Other	-	1	-	-
	34,715	**33,217**	**180**	**181**

4. INVESTMENT REVENUE

Interest income	46	61	22	26
	46	**61**	**22**	**26**

5. GRANTS AND CONTRIBUTIONS

Grants received from the Crown	300	-	300	-
	300	**-**	**300**	**-**

6. OTHER REVENUE

Land tax recoverable from tenants (i)	24,440	23,286	-	-
Council rates recoverable from tenants (i)	8,707	8,502	-	-
Finance income (ii)	13,339	12,463	-	-
Water recoupment	1,321	1,137	-	-
	47,807	**45,388**	**-**	**-**

(i) Land tax and council rates recoverable from tenants

This relates to NSW land tax and council rates recovered from the lessees for occupying and subleasing land held by the Ports Lessor Companies under the finance leases.

(ii) Finance income

At the date of execution of the 99 and 98 year finance leases, the Consolidated Entity recognised a finance lease receivable representing the entity's net investment in the leases. As the lease payments were received upfront, no further payments will be received by the Consolidated Entity and the residual assets will be accreted over the term of the leases as finance income.

7. CASH AND CASH EQUIVALENTS

	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Cash at bank	1,696	1,701	517	510
	1,696	**1,701**	**517**	**510**

For the purpose of the Statement of Cash Flows, cash and cash equivalents represents cash at bank and on hand.

Cash and cash equivalent 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:

Cash and cash equivalents (per Statement of Financial Position)	**1,696**	**1,701**	**517**	**510**
Closing cash and cash equivalents (per Statement of Cash Flows)	**1,696**	**1,701**	**517**	**510**

Refer to Note 12 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. RECEIVABLES

	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Current				
Interest receivable	25	36	11	13
Recoupment receivable	11	37	-	-
GST receivable	44	28	40	22
	80	**101**	**51**	**35**
Non-Current				
Finance lease receivable (i)	202,994	189,655	-	-
	202,994	**189,655**	**-**	**-**

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 12.

(i) Finance lease receivable

The Ports Lessor Companies are lessors in a 99 year finance lease covering the land and affixed property, plant and equipment at Port Kembla, Port Botany, Enfield Intermodal Logistics Centre and Cooks River Empty Container Park and 98 year finance lease covering the land and affixed property, plant and equipment at the Port of Newcastle.

Finance lease accounting requires the Ports Lessor Companies to recognise a finance lease receivable equal to the net investment in the lease. As the lease payments were received upfront, the net investment in the lease corresponds to the present value of the assets that will revert to the Ports Lessor Companies on expiry of the leases. No further payments will be received by the Ports Lessor Companies, and this residual asset will be accreted over the term of the lease period. Finance income of $13.339 million (2016: $12.463 million) was recognised in the period (refer to Note 6).

The valuation has been carried out by external advisers as at 30 June 2013 for Port Botany and Port Kembla. The valuation for Port Newcastle was carried out by external advisers as at 30 June 2014. Management will regularly re-assess the carrying value in future periods, which will depend upon specific factors such as the level of improvements undertaken by the lessee, volatility of land values, the rate of technological change and competitive conditions.

The leases contain two clauses which deal with improvements made by the lessees to the existing land and fixtures, and the acquisition of additional land for port use. Any improvements made to the existing land vest in the Ports Lessor Companies immediately, and are already included in the anticipated value of the assets that will revert to the Ports Lessor Companies on expiry of the lease, as it has been assumed that a working port will be returned. In addition, acquisitions or the lease of additional land by the lessees are subject to an option which allows the Ports Lessor Companies to acquire or lease the additional land.

As an option to buy non-financial items that will not be settled net in cash, the option has been classified as an executory contract which will only be accounted for on exercise.

9. INVESTMENTS

Investment in subsidiaries	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Opening balance as at 1 June	-	-	156,983	156,983
Closing balance as at 30 June	**-**	**-**	**156,983**	**156,983**

10. PAYABLES

Current				
Payables and accruals	76	199	24	143
GST Payables	1	3	-	-
	77	**202**	**24**	**143**

Payables are non-interest bearing and are generally on 30 day terms. Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 12.

11. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

Net cash flows from operating activities	**(5)**	**(497)**	**7**	**(69)**
Add back: non cash items and non-operating activities				
Finance income	13,339	12,463	-	-
(Decrease)/increase in receivables	(21)	(32)	16	23
Decrease/(increase) in payables	125	298	119	(109)
Net Result	**13,438**	**12,232**	**142**	**(155)**

12. FINANCIAL INSTRUMENTS

PAMHC's principal financial instruments are cash deposits held with the NSW Treasury Banking System at Westpac Banking Corporation. These instruments expose PAMHC to interest rate risk on cash balances held and credit risk on short term receivables. These financial instruments arise from PAMHC's operations and are required to finance those operations. PAMHC does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Secretary has overall responsibility for the establishment and oversight of risk management and review policies for managing risk.

(a) Financial instrument categories

Financial instruments (i)	Note	Categories	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Financial Assets						
Cash and cash equivalents	7	N/A	1,696	1,701	517	510
Receivables	8	Loans and receivables at amortised cost	36	73	11	13
Financial Liabilities						
Payables	10	Financial liabilities measured at amortised cost	76	199	24	143

(i) Excludes prepayments and statutory receivables/payables which are not within the scope of AASB7 'Financial Instruments', and excludes lease receivables which only represent the unguaranteed residual value.

(b) Credit risk

Credit risk arises when there is possibility that the PAMHC's debtors defaulting on their contractual obligations, resulting in a financial loss to PAMHC. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of PAMHC, including cash and receivables. No collateral is held by PAMHC.

Cash

Cash comprises bank balances with financial institution. Interest is earned on daily bank balances.

Receivables

All trade debtors are recognised as amounts receivable at balance date. The collection of receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off.

An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. No interest is earned on trade debtors. The average credit period on receivables, unless otherwise agreed, is 30 days.

There are no receivables that are past due or considered impaired as at the reporting date.

12. FINANCIAL INSTRUMENTS (continued)

(c) 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. PAMHC's exposure to market risk is primarily through interest rates on cash and cash equivalents. PAMHC does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade derivatives.

The effect on PAMHC's net result and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +/- 1 per cent is used. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The analysis is performed on the same basis as for 2016. PAMHC consolidated entity's exposure to interest rate risk follows.

	Carrying amount	-1%		+1%	
		Net result	Equity	Net result	Equity
2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	1,696	(17)	(17)	17	17
2016					
Cash and cash equivalents	1,701	(17)	(17)	17	17

PAMHC has no exposure to changes in future cash flows associated with the leases, as cash consideration was received up front at the time of execution and remitted directly to the Restart NSW Fund.

(d) Liquidity risk

Liquidity risk is the risk that PAMHC will be unable to meet its payment obligations when they fall due. PAMHC continuously manages risk through monitoring future cash flows and commitment maturities. There were no defaults on payables in the current year. No assets have been pledged as collateral and PAMHC's exposure to liquidity risk is deemed insignificant based on prior period's data and current assessment of risk.

Further, the Treasurer had issued a letter of comfort to PAMHC subsidiary Ports Lessor Companies stating that the State will provide financial support to enable the Ports Lessor Companies to meet its debts obligations as required from time to time.

The payables 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 the policy set out in Treasury Circular 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. Treasury Circular 11/12 allows the Minister to award interest for late payment. There has been no interest awarded for late payment to date.

12. FINANCIAL INSTRUMENTS (continued)

The table below summarises the maturity profile of the PAMHC consolidated financial liabilities.

			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate %	Nominal amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'000
2017								
Payables	-	76	-	-	76	76	-	-
Total financial liabilities	**-**	**76**	**-**	**-**	**76**	**76**	**-**	**-**
2016								
Payables	-	199	-	-	199	199	-	-
Total financial liabilities	**-**	**199**	**-**	**-**	**199**	**199**	**-**	**-**

The payables are non-interest bearing and the entity has no exposure to foreign currency risk.

13. ADMINISTERED ITEMS

	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Administered Revenue				
Ports Logistics Contribution (i)	6,650	6,723	6,650	6,723
Newcastle Community Contribution (ii)	1,000	1,000	1,000	1,000
Total Administered Revenue	**7,650**	**7,723**	**7,650**	**7,723**

(i) Port Logistics Contribution (PLC)

The PLC is levied by Port Botany Lessor Pty Limited (a controlled entity of PAMHC) to an external party (Port Botany Operations Pty Limited as trustee for the Port Botany Unit Trust) in accordance with the Port Logistics Contribution Deed. A Deed of Novation was entered into on 20 September 2013 which novated the PLC income received with effect from 20 September 2013 to PAMHC. Income received from 20 September 2013 is treated as Administered Revenue. Port Botany Lessor Pty Limited became a controlled entity of PAMHC on 31 May 2013.

(ii) Newcastle Community Contribution (NCC)

The NCC is levied by PAMHC to the Newcastle Port Manager in accordance with the Newcastle Community Contribution Deed. It is a statutory charge levied to the Newcastle Port Manager in operation of the port. PAMHC is a collection agent acting on behalf of the Crown. The NCC is passed on to the Consolidated Fund upon receipt and is recognised on an accrual basis as administered revenue.

Administered Assets				
Receivables	2,031	2,018	2,031	2,018
Total Administered Assets	**2,031**	**2,018**	**2,031**	**2,018**

14. CONTINGENT LIABILITIES AND CONTIGENT ASSETS

Contingent Liabilities

- In entering the 99 year lease of land and fixtures at Port Kembla, Port Botany and Enfield and 98 year lease at Port of Newcastle, PAMHC through its subsidiary Lessor Companies, has indemnified the Port Lessees in respect of pre-existing environmental damage or contamination at relevant sites.

  PAMHC officers are not aware of any known claims under the indemnity.

- Under the transaction documents, the Ports Lessor Companies must provide limited compensation to financiers if the Ports Leases are terminated for any reason, including default / breaches of the Port Leases, insolvency of the Port Lessees or Port Managers and force majeure. The compensation payable by the Ports Lessor Companies to financiers if either Port Lease is terminated is capped at the lesser of:
  - the remaining value of the Port Leases; and
  - the debt owed to financiers "attributable" to the Port; and
  - a "debt cap" benchmarked against debt appropriate to a long term investment grade credit rating.

  At balance date, there have been no breaches of the leases or other events that could result in lease termination.

Contingent Assets

- The State has guaranteed the payment of any compensation by the Ports Lessor Companies for the above 'transaction documents' contingent liability.
- If any Port Lease terminates, then the Ports Lessor Companies can regain possession of the Port land and chattels which are the subject of the Port Lease and certain subleases, and the Port Lessor can deal with them subject to the terms of the transaction documents and all applicable laws. The circumstances in which the Port Lessor may terminate the Port Lease are governed by the Port Lease and other transaction documents.

- The Ports Lessor Companies hold bank guarantees from the Port Lessees to cover any environmental liability and obligations under the leases/subleases. The guarantee is available in the event that the Port Lessees breach and fail to remedy within 30 days of receiving written notice of the breach.

  At balance date, the Ports Lessor Companies have not issued any written notices for breach of the leases.
- The Treasurer has confirmed that the State will provide financial support to the Ports Lessor Companies as may be required from time to time to enable the Ports Lessor Companies to meet their debts as and when they become due and payable.

15. BUDGET REVIEW

Net result

The budget review is for the consolidated entity.

For the year ended 30 June 2017, PAMHC's net result is $13.438 million which is in-line with the budgeted result of $13.305 million.

Operating expenses total $34.715 million which is $2.129 million lower than the budget. The lower costs are mainly due to a decrease in land tax cost of $1.431 million resulting from subdivision of land at Enfield and subsequent transfer of land title to the lessee as per agreement at lease commencement date. Council rate incurred is $0.74 million lower than budget due to lower land valuation increment compared to budget assumption.

Total revenue is $1.996 million lower than budget mainly due to lower land tax and council rate recoupments resulting from lower land valuation growth compared to budget assumption and Enfield land title transfer to the lessee mentioned above. Finance lease income of $13.34 million has been reclassified to "Other Revenue" in the actual result, previously reported as "Investment Revenue" in the budget.

Assets and Liabilities

Total assets for the year are $204.77 million and total liabilities are $0.077 million, both are in-line with the budget.

Cash flows

Net cash flows from operating activities is in line with budget. Actual cash payments and cash receipts are both below the budget by $1.7 million mainly due to lower land tax and council rate costs and lease recoupments reflecting a lower land valuation growth compared to budget.

Cash and cash equivalents held at reporting date were in-line with the budget, being only $0.127 million higher than the budgeted amount of $1.569 million.

16. RELATED PARTY DISCLOSURES

(a) Ultimate parent

PBL, PKL and PNL are subsidiary Lessor Companies of PAMHC. The NSW Government is the ultimate parent of PAMHC. The NSW Government is also the ultimate parent of Crown Finance Entity, NSW Treasury and GPNSW that provides key management personnel services to PAMHC.

(b) Key management personnel remuneration

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the Corporation. The Treasurer, the NSW Treasury secretary, the Deputy Secretary and the Company directors are considered as KMP. The NSW Cabinet are considered related parties of the Corporation because of its role to direct overall government policy and make decisions about State issues. PBL, PKL and PNL are subsidiary Lessor Companies of PAMHC. The Lessor Company Directors controls the activities and directions of the Lessor Companies therefore are also considered as KMP.

16. RELATED PARTY DISCLOSURES (continued)

PAMHC does not have employees. Key management personnel services were provided by NSW Treasury and GPNSW. The company directors are employees of NSW Treasury and GPNSW. No remuneration was paid to any of the KMP by PAMHC during the reporting period. No loans were made to any of the KMP during the reporting 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 PAMHC with related parties was recovered at cost.

(i) Transactions with KMP

The PAMHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP are required to complete annual declarations in relation to the related party transactions. No KMP has declared that he/she and their close family members have made any transactions with the PAMHC during the reporting period.

(ii) Transactions with subsidiaries

PBL, PKL and PNL are subsidiary Lessor Companies of PAMHC. There were no transactions made with subsidiary Port Lessor Companies during the reporting period. PAMHC incurred $170,731.10 (GST inclusive) of the property lease management service provided by GPNSW on behalf of the Port Lessor Companies. No charge out were made to the individual lessor companies as it is impractical to calculate and ascertain the costs at the individual lessor companies level.

(iii) Transactions with Director related entities

The PAMHC subsidiary Port Lessor Companies share a common set of directors. There were no transactions made in between the Lessor Companies during the reporting period.

The Directors of the subsidiary Lessor Companies are employee of the NSW Treasury and GPNSW. The following are transactions made in between these entities during the reporting period.
Mr. Brett Newman is Director of the subsidiary lessor companies and Chief Executive Officer of the GPNSW. PAMHC has entered a contractual outsourcing arrangement with GPNSW effective from 1 July 2015 to provide lease and property management service to PAMHC for its subsidiary lessor companies. Cost of $170,731.10 (2016: $133,076.46) was incurred by PAMHC in relation to the outsourcing service provided by GPNSW for all three lessor companies lease and property matters.

Mr. Peter Wade is Director of the subsidiary lessor companies and employee of the NSW Treasury. Crown Finance Entity and PAMHC are both reporting entities under the NSW Treasury cluster. Crown Finance Entity has provided $0.3 million grants to PAMHC to cover the recurrent costs in 2017.

No other related party transaction occurred in this reporting period.

(iv) Transactions with other related entities

The corporation interacts with other government agencies in delivering services to the general public. Services provided by other government agencies to the Corporation including land tax, general Council service and water utility services. These services were provided to the Corporation in the same commercial terms as the general public.

17. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2017

Electricity Assets Ministerial Holding Corporation

Charter

The Electricity Assets Ministerial Holding Corporation (EAMHC) was established on 5 June 2012 by the *Electricity Generator Assets (Authorised Transactions) Act 2012* (the Act). This Act authorises and provides for the transfer of the State's electricity generator assets to the private sector and between public sector agencies.

Objectives

The Act establishes the EAMHC to hold electricity generator assets acquired by it or transferred to it by or under the Act or any other Act, to carry on any activities or business that relate to any electricity generator assets held by it and such other functions for the purposes of an authorised transaction as may be prescribed by the regulations.

The EAMHC may, for the purposes of an authorised transaction, acquire certain land by agreement or by compulsory process in accordance with the *Land Acquisition (Just Terms Compensation) Act 1991*.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The Corporation has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

Electricity Assets Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Electricity Assets Ministerial Holding Corporation (the Corporation), 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 Corporation 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 those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Corporation in accordance with the auditor independence requirements of:

- 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.

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 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.

The Secretary of the Treasury'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 Corporation's ability to continue as a going concern except where the Corporation'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 Corporation carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Aaron Green
Director, Financial Audit Services

28 September 2017
SYDNEY

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2017

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F 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 Electricity Assets Ministerial Holding Corporation's financial position as at 30 June 2017 and the financial performance for the year ended; and

(e) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the financial reporting directions issued by the NSW Treasurer.

Further 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

26 September 2017

Electricity Assets Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Expenses excluding losses				
Operating expenses				
Claims expense	3	4,485	(369)	(2,939)
Management fee	3	178	182	178
Other operating expenses	3	438	388	337
Grants and subsidies	4	2,400	-	-
Finance costs	10	2,043	1,867	2,047
Total expenses excluding losses		**9,544**	**2,068**	**(377)**
Revenue				
Investment revenue	5	2,083	1,295	1,496
Other revenue	6	368	430	546
Total revenue		**2,451**	**1,725**	**2,042**
Net result		**(7,093)**	**(343)**	**2,419**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**(7,093)**	**(343)**	**2,419**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
ASSETS				
Current assets				
Cash and cash equivalents	7	174,008	75,023	78,599
Receivables	8	1,976	35	846
Total current assets		**175,984**	**75,058**	**79,445**
Non-current assets				
Receivables	8	312	347	347
Total non-current assets		**312**	**347**	**347**
Total assets		**176,296**	**75,405**	**79,792**
LIABILITIES				
Current liabilities				
Payables	9	68	-	57
Provision for outstanding claims	10	5,115	3,365	4,344
Total current liabilities		**5,183**	**3,365**	**4,401**
Non-current liabilities				
Provision for outstanding claims	10	43,315	39,991	41,274
Total non-current liabilities		**43,315**	**39,991**	**41,274**
Total liabilities		**48,498**	**43,356**	**45,675**
Net assets		**127,798**	**32,049**	**34,117**
Equity				
Accumulated funds		127,798	32,049	34,117
Total equity		**127,798**	**32,049**	**34,117**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

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

	Notes	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2016		**34,117**	**34,117**
Net result for the year		(7,093)	(7,093)
Total comprehensive income for the year		**(7,093)**	**(7,093)**
Transactions with owners in their capacity as owners			
Increase in net assets from equity transfers	11	100,774	100,774
Balance at 30 June 2017		**127,798**	**127,798**
Balance at 1 July 2015		**31,698**	**31,698**
Net result for the year		2,419	2,419
Total comprehensive income for the year		**2,419**	**2,419**
Transactions with owners in their capacity as owners			
Increase in net assets from equity transfers	11	-	-
Balance at 30 June 2016		**34,117**	**34,117**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Cash flows from operating activities				
Payments				
Claim payments	10	(3,716)	(3,215)	(1,794)
Grants and subsidies	4	(2,400)	-	-
Other		(1,259)	(1,000)	(983)
Total payments		**(7,375)**	**(4,215)**	**(2,777)**
Receipts				
Interest received		1,515	1,295	1,254
Other		512	878	1,849
Total receipts		**2,027**	**2,173**	**3,103**
Net cash flows from operating activities	12	**(5,348)**	**(2,042)**	**326**
Net (decrease)/increase in cash		**(5,348)**	**(2,042)**	**326**
Opening cash and cash equivalents		78,599	77,065	74,671
Cash transferred in as a result of administrative restructuring	11	100,757	-	3,602
Closing cash and cash equivalents	7	**174,008**	**75,023**	**78,599**

The accompanying notes form part of these financial statements.

NOTES INDEX

1. ELECTRICITY ASSETS MINISTERIAL HOLDING CORPORATION INFORMATION

Electricity Assets Ministerial Holding Corporation (EAMHC) was established on 5 June 2012 by the *Electricity Generator Assets (Authorised Transactions) Act 2012* (the Act). The Act authorises and provides for the transfer of the State's electricity generator assets to the private sector and between public sector agencies.

The Act also establishes EAMHC to hold electricity generator assets acquired by it or transferred to it by or under this Act or any other Act, and to carry on any activities or business that relate to any electricity generator assets held by it, including demanding, collecting and receiving charges, levies, rates and fees, and such other functions for the purposes of an authorised transaction as may be prescribed by the regulations. EAMHC may, for the purposes of an authorised transaction, acquire certain land by agreement or by compulsory process in accordance with the *Land Acquisition (Just Terms Compensation) Act 1991*.

On 31 July 2013, the Treasurer authorised the transfer of specific assets, rights and liabilities relating to the pre-existing dust disease and non dust disease liabilities from Eraring Energy, Delta Electricity and Macquarie Generation to EAMHC. EAMHC appointed NSW Self Insurance Corporation (SICorp) to undertake the claims management functions. From 2015, the residual assets, rights and liabilities of the Green State Power, Macquarie Generation and Delta Electricity Vales Point power station were vested in EAMHC through various vesting orders.

During the current reporting period, the State dissolved Delta Electricity, established a general government sector transaction company in the name of Generator Property Management Pty Ltd (GPM) to carry out the demolition and remediation work of the Delta Electricity Munmorah power station. The residual assets, rights and liabilities of the Delta Electricity were vested to EAMHC and GPM. The vesting order is effective from 21 November 2016. *Electricity Generator Assets (Authorised Transactions) Regulation 2016* provide EAMHC with additional functions under the Act to provide funding to the GPM and carry out residual entity business transactions.

EAMHC is a NSW government entity and is a not-for-profit entity. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

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. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions mandated by the Treasurer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

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

Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Provision for outstanding claims

The provision for outstanding claims is actuarially determined. It is measured as the best estimate of the expected future payments required to settle the present obligation at the reporting date.

The expected future payments are estimated on the basis of the ultimate cost of the settling of claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury.

The liability for claims includes:

- claims incurred but not yet paid
- claims incurred but not reported (IBNR)
- claims incurred but not enough reported (IBNER)

The estimate of IBNR and IBNER are generally subject to a greater degree of uncertainty than reported claims.

Statement of compliance

The financial statements and notes comply with applicable Australian Accounting Standards, which include 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy, including new or revised Australian Accounting Standards

New, revised or amending standards and interpretations effective for the first time

The EAMHC have 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. The following Australian Accounting Standards have been adopted in 2016-17.

AASB 1057 *Application of Australian Accounting Standards*
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*
AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*
AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs*

First time adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the EAMHC. The accounting policies applied in 2016-17 are consistent with those of the previous financial year.

New standards and interpretations not yet effective

The following new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2017.

AASB 9 *Financial Instruments (2014)* (operative date 1 July 2018)
AASB 15 *Revenue from Contracts with Customers* (operative date 1 July 2018)
AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* (operative date 1 July 2018)
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* (operative date 1 July 2017)
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* (operative date 1 July 2017)
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* (operative date 1 July 2018)
AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* (operative date 1 July 2017)
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle* (operative date 1 July 2017)

It is unlikely the adoption of the above accounting standards issued but not yet effective will have material impact on the financial performance or position of the Corporation. EAMHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSWTC 17/04.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE

Revenue is measured at the fair value of the consideration or contributions received or receivable to the extent it is probable that the economic benefits will flow to EAMHC and the amount is reliably measurable. EAMHC uses the following criteria to recognise and measure revenue:

Investment revenue

Investment revenue relates to interest revenue and is recognised using the effective interest method as set out in AASB139 *Financial Instruments: Recognition and Measurement*.

Other revenue

The following specific recognition criteria are used to measure the income:

(i) Petroleum exploration royalty

Macquarie Generation's rights, title and interests in relation to the petroleum exploration licence issued under the *Petroleum (Onshore) Act 1991* (NSW) was vested in EAMHC on 30 January 2015. Under the royalty deeds, EAMHC is entitled to receive a cash payment based on the volume of resources extracted under the petroleum exploration licenses from AGL Upstream Investments Pty Limited. The revenue is recognised in accordance with *AASB 118 Revenue*, based on the volume of resources extracted each period.

(ii) Recovery revenue

Recovery revenue is insurance recoveries in respect of the claims paid. It is recognised as revenue when it is virtually certain that recovery will be made. Claim recovery revenue also includes actuarial revisions to the outstanding claim recoveries receivable.

EXPENSES

Expenses are recognised when incurred. The EAMHC uses the following criteria to recognise and measure expenses:

Operating expenses

(i) Claims expenses

Claims expenses are recognised as expenses when incurred. Included in claims expenses are actuarially determined revisions to the outstanding claims provisions.

(ii) Other expenses

Other expenses are recognised as they accrue.

Finance officers of the NSW Treasury provide administrative services, including the preparation of EAMHC financial statements. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and no charge is made to the entity for these services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Subsidies

Grants and subsidies expenses comprise of cash contributions provided to GPM. They are recognised as expense when EAMHC transfers control of the assets comprising of the contribution.

Finance costs

Finance costs are the unwinding of discounts for the provision of outstanding claims and are recognised as an expense when incurred.

ASSETS

Cash and cash equivalents

Cash and cash equivalents include at call deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Receivables

(i) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets 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, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

The collection of trade receivables is reviewed on an ongoing basis. An allowance for impairment is recognised when there is objective evidence that not all amounts due will be collectable. Bad debts are written off as incurred. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Claim recoveries receivable

Receivables from claim recoveries are actuarially determined in consultation with claims managers.

The amount of the claim recoveries receivable is equal to gross incurred cost less the retention limit and recoveries received to date. The receivable is recognised when recovery is virtually certain to take place when the corresponding obligation is settled. The measurement of these receivables is affected by factors such as normal inflation and the discount rate used for discounting of future expected receipts. The rates applied are consistent with those used in the valuation of provisions for outstanding claims (see Note 10).

There has not been any key assumption made around the amounts recoverable that would have a significant risk of causing material adjustments to the carrying amount of the receivables within the next annual reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LIABILITIES

Payables

Payables represent liabilities for goods and services provided but not paid for at each reporting date. These 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 original invoiced amount where the effect of discounting is immaterial.

Provisions for outstanding claims

Provisions are recognised when:

- there is a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The expected future payments are then discounted to a present value at the reporting date.

The liability for outstanding claims is measured in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as the best estimate of the present value of expected future payments against claims incurred at reporting date. It is the best estimate with no deliberate overstatement or understatement of the liabilities. Where there is a material effect due to the time value of money, a provision is discounted. The increase in the provision resulting from the passage of time is recognised in finance costs.

Goods and Services Tax

Revenues, expenses and assets must be recognised net of the amount of GST, except:

- the amount of GST incurred that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

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

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. Subject to below, in most instances this will approximate fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the entity recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise that asset.

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in the Note 15.

3. OPERATING EXPENSES

	Notes	2017 $'000	2016 $'000
Claims expenses			
Adjustment to existing outstanding claims[1]	10	4,485	(2,939)
		4,485	**(2,939)**
Management fees			
Management fees		178	178
		178	**178**
Other operating expenses			
Actuarial expenses		143	138
Audit fees - audit of financial statements		58	56
Contractors		57	-
Consultants		16	-
Other		164	143
		438	**337**
Total operating expense		**5,101**	**(2,424)**

[1.] Adjustment to existing outstanding claims represent the increase/(decrease) in provision for outstanding claims liabilities excluding the increase in provisions due to the unwinding of discounts during the year. The increase in the carrying amount of a provision due to the passage of time is recognised as a finance cost.

4. GRANTS AND SUBSIDIES

Grants and subsidies		
Grants to GPM	2,400	-
	2,400	**-**

Generator Property Management Pty Ltd was established to carry out the demolition and remediation work of the Delta Electricity Munmorah power station. EAMHC were empowered under the *Electricity Generator Assets (Authorised Transactions) Regulation 2016* to provide funding to GPM to fulfil their responsibility as a transaction company.

5. INVESTMENT REVENUE

	2017 $000	2016 $000
Bank interest	2,083	1,496
	2,083	**1,496**

6. OTHER REVENUE

Petroleum exploration royalty	298	267
Recovery revenue	68	279
Other	2	-
	368	**546**

7. CASH AND CASH EQUIVALENTS

Cash at bank	174,008	78,599
	174,008	**78,599**

For the purposes of the Statement of Cash Flows, cash and cash equivalents represent cash at bank.

Cash and cash equivalent 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:

Cash and cash equivalents (per Statement of Financial Position)	**174,008**	**78,599**
Closing cash and cash equivalents (per Statement of Cash Flows)	**174,008**	**78,599**

Refer to Note 13 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. RECEIVABLES

	2017 $'000	2016 $'000
Expected future recoveries (discounted)	352	387
Interest receivables	1,312	744
Petroleum exploration royalty receivables	24	20
GST receivables	541	21
Other	59	21
	2,288	**1,193**
Current	1,976	846
Non-current	312	347
	2,288	**1,193**

Details regarding credit risk of trade debtors that are neither past due or impaired, are disclosed in Note 13.

9. PAYABLES

Claims payable	12	15
Other	56	42
	68	**57**

Details regarding liquidity risk, including a maturity analysis are disclosed in Note 13.

10. PROVISIONS FOR OUTSTANDING CLAIMS

				2017	2016
		Dust Disease	Non Dust Disease	Total	Total
	Notes	$'000	$'000	$'000	$'000
Opening balance		42,209	3,409	45,618	44,702
Transfer - in	11	-	-	-	3,602
Payments		(2,957)	(759)	(3,716)	(1,794)
Actuarial (gain)/loss		3,623	862	4,485	(2,939)
Unwinding of discounts		1,978	65	2,043	2,047
Closing balance		**44,853**	**3,577**	**48,430**	**45,618**
Current		4,596	519	5,115	4,344
Non-current		40,257	3,058	43,315	41,274
		44,853	**3,577**	**48,430**	**45,618**

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be between 6.33 to 10.8 years (2016: 7 - 10.8 years) for dust disease liabilities and 4.65 years (2016: 4.23 years) for non-dust disease liabilities.

(b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims.

	Dust Disease		Non Dust Disease	
	2017	**2016**	**2017**	**2016**
	%	%	%	%
Not later than one year				
Inflation rate	2.15 - 2.78	2.5 - 3.0	2.72	2.50
Discount rate	4.50	4.75	2.36	1.77
Superimposed inflation	2.0 - 2.25	2.0 - 2.25	-	-
Later than one year				
Inflation rate	3.11 - 4.00	2.75 - 4.00	2.92 - 3.50	2.75 - 3.50
Discount rate	4.50	4.75	2.36	1.77
Superimposed inflation	2.0 - 2.25	2.0 - 2.25	-	-

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

Sensitivity Analysis

The outstanding claims liabilities are the best estimate derived from actuarial assumptions regarding future experience. Sensitivity analysis can be used to measure the change in the outstanding claims estimate that would result from a change in the assumptions. Sensitivity analysis of the key valuation assumption changes for the Dust Disease and Non Dust Disease liabilities and their impact are shown in the following tables:

(a) Dust Disease as at 30 June 2017

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		42,843		
Risk free rate		51,592	8,749	20.4%
Discount rate	+1%	39,372	-3,471	-8.1%
	-1%	46,920	4,077	9.5%
Inflation rate	+1%	46,912	4,069	9.5%
	-1%	39,315	-3,528	-8.2%
Superimposed inflation rate	+1%	46,959	4,116	9.6%
	-1%	39,287	-3,556	-8.3%
Seed Reports[2]	+1 claim	48,410	5,567	13.0%
	-1 claim	37,276	-5,567	-13.0%
Incidence Curves[3]	+15% IBNR claims	49,182	6,339	14.8%
	-15% IBNR claims	37,463	-5,380	-12.6%
Average Claim Size	+10%	46,548	3,705	8.6%
	-10%	39,137	-3,706	-8.7%

1. The net central estimate is inflated and discounted, net of reinsurance and other recoveries and includes an allowance for claims handling expenses.

2. Seed reports are the expected number of dust disease claims expected in the first projection year.

3. Incidence curves reflect the expected emergence of dust disease claims in the future. The actuary has tested the sensitivity of the curves by increasing and decreasing the latency period which results in an increase/decrease in the number of future IBNR claims.

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

(b) Dust Disease as at 30 June 2016

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		40,001		
Risk free rate		49,188	9,187	23.0%
Discount rate	+1%	36,591	-3,410	-8.5%
	-1%	44,027	4,026	10.1%
Inflation rate	+1%	44,026	4,025	10.1%
	-1%	36,530	-3,471	-8.7%
Superimposed inflation rate	+1%	44,077	4,076	10.2%
	-1%	36,498	-3,503	-8.8%
Seed Reports[2]	+1 claim	45,686	5,685	14.2%
	-1 claim	34,316	-5,685	-14.2%
Incidence Curves[3]	+15% IBNR claims	46,249	6,248	15.6%
	-15% IBNR claims	34,770	-5,231	-13.1%
Average Claim Size	+10%	43,597	3,596	9.0%
	-10%	36,405	-3,596	-9.0%

1. The net central estimate is inflated and discounted, net of reinsurance and other recoveries and includes an allowance for claims handling expenses.

2. Seed reports are the expected number of dust disease claims expected in the first projection year.

3. Incidence curves reflect the expected emergence of dust disease claims in the future. The actuary has tested the sensitivity of the curves by increasing and decreasing the latency period which results in an increase/decrease in the number of future IBNR claims.

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

(c) Non Dust Disease as at 30 June 2017

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		3,199		
Risk free rate		3,194	-5	-0.1%
Discount rate	+1%	3,024	-174	-5.5%
	-1%	3,388	189	5.9%
Inflation rate	+1%	2,767	-67	-2.1%
(not explicitly modelled)	-1%	2,540	72	2.3%
Superimposed inflation rate	+1%	2,767	-67	-2.1%
(not explicitly modelled)	-1%	2,540	72	2.3%
Reactivation[2]	+25%	3,532	334	10.4%
	-25%	2,865	-334	-10.4%
Life expectancy[3]	+5	3,922	724	22.6%
	-5	2,514	-685	-21.4%

1. The net central estimate is inflated and discounted, net of reinsurance and other recoveries and includes an allowance for claims handling expenses.
Due to the changes in regulation in 2015, there were more claim reactivation for periodic medical hearing aids replacement for people who suffer from industrial deafness. The liability projection has allowed explicitly for this risk. Two key assumptions underlying the projection are:

2. Total number of claimants who are expected to make regular claims for reactivation of medical aids support over their lifetime.

3. The life expectancy of those claimants who are expected to make regular claims for reactivation of medical aids support over their lifetime.

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

(d) Non Dust Disease as at 30 June 2016

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		2,910		
Risk free rate		2,906	-4	-0.1%
Discount rate	+1%	2,766	-143	-4.9%
	-1%	3,064	155	5.3%
Inflation rate	+1%	3,086	177	6.1%
(not explicitly modelled)	-1%	2,844	-65	-2.2%
Superimposed inflation rate	+1%	3,086	177	6.1%
(not explicitly modelled)	-1%	2,844	-65	-2.2%

[1.] The net central estimate is inflated and discounted, net of reinsurance and other recoveries and includes an allowance for claims handling expenses.

11. INCREASE IN NET ASSETS FROM EQUITY TRANFERS

As part of the sale of the State's electricity generator asset, the Treasurer authorised the transfer of specific assets, rights and liabilities from Delta Electricity to EAMHC in the 2016 and 2017 financial years. The following are the assets and liabilities transferred through equity:

	2017 $'000	2016 $'000
Assets transferred in		
Cash and cash equivalents	100,757	3,602
Receivables	38	-
Other assets	15	-
Total assets	**100,810**	**3,602**
Liabilities transferred in		
Payables	36	-
Provision for outstanding claims	-	3,602
Total liabilities	**36**	**3,602**
Net assets from equity transfers	**100,774**	**-**

12. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2017 $'000	2016 $'000
Net cash flows from operating activities	**(5,348)**	**326**
Adjustments for:		
(Increase)/decrease in provisions	(2,812)	2,686
Decrease in payables	25	25
Increase/(decrease) in receivables	1,042	(618)
Net result	**(7,093)**	**2,419**

13. FINANCIAL INSTRUMENTS

EAMHC's principal financial instruments are cash deposits held with NSW Treasury Banking System at Westpac Banking Corporation, receivables and payables. These instruments expose EAMHC to interest rate risk on cash balances held, liquidity risk and credit risk. These financial instruments arise from EAMHC's operations and are required to finance those operations. EAMHC does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

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 EAMHC, to set risk limits and controls, and to monitor risks.

The main purpose of these financial instruments is to derive income and investment gains which are used to fund the pre-existing dust disease and workers' compensation liabilities.

Note 2 details the key accounting policies and methods which include the recognition criteria, the basis of measurement and the income and expenses recognition for each class of financial instrument.

Financial instrument categories

	Note	Category	Carrying amount 2017 $'000	Carrying amount 2016 $'000
Financial Assets				
Cash and cash equivalents	7	N/A	174,008	78,599
Receivables[1]	8	Loan and receivables measured at amortised cost	1,395	785
Financial liabilities				
Payables[2]	9	Financial liabilities measured at amortised cost	68	57

1. Excludes statutory receivables of $0.541 mil (2016: $0.021 mil) and expected recoveries receivable of $0.36 mil (2016: $0.382 mil) which are not within the scope of AASB7 *'Financial Instruments'*.

2. Excludes statutory payables of Nil (2016: Nil) which are not within the scope of AASB7 *'Financial Instruments'*.

13. FINANCIAL INSTRUMENTS

(a) Market risks

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. EAMHC's exposures to market risk are primarily through the interest rate movement associated with cash balances held and credit risk on short term receivables.

The effects on EAMHC's operating result due to possible changes in risk variables are outlined in the information below. For interest rate risk and other price risk, a likely change in each risk variable has been determined after taking into account the economic environment in which EAMHC 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 EAMHC's cash deposits held at financial institutions.

The following table provides the sensitivity analysis of interest rate risk affecting applicable financial assets on the operating result and equity of EAMHC. 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.

		$'000			
	Carrying amount	-1%		+1%	
		Net result	Equity	Net result	Equity
2017					
Cash and cash equivalents	174,008	(1,740)	(1,740)	1,740	1,740
2016					
Cash and cash equivalents	78,599	(786)	(786)	786	786

Currency risk

EAMHC has no exposure to foreign currency risk.

(b) Credit risk

EAMHC'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 at balance date.

Cash and cash equivalents

Cash comprises cash balances with financial institutions. Interest is earned on daily bank balances.

Receivables

Receivables include trade debtors.

All trade debtors are recognised as amounts receivable at the reporting date. The collection of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. No interest is earned on trade debtors. The average credit period on sales, unless otherwise agreed, is 30 days.

13. FINANCIAL INSTRUMENTS (continued)

EAMHC does not receive any collateral for receivables.

There are no receivables that are past due or considered impaired as at reporting date.

(c) Liquidity risk

Liquidity risk is the risk that the entity will be unable to meet payment obligations when they fall due.

During the current and prior years, there were no defaults on payables. No assets have been pledged as collateral. EAMHC's exposure to liquidity risk is deemed insignificant based on prior period data and the current assessment of risk.

Payables are recognised at amounts due to be paid in the future for goods or services received. 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.

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

			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate %	Nominal amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'000
2017								
Payables	-	68	-	-	68	68	-	-
Total financial liabilities	**-**	**68**	**-**	**-**	**68**	**68**	**-**	**-**
2016								
Payables	-	57	-	-	57	57	-	-
Total financial liabilities	**-**	**57**	**-**	**-**	**57**	**57**	**-**	**-**

The payables are non-interest bearing and EAMHC has no exposure to foreign currency risk.

(d) Fair value measurement

Fair Value Measurement Management assessed that carrying amount of all financial instruments approximate their fair values due.

14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

EAMHC was set up to facilitate the transfer of the State's electricity generator assets to the private sector. On 15 November 2012, the New South Wales Government issued an announcement outlining its plan to dispose of the New South Wales electricity generators. In preparation for the sale, the Treasurer issued various vesting orders which transferred specific assets, rights and liabilities from Eraring Energy, Delta Electricity, Green State Power and Macquarie Generation to EAMHC. The assets, rights and liabilities vested in EAMHC have exposures to various contingent assets and contingent liabilities.

Contingent Assets

Various recovery receivables, claims and proceedings were transferred to EAMHC during the electricity generator sale. It is not practicable to estimate these recovery receivables at the reporting date.

Dust disease insurance recoveries

Dust disease insurance recoveries receivables are monies receivable from the NSW Government for community service obligations relating to dust diseases settlements for former employees and third party contractors who worked at decommissioned power stations of the former Electricity Commission, Delta Electricity or Macquarie Generation power stations prior to the formation of those companies. The amount of recovery can only be ascertained and estimated after claims settlement. There are no known claims at 30 June 2017.

Sale of Macquarie Generation

Under the Sale and Purchase Agreement and vesting order effective from 30 January 2015, EAMHC has the following contingent assets that were transferred from Macquarie Generation:

- recovery rights in relation to directors and officers insurance policy, Legal Expense, Statutory and Business Practices Liability insurance policy
- rights, title and interest associated with Petroleum Exploration Licences.

Sale of Green State Power

Under the Sale and Purchase Agreement and vesting order effective from 8 December 2014, EAMHC is liable for all present and future Workers Compensation and dust diseases claims by any employee, former employee of Green State Power or by any other Workers Compensation claimant in relation to their employment with or service provided to Green State Power prior to the Sale. It is not reasonably possible to estimate the liabilities for future claims at the reporting date. However, in the event any claim arises, EAMHC is able to recoup the cost of claims from a third-party insurer as the liabilities are insured by Green State Power and the insurance entitlement was also transferred to EAMHC prior to the Sale.

Contingent Liabilities

EAMHC has exposures to the following contingent liabilities as at reporting date. It is not reasonably possible to estimate the liabilities at the reporting date.

Directors' indemnity deeds

Eraring Energy entered into directors indemnity deeds with its directors and officers which indemnified the directors and officers from public liabilities and negligence claims. The deeds have been transferred to EAMHC which expose EAMHC to potential future claims.

14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

Sale of Green State Power

EAMHC is liable for any indemnities provided by Green State Power to its directors or officers that accrue or relate to the period prior to Sale. There are no known claims at 30 June 2017. In the event any claim arises, EAMHC is able to recoup the cost of claims from a third-party insurer through the director and officer insurance policies hold with third-party insurer.

EAMHC is also liable for liabilities associated with any formal dispute resolution proceeding and the termination of employees to which Green State Power is party of. There are no known claims at 30 June 2017.

Sale of Macquarie Generation

EAMHC has exposures to the following Macquarie Generation liabilities:

- liability in relation to any disputes, claims, litigation proceeding
- Workers Compensation liabilities and claims
- employees termination related claims
- payables, including all invoices outstanding to be paid by Macquarie Generation
- director and officers indemnities claim.

There are no known claims at 30 June 2017.

Sale of Delta Electricity

A claim was lodged against EAMHC by a Delta Electricity former employee around the calculation of termination payment by Delta Electricity. The case is currently under arbitration and awaits for a final settlement. There will be either a contingent asset of approximately $1,000 or a contingent liability of $6,000 upon settlement.

At the reporting date, there were no other material contingent assets and contingent liabilities where the probability of any inflow and outflow in settlement was greater than remote.

15. BUDGET REVIEW

Net result

EAMHC's net result is a loss of $7.09 million in 2017 and $6.75 million below the budget.

Total expenses were $7.48 million higher than budget, mainly due to the following reason:

- $2.4 million recurrent funding to GPM for Munmorah power station demolition works which was not budgeted for.
- Claims expense was $4.85 million higher than budget contributed by the following factors: Claim payments were $0.5 million higher resulting from increase in Dust Disease claims in the current financial year. A regulation change caused claim reactivation for periodic medical hearing aids replacement for people who suffer from industrial deafness. This has increased claims expenses by $1.3 million. Reduction in discount rate from 4.75% to 4.5% has increased the claims cost by $0.94 million, while a change in actuarial assumption and incorporation of latest claim experience contributed a further $2.1 million to the unfavourable variance.

Total revenue for 2017 was $2.45 million, $0.73 million higher than budget. Investment returns were $0.79 million higher than budget due to interest earned on unexpected cash receipts of $100.76 million from Delta Electricity upon dissolution.

Assets and Liabilities

Total assets for the year were $176.3 million, which exceeded the budget by $100.9 million contributed by $100.76 million of cash transfer from Delta Electricity via equity transfer.

Total liabilities were $48.5 million and were $5.14 million higher than budget due to reduction in discount rate used, increase in claim payments, a regulation change and increase in number of claims reflected in the actuarial valuation.

Cash flows

The actual net cash flows used in operating activities were $5.35 million, $3.31 million higher than budget.

Cash payments were $7.38 million and were $3.16 million higher than budget largely due to $2.4 million funding provided to GPM for demolition of Munmorah power station. Higher claim payment contributed $0.5 million to the unfavourable variance. Delta Electricity related costs were incurred after liabilities vested in EAMHC and was not expected at budget time.

Cash receipts were $2.03 million, in-line with the cash receipts budget of $2.17 million.

Closing cash and cash equivalents were $174.01 million, $98.99 million higher than budget due to unanticipated $100.76 million transferred from Delta Electricity.

16. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The NSW Government is the ultimate parent of EAMHC. The NSW Government is also the ultimate parent of NSW Treasury, Delta Electricity and GPM that carry out demolition and remediation work of the Munmorah power station.

(b) Key management personnel remuneration

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the EAMHC. NSW Government is the ultimate controlling party of the EAMHC. The Treasurer, NSW Treasury Secretary and Deputy Secretaries are considered as KMP. The NSW Cabinet are considered to be related parties of EAMHC because of its role to direct overall government policy and make decisions regarding state issues.
EAMHC does not have employees. Key management personnel services were provided by NSW Treasury. No remuneration was paid to any of the KMP by EAMHC during the reporting period. No loans were made to any of the KMP during the reporting period.

(c) Transactions with related parties

Terms and conditions of transactions with related parties

Purchases from related parties are made at arm's length at normal market prices and on normal commercial terms. Expenditure paid by the EAMHC on behalf of related parties was recovered at cost.

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.

(iii) Transactions with KMP

The EAMHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP are required to complete annual declarations in relation to the related party transactions. No KMP has declared that he/she and their close family members have made any transactions with the EAMHC during the reporting period.

(iv) Transactions with other government related entities

The Corporation interacts with other government agencies in delivering services to the general public. The services were provided in the same commercial terms as the general public.

EAMHC has provided $2.4 million cash funding to GPM to cover operational, demolition and remediation costs in 2017. Both are government-related entities controlled by the NSW Government.

Upon dissolution of Delta Electricity, various assets and liabilities including contracts were transferred from Delta Electricity to EAMHC, details are included in Note 11 and Note 14.

No other related party transaction occurred in this reporting period.

17. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2017

Electricity Transmission Ministerial Holding Corporation

Charter

The Electricity Transmission Ministerial Holding Corporation (ETMHC) was established on 17 December 2015. It is the continuing entity of the former TransGrid State Owned Corporation (SOC) which was subject of a long-term lease transaction, authorised under the *Electricity Network Assets (Authorised Transactions) Act 2015* ("the Act").

TransGrid was converted into the ETMHC immediately after the completion of the lease transaction under Schedule 7 of the Act. ETMHC is the same legal entity as the former TransGrid SOC.

Objectives

The purpose of ETMHC is to act as a lessor of the network assets, hold and manage certain assets, rights and liabilities on behalf of the Crown, to carry out activities or business that relate to the assets, rights, and liabilities held by it, and to carry out other functions as may be required under an authorised transaction Act.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The Corporation has no staff of its own.

AUDITOR-GENERAL

NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Electricity Transmission Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Electricity Transmission Ministerial Holding Corporation (the Corporation), 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 Corporation 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 Corporation 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.

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 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.

The Secretary of the Treasury'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 Corporation's ability to continue as a going concern except where the Corporation'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 Corporation carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Aaron Green
Director, Financial Audit Services

5 October 2017
SYDNEY

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F 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 Electricity Transmission Ministerial Holding Corporation's financial position as at 30 June 2017 and the financial performance for the year then ended; and

(f) 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* and NSW Treasury Policy and Guidelines Papers.

Further 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

3 October 2017

Electricity Transmission Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	Actual 30 June 2017 $'000	Budget 30 June 2017 $'000	Actual 30 June 2016 $'000
Continuing Operations				
Income	4	4,804	582	5,635
Expenses excluding Finance Costs	5	(6,542)	(160)	(5,490)
Finance Costs	5	(1)	-	(94)
Profit/(Loss) before Income Tax Expense from Continuing Operations		**(1,739)**	**422**	**50**
Income Tax Expenses Relating to Continuing Operations	7(i)	-	-	-
Profit/(Loss) for the Period from Continuing Operations		**(1,739)**	**422**	**50**
Discontinued Operations				
Profit after Tax for the Period from Discontinued Operations	6(i)	-	-	3,768,249
Profit/(Loss) for the Period		**(1,739)**	**422**	**3,768,299**
Other Comprehensive Income:				
Items that will not be reclassified subsequently to profit or loss:				
Income tax relating to asset revaluation surplus	7(ii)	-	-	485,147
Superannuation Actuarial Gains/(Losses)	14(ii)	83,165	-	(129,969)
Income tax relating to items that will not be reclassified	7(ii)	-	-	(91,638)
Total items that will not be reclassified subsequently to profit or loss		**83,165**	**-**	**263,540**
Items that may be reclassified subsequently to profit or loss:				
Cash Flow Hedge Reserve: Net increase		-	-	53
Income tax relating to items that may be reclassified	7(ii)	-	-	(36)
Total items that may be reclassified subsequently to profit or loss		**-**	**-**	**17**
Other Comprehensive Income for the Period, Net of Tax		**83,165**	**-**	**263,557**
Total Comprehensive Income for the Period		**81,426**	**422**	**4,031,856**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2017

	Notes	Actual 30 June 2017 $'000	Budget 30 June 2017 $'000	Actual 30 June 2016 $'000
Current Assets				
Cash and cash equivalents	8	145,750	140,529	139,123
Trade and other receivables	9	1,178	-	6,001
Other	10	503	665	574
Total Current Assets		**147,431**	**141,194**	**145,698**
Non-Current Assets				
Other	11	36,837	16,818	34,263
Total Non-Current Assets		**36,837**	**16,818**	**34,263**
Total Assets		**184,268**	**158,012**	**179,961**
Current Liabilities				
Trade and other payables	12	41	160	775
Provisions	13	740	881	793
Other	15	283	54	54
Total Current Liabilities		**1,064**	**1,095**	**1,622**
Non-Current Liabilities				
Provisions	13	171,708	191,015	248,269
Total Non-Current Liabilities		**171,708**	**191,015**	**248,269**
Total Liabilities		**172,772**	**192,110**	**249,891**
Net Assets /(Liabilities)		**11,496**	**(34,098)**	**(69,930)**
Equity				
Retained Earnings	16	11,496	(34,098)	(69,930)
Total Equity		**11,496**	**(34,098)**	**(69,930)**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

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

	Capital $'000	Retained Earnings $'000	Cash Flow Hedge Reserve $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2016	**0**	**(69,930)**	**0**	**0**	**(69,930)**
Comprehensive Income For The Year					
Profit for the period	-	(1,739)	-	-	(1,739)
Other comprehensive income for the period before related tax effects	-	83,165	-	-	83,165
Income tax relating to components of other comprehensive income	-	-	-	-	-
Total Comprehensive Income For The Year	-	81,426	-	-	81,426
Balance at 30 June 2017	**-**	**11,496**	**-**	**-**	**11,496**

	Capital $'000	Retained Earnings $'000	Cash Flow Hedge Reserve $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2015	**651,967**	**51,265**	**(17)**	**1,389,716**	**2,092,931**
Comprehensive Income For The Year					
Profit for the period	-	3,768,299	-	-	3,768,299
Other comprehensive income for the year before related tax effects	-	(129,969)	53	-	(129,916)
Income tax relating to components of other comprehensive income	-	(91,638)	(36)	485,147	393,473
Total Comprehensive Income For The Year	-	3,546,692	17	485,147	4,031,856
Transfers In Reserves:					
Transfer of asset revaluation reserve to retained earnings attributable to discontinued operations	-	1,869,894	-	(1,869,894)	-
Transfers from Asset Revaluation Surplus	-	437	-	(437)	-
Income tax relating to Transfers from Asset Revaluation Surplus	-	-	-	(4,532)	(4,532)
Total Transfers In Reserves	-	1,870,331	-	(1,874,863)	(4,532)
Owner Related Equity Transactions:					
Dividend	-	147,303	-	-	147,303
Distribution to Restart NSW	-	(6,337,488)	-	-	(6,337,488)
Transfer of Capital to Retained Earnings	(651,967)	651,967	-	-	-
Total Owner Related Equity Transactions	(651,967)	(5,538,218)	-	-	(6,190,185)
Balance at 30 June 2016	**-**	**(69,930)**	**-**	**-**	**(69,930)**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	Actual 30 June 2017 $'000	Budget 30 June 2017 $'000	Actual 30 June 2016 $'000
Cash Flows from Operating Activities				
Cash Receipts from Customers		9,453	-	567,473
Cash Paid to Suppliers and Employees		(5,864)	(160)	(223,083)
Finance Costs Paid		(1)	-	(141,062)
Rental Income received		-	-	2,378
Interest Received		3,039	-	251
Income Tax Received/(Paid)		-	-	(57,883)
Net Cash Inflows from Operating Activities	22	6,627	(160)	148,074
Cash Flows from Investing Activities				
Purchase of Property, Plant and Equipment, Intangibles and Investment Property		-	-	(183,651)
Proceeds from the Sale of Property, Plant and Equipment		-	-	79,691
Net Cash Outflows from Investing Activities		-	-	(103,960)
Cash Flows from Financing Activities				
Proceeds from Borrowings		-	-	524,259
Repayments of Borrowings		-	-	(282,653)
Dividends Paid		-	-	(147,304)
Net Cash Inflows from Financing Activities		-	-	94,302
Net Increase in Cash and cash equivalents		6,627	(160)	138,416
Cash and cash equivalents at Beginning of the Period		139,123	140,689	706
Cash and cash equivalents at the End of the Period	8	**145,750**	**140,529**	**139,123**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

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

NOTES INDEX

1. ELECTRICITY TRANSMISSION MINISTERIAL HOLDING CORPORATION INFORMATION

The Electricity Transmission Ministerial Holding Corporation (referred to as "ETMHC") is a continuing entity of the former TransGrid State Owned Corporation (SOC). TransGrid's electricity network assets are the subject of a long-term lease transaction, authorised under the *Electricity Network Assets (Authorised Transactions) Act 2015* ("the Act"). Immediately after transaction completion, TransGrid was converted into the ETMHC under Schedule 7 of the Act. ETMHC is the same legal entity as the former TransGrid SOC. The functions of ETMHC are:

- to hold on behalf of the Crown, assets, rights and liabilities acquired to it by or under an authorised transaction Act;
- to carry out activities or business that relate to the assets, rights and liabilities held by it including demanding, collecting and receiving charges, levies, rates and fees;
- such other functions of an authorised transaction as may be prescribed by the regulations.

ETMHC is a NSW government entity and is a not-for-profit entity from 17 December 2015. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

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

ETMHC is consolidated as part of the NSW Total State Sector Accounts.

2. LONG-TERM LEASE OF THE TRANSGRID NETWORK

The *Electricity Network Assets (Authorised Transactions) Bill 2015* was assented on 4 June 2015 which initiated the process for the long term lease of the TransGrid network in order to fund infrastructure projects across New South Wales (NSW) as part of the Government's rebuilding NSW plan.

On 25 November 2015 the Premier and Treasurer of NSW announced NSW Electricity Networks Operations Pty Limited (NSWENO) as the successful bidder.

On 15 December 2015 a number of statutory vesting orders under the *Electricity Network Assets (Authorised Transactions) Bill 2015* were received from the Treasurer of New South Wales. The vesting orders became effective on 16 December 2015 and on the same date, the network assets were leased under a 99 year finance lease to NSWENO. TransGrid as a State Owned Corporation was converted to ETMHC, a General Government Entity, for nil consideration.

A Ministerial Order on the same date was signed transferring existing employees of TransGrid SOC to NSWENO.

Cash consideration of $10.26 billion (comprising the purchase price for TransGrid of $2.57 billion, an upfront lease premium for the assets held by TransGrid of $7.26 billion and stamp duty of $0.43 billion) was paid directly to a number of State bank accounts and TransGrid's bank accounts in accordance with the Payment Direction issued by NSW Treasury. The stamp duty component has been excluded from the purchase price and the calculation of the gain on disposal. For further details refer to Note 6(v). The cash consideration paid to NSW Government is accounted for as a distribution to Restart NSW and a direct adjustment to equity. The Consolidated Statement of Comprehensive Income includes a gain on disposal of the net assets of TransGrid and a gain on entering into the 99 year finance lease. For further details refer to Note 6(iv).

The results of the long-term lease of TransGrid network are classified as discontinued operations and presented separately from the continuing operations of ETMHC. The continuing operations of ETMHC mainly relate to self-insured workers compensation exposure, defined benefit superannuation balances of retired employees and the finance lease receivable recognised as a result of the transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are general-purpose financial statements, and have been prepared on an accrual basis and in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and relevant NSW Treasury policies and circulars.

From 17 December 2015 onwards, ETMHC was classified as a not-for-profit General Government entity. Prior to this date, ETMHC operated as TransGrid, a for-profit State Owned Corporation (SOC). The prior year Statement of Comprehensive Income in these financial statements has been prepared on a for-profit basis for transactions during the period 1 July 2015 to 16 December 2015, and on a not-for-profit basis for transactions during the period 17 December 2015 to 30 June 2016. The Statement of Financial Position as at 30 June 2016 was prepared on a not-for-profit basis.

All current year information in these financial statements is presented consistent with the not-for-profit classification of the General Government entity.

All amounts are rounded to the nearest thousand dollars ($'000) and are expressed in Australian dollars (AUD) unless otherwise stated.

The principal accounting policies adopted in the preparation of the financial statements are set out below and in the relevant notes.

Statement of compliance

The financial statements and notes comply with applicable Australian Accounting Standards, which include Australian Accounting Interpretations.

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by ETMHC in preparing the financial statements in accordance with NSW Treasury Circular NSW TC 17-04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards.

The following new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2017.

AASB 9 Financial Instruments (2014) (operative date 1 July 2018)
AASB 15 Revenue from Contracts with Customers (operative date 1 July 2018)
AASB 16 Leases (operative date 1 July 2019)
AASB 1058 Income of Not-for-profit Entities (operative date 1 January 2019)
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (operative date 1 July 2018)
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (operative date 1 January 2017)
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 (operative date 1 July 2018)
AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 with AASB 4 Insurance Contracts (operative date 1 January 2018)
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (operative date 1 January 2017)
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (operative date 1 January 2019)

AASB 2017-1 Amendments to Australian Accounting Standards – Transfer of investment Property, Annual Improvements 2014-16 Cycle and Other Amendments (operative date 1 January 2019)
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle (operative date 1 January 2017)

It is considered impracticable to presently determine the impact of adopting the above accounting standards issued, but not yet effective. ETMHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC 17/04.

Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period. As highlighted above from 17 December 2015 onwards, ETMHC is classified as a not-for-profit General Government entity. Prior to this date, ETMHC operated as TransGrid, a for-profit State Owned Corporation (SOC). The prior year Statement of Comprehensive Income in these financial statements has been prepared on a for-profit basis for transactions during the period 1 July 2015 to 16 December 2015, and on a not-for-profit basis for transactions during the period 17 December 2015 to 30 June 2016. The Statement of Financial Position as at 30 June 2016 was prepared on a not-for-profit basis.

Changes in Accounting Policies

ETMHC 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.

The adoption of these Standards and Interpretations did not have any significant impact on the financial performance or position of the ETMHC.

Significant Accounting Judgements, Estimates and Assumptions made by management

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Judgements, key assumption and estimations management have made are disclosed in the relevant notes to the financial statements.

Workers' Compensation Provision

The liability for workers' compensation is based on an independent actuarial assessment, supplemented by management considerations, to arrive at a best estimate of the expenditure required to settle present obligations at the end of the reporting period.

Revenue from continuing operations

Revenue is measured at the fair value of the consideration or contributions received or receivable to the extent it is probable that the economic benefits will flow to ETMHC and the amount is reliably measurable.

Investment revenue

Investment revenue relates to interest revenue and is recognised using the effective interest method as set out in AASB139 *Financial Instruments: Recognition and Measurement*.

Finance Income

Finance income is recognised reflecting a constant periodic rate of return on ETMHC's net investment in the finance lease in accordance with AASB 117 *Leases.*

Recoup of administrative costs

ETMHC recoups administrative costs from NSWENO (the lessee) and recognises this as other income.

Expenses from continuing operations

Expenses are recognised when incurred.

Finance officers of the NSW Treasury provide administrative services, including the preparation of ETMHC financial statements. Due to the irregular and varied nature services provided during the financial year, no charge was made to the entity for these services.

Self-insured workers compensation

Claims expenses are recognised as expenses when incurred. Included in claims expenses are actuarially determined revisions to the outstanding provision.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and for the purposes of the Statement of Cash Flows comprise cash at bank and deposits with financial institutions.

Trade and other receivables

Receivables from trade and other debtors are recognised at amounts due less an allowance for any uncollectible amounts. Collectability of these receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment loss on trade and other receivables is raised when there is objective evidence that ETMHC will not be able to collect the debt.

Allowance for impairment loss on trade and other receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of recovery of these receivables is assessed by management. This assessment is based on enquiries as to the intention of late paying customers to pay, supportable past collection history, and historical write-offs of bad debts.

Leases

Finance Leases – ETMHC as Lessor

ETMHC is the lessor in a 99-year lease which is classified as a finance lease, as it is deemed that substantially all the risk and rewards incidental to the ownership of the leased assets have been transferred to the lessee. Finance lease accounting requires ETMHC to recognise finance leased assets as a receivable equal to the net investment in the lease, which is defined as the gross investment in the lease discounted at the interest rate implicit in the lease.

The gross investment in the lease is the aggregate of the minimum lease payments receivable by ETMHC and any unguaranteed residual value accruing to ETMHC. The unguaranteed residual value represents the amount ETMHC expects to recover from the value of the leased assets at the end of the lease term that is not guaranteed in any way by either the lessee or third parties unrelated to ETMHC. As all of the payments under the 99 year finance lease have been paid upfront by the successful bidder, ETMHC's gross investment in this lease comprises only the unguaranteed residual value of the assets which will be handed back to the State of NSW at the expiry of the lease term. This is referred to as the finance lease receivable in the financial statements.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of ETMHC.

ETMHC's residual interest in the leased assets has been valued as at 30 June 2016 and will be regularly re-assessed every five years, with the next assessment due in 2021. The expected residual value will depend upon specific factors such as the nature of the asset, volatility of land values, the rate of technological change and competitive conditions.

A valuation gain is recorded by ETMHC to the extent that the fair value of the leased assets exceeded their carrying value at the time of derecognition.

Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to ETMHC prior to the end of the period and there is an obligation to make future payment. The amounts are unsecured and are usually paid within 30 days of recognition.

Subsequent to initial recognition of these liabilities at fair value, they are measured at amortised cost using the effective interest rate method. This measurement is equivalent to the original invoice amount.

Superannuation

The significant estimates and judgements used in determining the unfunded superannuation liability are included in Note 14 to the financial statements.

Insurance

ETMHC maintains a mix of external insurance policies and internal provisioning in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The treatment of risks and associated liabilities are determined in conjunction with independent insurance advisers and loss adjusters.

Prior to 1 July 2012, the former TransGrid SOC was a self-insurer for workers' compensation. The liability for claims made, or to be made, against the insurance provision was determined by reference to the *Workers Compensation Act 1987* and the WorkCover Authority's guidelines to self-insurers. From 1 July 2012, the former TransGrid SOC's insurance arrangements, including workers' compensation, are provided by the NSW Treasury Managed Fund (TMF).

Insurable incidents occurring prior to 1 July 2012 are treated in accordance with the previous insurance arrangements, while incidents from 1 July 2012 onwards are managed under the TMF arrangements.

Provisions for outstanding claims

Provisions are recognised when:

- There is a present legal or constructive obligation as a result of a past event;

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

- A reliable estimate can be made of the amount of the obligation.

The expected future payments are then discounted to a present value at the reporting date.

The liability for outstanding claims is measured in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as the best estimate of the present value of expected future payments against claims incurred at reporting date. It is the best estimate with no deliberate overstatement or understatement of the liabilities. Where there is a material effect due to the time value of money, a provision is discounted. The increase in the provision resulting from the passage of time is recognised in finance costs.

Claim recoveries receivable

Receivables from claim recoveries are actuarially determined in consultation with claims managers.

The amount of the claim recoveries receivable is equal to gross incurred cost less the retention limit and recoveries received to date. The receivable is recognised when recovery is virtually certain to take place when the corresponding obligation is settled. The measurement of these receivables is affected by factors such as normal inflation and the discount rate used for discounting of future expected receipts. The rates applied are consistent with those used in the valuation of provisions for outstanding claims.

There has not been any key assumption made around the amounts recoverable that would have a significant risk of causing material adjustments to the carrying amount of the receivables within the next annual reporting period.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

Derecognition of financial assets

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or

- ETMHC has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) ETMHC has transferred substantially all the risks and rewards of the asset, or (b) ETMHC has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When ETMHC has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, ETMHC continues to recognise the transferred asset to the extent of its continuing involvement. In that case, ETMHC also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that ETMHC has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that ETMHC could be required to repay.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), with the following exceptions:

• Where the amount of GST incurred is not recoverable from the Australian Taxation Office (“ATO”). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; and

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position.

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

Discontinued operations and assets held for sale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Comprehensive Income.

In order to maintain consistency when segregating the performance of continuing and discontinued operations which occurred in prior year, the current year figures in the Statement of Comprehensive Income and related notes have been stated accordingly. This allows the presentation of an aggregate amount (profit from discontinued operations) to be presented on the face of the Statement of Comprehensive Income.

Going Concern

ETMHC was in a net liability position at 30 June 2016. The Treasurer provided, on behalf of the State, a letter of support to ETMHC stating that the State will provide financial support to enable the ETMHC to meet its debt obligations as and when they become due and payable. ETMHC is in a net asset position at 30 June 2017.

SIGNIFICANT POLICIES OF THE FORMER TRANSGRID STATE OWNED CORPORATION

Basis of consolidation

Subsidiary

Prior to the long-term lease of TransGrid network assets, the former TransGrid SOC prepared consolidated financial statements comprising the financial statements of the former TransGrid SOC and its wholly owned subsidiary Transtelco Pty Ltd (the "Consolidated" entity at 16 December 2015). Transtelco Pty Ltd was established on 7 August 2015.

During the period ended 16 December 2015 TransGrid paid $2,000 on behalf of Transtelco Pty Ltd. As this amount is not material there is no separate disclosure in the Financial Statements for Transtelco Pty Ltd.

Transtelco Pty Ltd was disposed of under the long-term lease transaction.

Joint ventures

The former TransGrid SOC entered into an Unincorporated Joint Venture Agreement for the future provision of telecommunications services.

In accordance with AASB 128 *Interests in Associates and Joint Ventures*, the joint venture is deemed to be a jointly controlled operation as each venturer uses its own assets in pursuit of the joint operations. The joint venture has not traded and has a nil value.

Significant accounting judgements of the former TransGrid SOC

Impairment of SOC network assets

Impairment of all assets, excluding investment property, prior to the long-term lease transaction has been assessed by evaluating conditions specific to the former TransGrid SOC's business as a whole. If an impairment trigger existed, the recoverable amount of the value in use for the business is determined.

Recovery of Deferred Tax Assets

Deferred tax assets were previously recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Deferred tax assets as at 16 December 2015 were derecognised as part of the long-term lease transaction.

Significant accounting estimates and assumptions of the former TransGrid SOC

Revaluation of former SOC assets

Prior to the long-term lease transaction, management applied the revaluation model to property, plant and equipment and recognises changes in fair value in the asset revaluation reserve in equity. Due to the specialised nature of the former TransGrid SOC's assets and consequent lack of sales market, property, plant and equipment are valued by the discounted cash flow (DCF) model based on an income approach. Any fair value movement greater than 5% (in absolute terms) of the total asset base being measured will be adjusted.

The former TransGrid SOC carried an investment property at fair value, with changes in fair value being recognised in profit or loss. The investment property was derecognised as part of the 16 December 2015 lease transaction.

An independent valuation was undertaken to assess the fair value of the investment property as at 16 December 2015. The DCF model based on market approach (i.e., market selling price) was used.

Revenue from former TransGrid SOC Operations

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Revenue from electricity transmission services is subject to the application of an Australian Energy Regulator determined Maximum Allowable Revenue (MAR) for the financial year. Prescribed services revenue is recognised on the basis of amounts received or receivable with no amounts accrued for future receipts from (or credits to) customers allowed under any regulatory pricing mechanism. The transmission service prices are set at the beginning of the financial year in accordance with the MAR.

Revenue from the rendering of other services is recognised when the service is provided or by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Contributions for Capital Works

Cash and non-cash capital contributions are recognised in accordance with Accounting Interpretation 18 *Transfers of Assets from Customers*.

Contributions of non-current assets are recognised as revenue and an asset when the former TransGrid SOC gains control of the asset. The amount recognised is the fair value of the contributed asset at the date on which control is gained.

Cash capital contributions are recognised as revenue when the network is extended or modified, consistent with the terms of the contribution.

Rental Income

Rental income arising from operating leases on the investment property is accounted for on a straight-line basis over the lease terms and is included as revenue due to its operating nature.

Income Tax

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset arises from the initial recognition of an asset or liability, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Income taxes relating to items recognised directly in equity (such as asset revaluation surplus, cash flow hedges and superannuation actuarial gains and losses) are recognised in equity and not in profit or loss. ETMHC obtained a tax exempt status as part of the conversion from a SOC to the Ministerial Holding Corporation on 16 December 2015.

Dividends

The former TransGrid SOC, paid dividends to the State of NSW prior to its conversion to a General Government entity on 17 December 2015.

Provision is made for the amount of dividend payable in relation to the current period, in accordance with the dividend recognition policy set out in NSW Treasury Policy TPP 14-4 *Financial Distributions Policy for Government Businesses*. Accordingly, a dividend in relation to the period is taken to be determined before the end of the reporting period, consistent with the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*

No dividends are payable from profit for the year ended 30 June 2016.

Foreign Currency Translation

Functional and presentation currency of ETMHC is Australian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

4. INCOME FROM CONTINUING OPERATIONS

	30 Jun 2017 $'000	30 Jun 2016 $'000
Investment revenue		
Interest income	2,175	2,088
	2,175	**2,088**
Other revenue		
Finance income[(i)]	1,830	940
Insurance and other recoveries	799	2,607
	2,629	**3,547**
Total Income from continuing operations	**4,804**	**5,635**

(i) At the date of execution of the 99-year finance lease, ETMHC recognised a finance lease receivable representing ETMHC's net investment in the lease. As the lease payments were received upfront, no further payments will be received by ETMHC and the residual asset will be accreted over the term of the lease as finance income.

5. EXPENSES FROM CONTINUING OPERATIONS

	30 Jun 2017 $'000	30 Jun 2016 $'000
Expenses excluding Finance Costs		
Self-insured workers compensation	1,675	(507)
Defined benefit expense	4,764	5,722
Other	103	276
Total Expenses excluding Finance Costs	**6,542**	**5,490**
Finance Costs	1	94
Total Expenses from continuing operations	**6,543**	**5,584**

6. DISCONTINUED OPERATIONS

The Discontinued Operations has been disclosed for comparative purposes. This relates to the long-term lease of the core network infrastructure assets and selected other assets of the former TransGrid SOC. The remaining assets and liabilities required to run the transmission business were also sold. The Discontinued Operations in effect cover the entire operations, with the exception of transactions relating to self-insured workers compensation exposures and defined benefit superannuation balances of retired employees.

(i) Financial Performance of operations disposed

The results for the TransGrid network assets up to the date of disposal are presented below in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*. The consolidated results from discontinued operations include the performance of the TransGrid network Assets from 1 July 2015 until the date of disposal on 16 December 2015.

	30 Jun 2017 $'000	30 Jun 2016 $'000
Revenue	-	418,556
Expenses	-	(191,573)
Finance Costs	-	(76,387)
Results from operating activities	**-**	**150,596**
Loss on early settlement of debt portfolio	-	(301,845)
Gain on disposal of discontinued operations	-	3,635,210
Total loss on early settlement & gain on disposal of discontinued operations	**-**	**3,333,365**
Profit from discontinued operations before tax	**-**	**3,483,961**
Income tax equivalent benefit / (charge)	-	284,288
Profit after Tax for the Period from Discontinued	**-**	**3,768,249**

(ii) Cash flows from discontinued operations

The net cash flows incurred by discontinued operations are as follows:

	30 Jun 2017 $'000	30 Jun 2016 $'000
Operating	-	226,085
Investing	-	(103,960)
Financing	-	94,302
Net cash (outflow) / inflow	**-**	**216,427**

(iii) Net assets disposed of in discontinued operations

	30 Jun 2016 $'000
Derecognised under 99 year finance lease:	
-Property, plant and equipment	5,554,845
-Easements	569,330
-Investment property	67,214
Total derecognised under 99 year finance lease:	**6,191,389**

	30 Jun 2016 $'000
Disposed through sale:	
Inventories	28,351
Derivatives asset	34
Other current assets	10,220
Property, plant and equipment	169,632
Intangible assets	38,256
Other non-current assets	9,651
Trade and other payables	(38,981)
Current provisions	(62,257)
Derivatives liabilities	-
Other current liabilities	(2,710)
Non-current provisions	(116,796)
Total disposed through sale:	**35,400**
Net assets disposed of in discontinued operations	**6,226,789**

The fair value hierarchy of financial statement assets and liabilities disposed were all Level 2 immediately prior to disposal.

(iv) Gain on disposal of discontinued operations

At the date of execution of the 99 year finance lease, the upfront lease premium paid to the Restart NSW Fund and the former TransGrid SOC exceeded the carrying value of the relevant property, plant and equipment and intangibles held by ETMHC. This has been recorded as a gain on disposal of discontinued operations.

	30 Jun 2016 $'000
Consideration paid to the former TransGrid SOC	61,513
Purchase price adjustment paid to ETMHC post 16 December	15,137
Consideration paid directly to the Crown	9,758,368
Net assets attributable to discontinued operations	(6,226,789)
Reclassified to non-current finance lease receivable	26,980
Gain on disposal of discontinued operations	**3,635,210**

(v) Net cash flow on disposal

The total cash consideration for the transaction was $9.8 billion and stamp duty of $438 million remitted directly to the Office of State Revenue. Cash consideration of $61.5 million was received by the former TransGrid SOC, $15.1 million purchase price adjustment was paid to ETMHC post 16 December 2015, and a gross payment of $9.7 billion gross was paid directly to the Restart NSW Fund. In substance the transaction is treated as a disposal by the former TransGrid SOC and in lieu of cash proceeds, is accounted for as a distribution to Restart NSW, net of a purchase price adjustment and an authorised distribution to settle the former TransGrid SOC's outstanding loan portfolio and outstanding dividend payment.

	30 Jun 2016 $'000
Cash proceeds received by former TransGrid SOC	**61,513**
Purchase price adjustment paid to ETMHC post 16 Dec	**15,137**
Cash proceeds remitted directly to the Crown	9,758,368
Repayment of NSW TCorp borrowings	(3,420,880)
Payment of FY14/15 2nd dividend instalment	(147,303)
Total net cash proceeds	**6,190,185**

7. INCOME TAX

99 year finance lease transaction

The former TransGrid SOC was subject to the National Tax Equivalent Regime (NTER) administered by the ATO until its exit from the regime on 16 December 2015 following the long-term lease of the TransGrid network (refer Note 2). The NTER is based on application of federal income tax laws under which the former TransGrid SOC paid income tax equivalents to NSW Treasury.

A private binding ruling from the ATO stated the long-term lease transaction is tax neutral under the NTER. The gain on the long-term lease of the TransGrid network (refer to Note 6(iv)) and the market value loss on the early settlement of debt portfolio and other transaction-related costs are non-assessable and non-deductible respectively for income tax equivalent purposes.

Income tax expense

Major components of income tax expense for the year ended 30 June 2017 and 30 June 2016 are:

(i) Profit or Loss

Continuing operations

	30 Jun 2017 $'000	30 Jun 2016 $'000
Current Income Tax		
Current income tax charge	-	15
Deferred Income Tax		
Relating to origination and reversal of temporary differences	-	(15)
Income tax expense relating to Continuing Operations	**-**	**-**

Discontinued Operations

	30 Jun 2017 $'000	30 Jun 2016 $'000
Current Income Tax		
Current income tax charge	-	34,942
Adjustments in respect of current income tax of previous years	-	1,705
Total Current Income Tax	**-**	**36,647**
Deferred Income Tax		
Relating to origination and reversal of temporary differences	-	(320,935)
Income tax expense relating to Discontinued Operations	**-**	**(284,288)**

(ii) Other Comprehensive Income

	30 Jun 2017 $'000	30 Jun 2016 $'000
Deferred Income Tax		
Net tax (gain)/loss on transfers from asset revaluation surplus	-	(485,147)
Net tax (gain)/loss on superannuation reserve on underlying actuarial losses/gains	-	91,638
Net tax (gain)/loss on cash flow hedges	-	36
Income tax on items taken directly to equity during the year	**-**	**(393,473)**

(iii) Statement of Changes in Equity

	30 Jun 2017 $'000	30 Jun 2016 $'000
Deferred Income Tax		
Net tax (gain)/loss on transfers from asset revaluation surplus	-	4,532
Income tax on items taken directly to equity during the year	**-**	**4,532**

(iv) Reconciliation of income tax expense on pre-tax accounting profit to income tax expense reported in profit or loss

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in profit or loss for continuing operations as follows:

	30 Jun 2017 $'000	30 Jun 2016 $'000
Profit/(Loss) Before Income Tax Expense	-	50
Income tax expense/(benefit) calculated at statutory income tax rate of 30%	-	15
Expenditure not allowed for income tax purposes*	-	(15)
Income tax expense recognised in profit or loss of continued operations	**-**	**-**

*The former TransGrid SOC exited the NTER on 16 December 2015 and ceased to be a tax paying entity.

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in profit or loss for discontinued operations as follows:

	30 Jun 2017 $'000	30 Jun 2016 $'000
Profit/(Loss) Before Income Tax Expense	-	3,483,961
Tax Exempt Profit/(Loss) from 17 December 2015 onwards	-	(28,599)
	-	3,455,362
Income tax expense/(benefit) calculated at statutory income tax rate of 30%	-	1,036,609
Non-assessable gain on Lease and Sale transaction and related expenditure	-	(991,183)
Expenditure not allowed for income tax purposes	-	(1,376)
Origination and reversal of temporary differences recognised in relation to previous years	-	(330,043)
Adjustments in respect of current income tax of previous years	-	1,705
Income tax expense/benefit recognised in profit or loss of discontinued operations	**-**	**(284,288)**

(v) Components of Deferred Income Tax

Deferred Income Tax at 30 June 2016 relates to the following:

	Recognised in Statement of Financial Position		Recognised in Profit or Loss	
	30 Jun 2017 $'000	30 Jun 2016 $000	30 Jun 2017 $000	30 Jun 2016 $000
Deferred Tax Assets				
Provisions	-	-	-	23,580
Superannuation Liability	-	-	-	(12,218)
Property, plant and equipment and Intangibles	-	-	-	19,009
Other	-	-	-	12,541
Gross Deferred Tax Assets	**-**	**-**	**-**	**42,912**
Deferred Tax Liabilities				
Property, plant and equipment and Intangibles	-	-	-	(350,079)
Other	-	-	-	(24,826)
Gross Deferred Tax Liabilities	**-**	**-**	**-**	**(374,905)**

Upon TransGrid's exit from the NTER in 2015-16, deferred Income Tax balances are not recoverable and have been derecognised.

8. CASH AND CASH EQUIVALENTS

	30 Jun 2017 $'000	30 Jun 2016 $'000
Cash at Bank	145,750	139,123
Total	**145,750**	**139,123**

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank. Refer to note 23 regarding credit risk, liquidity and market risk arising from financial instruments.

9. TRADE AND OTHER RECEIVABLES

	30 Jun 2017 $'000	30 Jun 2016 $'000
Debtors	92	4,057
Other		
Accrued Interest Revenue	1,079	1,944
GST Receivable	7	-
Total	**1,178**	**6,001**

Details regarding credit risk, liquidity risk and market risk, including the financial assets that are either past due or impaired, are disclosed in note 23.

10. OTHER CURRENT ASSETS

	30 Jun 2017 $'000	30 Jun 2016 $'000
Insurance Recovery Asset	503	574
Total	**503**	**574**

11. OTHER NON-CURRENT ASSETS

	30 Jun 2017 $'000	30 Jun 2016 $'000
Insurance Recovery Asset	7,087	6,343
Finance Lease Receivable	29,750	27,920
Total	**36,837**	**34,263**

12. TRADE AND OTHER PAYABLES

	30 Jun 2017 $'000	30 Jun 2016 $'000
Current		
Creditors and Accruals	41	553
GST Payable	-	222
Total	**41**	**775**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 23**.**

13. PROVISIONS

	30 Jun 2017 $'000	30 Jun 2016 $'000
Current		
Insurance	740	793
	740	793
Non-Current		
Insurance	10,710	8,870
Superannuation Liability (Note 14(ii))	160,998	239,399
	171,708	248,269
Total	**172,448**	**249,062**

Workers' Compensation Provision Movements

	30 Jun 2017 $'000	30 Jun 2016 $'000
Opening balance	9,663	10,688
Additions	-	790
Payments	(561)	(592)
Actuarial (gain)/loss/Unwinding of discounts	2,347	(1,223)
Closing balance	**11,449**	**9,663**

14. UNFUNDED SUPERANNUATION

The following narrative and tables summarise the components of movement in ETMHC's net superannuation asset/liability recognised in Profit or Loss and Other Comprehensive Income, and the funded status and amounts recognised in the Statement of Financial Position for the defined benefit superannuation funds. Assets and Liability values of ETMHC's Energy Industries Superannuation Scheme Defined Benefit Funds are provided by the Fund's Actuary, Mercer Consulting (Australia) Pty Ltd.

Nature of the benefits provided by the fund

The Energy Industries Superannuation Scheme (the Scheme) is divided into seven divisions, of which Divisions B, C and D provide defined benefits, that is at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. Divisions B, C and D are closed to new members except for members of eligible schemes who can transfer their entitlements into the Scheme.

Disclosures below are prepared in relation to Divisions B, C and D only; these Divisions are referred to collectively as "the Fund" hereafter.

Description of the regulatory framework

The Scheme was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees of certain Energy Industries bodies in NSW.

The Scheme is regulated primarily by the *Superannuation Industry (Supervision) Act 1993 (Cth)* ("the SIS legislation"), but is also subject to regulation under the *Superannuation Administration Act 1996 (NSW).*

The SIS legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

The Scheme has received an exemption from annual actuarial valuations and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

Description of other entities' responsibilities for the governance of the fund

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

• Administration of the Scheme and payment to the beneficiaries from Scheme assets when required in accordance with the Scheme rules;

• Management and investment of the Scheme assets;

• Compliance with other applicable regulations, and

• Compliance with the Trust Deed.

Description of risks

There are a number of risks to which the 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, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.

• **Pension indexation risk** – The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.

• **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.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

	As at 30-Jun-17	**As at** 30-Jun-16
Member Numbers		
Contributors	-	-
Deferred benefits	15	18
Pensioners	377	374

Description of significant events

On completion of the 99 year lease transaction, all current employees and their respective defined benefit plans were transferred to NSWENO. The defined benefit plan remaining with ETMHC relate to the retired employees. There were no fund amendments, curtailments or settlements during the year.

(i) Movements in Superannuation Net Asset/(Liability) recognised in profit or loss

Continuing Operations	**30 Jun 2017 $'000**	**30 Jun 2016 $'000**
Current service cost	-	(184)
Net interest	(4,764)	(5,538)
Total net expense - Continuing Operations	**(4,764)**	**(5,722)**
Discontinued Operations		
Current service cost	-	(2,517)
Net interest	-	(1,380)
Total net expense - Discontinued Operations	**-**	**(3,897)**
Total net expense	**(4,764)**	**(9,619)**

(ii) Movements in Superannuation Net Asset/(Liability) recognised in Other Comprehensive Income

Continuing Operations	**30 Jun 2017 $'000**	**30 Jun 2016 $'000**
Actuarial gains/(losses) on liabilities	63,232	(92,263)
Actuarial gains/(losses) on assets	19,933	(30,457)
Total actuarial gains/(losses) - Continuing Operations	**83,165**	**(122,720)**

Discontinued Operations		
Actuarial losses on liabilities	-	(27,101)
Actuarial gains on assets	-	19,852
Total actuarial losses - Discontinued Operations	**-**	**(7,249)**
Total actuarial gains/(losses)	**83,165**	**(129,969)**

Reconciliation of the Superannuation Net Asset/(Liability)

	30 Jun 2017 $'000	30 Jun 2016 $'000
Net Asset/(Liability) at the beginning of the year	(239,399)	(296,310)
Current service cost- continuing operations	-	(184)
Current service cost- discontinued operations	-	(2,517)
Net Interest on the net defined benefit asset/(liability)- continuing operations	(4,764)	(5,538)
Net Interest on the net defined benefit asset/(liability)- discontinued operations	-	(1,380)
Actuarial gains/(losses) on assets- continuing operations	19,933	(30,457)
Actuarial gains/(losses) on assets- discontinued operations	-	19,852
Actuarial gains/(losses) arising from changes in demographic assumptions- continuing operations	-	19,941
Actuarial gains/(losses) arising from changes in demographic assumptions- discontinued operations	-	(23,685)
Actuarial gains/(losses) arising from changes in financial assumptions- continuing operations	50,134	(71,214)
Actuarial gains/(losses) arising from changes in financial assumptions- discontinued operations	-	(5,786)
Actuarial gains/(losses) arising from liability experience- continuing operations	13,099	(40,990)
Actuarial gains/(losses) arising from liability experience- discontinued operations	-	2,369
Employer Contributions	-	87,289
Employees transferred	-	109,209
Net Asset/(Liability) at the end of the year	**(160,998)**	**(239,399)**

Reconciliation of the present value of the defined benefit obligation

	30 Jun 2017 $'000	30 Jun 2016 $'000
Present value of defined benefit obligations at the beginning of the year	(563,591)	(782,784)
Current service cost- continuing operations	-	(184)
Current service cost- discontinued operations	-	(2,517)
Interest cost- continuing operations	(10,989)	(14,033)
Interest cost- discontinued operations	-	(3,859)
Contributions by Fund participants	-	(1,192)
Actuarial gains/(losses) arising from changes in demographic assumptions- continuing operations	-	19,941
Actuarial gains/(losses) arising from changes in demographic assumptions- discontinued operations	-	(23,685)
Actuarial gains/(losses) arising from changes in financial assumptions- continuing operations	50,134	(71,216)
Actuarial gains/(losses) arising from changes in financial assumptions- discontinued operations	-	(5,786)
Actuarial gains/(losses) arising from liability experience-continued operations	13,099	(40,990)
Actuarial gains/(losses) arising from liability experience-discontinued operations	-	2,369
Benefits Paid	21,802	32,506
Taxes, premiums & expenses paid	940	14,330
Employees transferred	-	313,505
Present value of defined benefit obligations at the end of the year	**(488,605)**	**(563,591)**

Reconciliation of the fair value of fund assets

	30 Jun 2017 $'000	30 Jun 2016 $'000
Fair value of Fund assets at the beginning of the year	324,192	486,474
Interest income- continuing operations	6,225	8,496
Interest income- discontinued operations	-	2,479
Actuarial gains/(losses) on assets- continuing operations	19,933	(30,457)
Actuarial gains/(losses) on assets- discontinued operations	-	19,852
Employer Contributions	-	87,289
Contributions by Fund participants	-	1,192
Benefits Paid	(21,802)	(32,506)
Taxes, premiums & expenses paid	(940)	(14,330)
Employees transferred	-	(204,296)
Fair value of Fund assets at the end of the year	**327,607**	**324,192**

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 14.3 years (30 June 2016 – 13.5 years) for the continuing operations.

Fair value of fund assets

All Division B, C and D assets are held in Pool B of the Fund. Pool B in turn holds units invested in the Energy Investment Fund, a pooled superannuation trust. As such, assets are not separately invested for each employer and it is not possible or appropriate to disaggregate and attribute Fund assets to individual entities, and the disclosures below relate to total assets of Pool B of the Fund.

Energy Investment Fund	30 Jun 2017 $'000	30 Jun 2016 $'000
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,977,573	2,013,085
Level 3 - Unobservable inputs	-	-
Total	**1,977,573**	**2,013,085**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and 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 and unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

Some Pool B assets are invested in accordance with member investment choices. For Pool B assets invested in the Energy Investment Fund but not subject to investment choice, the percentage invested in each asset class at the end of the reporting period is:

Asset Category	30 June 2017	30 June 2016
Alternatives	10%	28%
International Equities	26%	23%
Australian Equities	16%	17%
Infrastructure	11%	8%
Property	4%	10%
Private Equity	1%	2%
Cash	5%	12%
Fixed Income	27%	0%
Total	**100%**	**100%**

Derivatives can be used by investment managers, however strict investment guidelines detail all limits approved on the use of derivatives. The use of derivatives is governed by the investment policies, which permit the use of derivatives to change the Fund's exposure to particular assets. The Trustee requires that derivative financial instruments are not entered into for speculative purposes or to gear the Fund, and that all derivatives positions are (a) fully cash covered; (b) are offset to existing assets; or (c) are used to alter the exposures in underlying asset classes. Compliance with policies and exposure limits are reviewed by the Trustee on a continual basis. As such, the investment managers make limited use of derivatives.

The fair value of Fund assets includes no amounts relating to:

• any of ETMHC's financial instruments; and

• any property occupied by, or other assets used by, ETMHC.

Significant actuarial assumptions at the end of the reporting period

	30 June 2017	30 June 2016
Discount rate	2.62% pa	1.99% pa
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.5% pa
Contributions tax rate	15% p.a.	15% p.a.
Pensioner mortality	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2015 (the rates are disclosed in the triennial report available from the Trustee website). The pension mortality rates are based on experience of the NSW public sector.	As per 30 June 2015 triennial report
Assumed Rate of Retrenchment	N/A	NIL

Sensitivity analysis

ETMHC's total defined benefit obligation as at the end of the reporting period under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to its sensitivity to demographic assumptions.

As at 30 June 2017

	Base case	Scenario A - 1.0% discount	Scenario B +1.0% discount rate
Discount rate	2.62% pa	1.62% pa	3.62% pa
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	488,605	562,676	427,580

	Base case	Scenario C +0.5% rate of CPI	Scenario D -0.5% rate of CPI
Discount rate	2.62% pa	2.62% pa	2.62% pa
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.50% 2017/2018; 2.75% 2018/2019; 3.00% pa thereafter	1.50% 2017/2018; 1.75% 2018/2019; 2.00% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	488,605	524,288	455,912

	Base case	Scenario E +0.5% Salary	Scenario F -0.5% Salary
Discount rate	2.62% pa	2.62% pa	2.62% pa
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	488,605	488,605	488,605

	Base case	Scenario G Lower pensioner mortality rates*	Scenario H Higher pensioner mortality rates**
Defined benefit obligation ($000)	488,605	498,137	481,262

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

Asset/Liability matching strategies

ETMHC is not aware of any asset and liability matching strategies currently adopted by the Fund.

Funding arrangements

Funding arrangements 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 and the trustee.

Funding positions are reviewed annually and funding arrangements may be adjusted as required.

Net Surplus / (Deficit)

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	30 Jun 2017 $'000	30 Jun 2016 $'000
Net market value of Fund assets - Continuing	327,607	324,192
Net market value of Fund assets - Discontinued	-	-
Accrued benefits - Continuing	(316,401)	(321,953)
Accrued benefits - Discontinued	-	-
Net Surplus/(Deficit)	**11,206**	**2,239**

Please note that the AASB1056 results are based on the 2016 actuarial funding basis used by the Trustee in setting employer contribution.

Contribution Recommendations

Recommended contribution rates for the entity are:

At 30 June 2017

Division B	Division C	Division D	Additional Contributions
Multiple of member contributions	% of member salary	Multiple of member contributions	'$000
N/A	N/A	N/A	-

At 30 June 2016

Division B	Division C	Division D	Additional Contributions
Multiple of member contributions	% of member salary	Multiple of member contributions	'$000
N/A	N/A	N/A	-

Economic Assumptions

The economic assumptions adopted for 30 June 2017 AASB1056 calculations above are:

Weighted Average Assumptions	30 June 2017	30 June 2016
Expected rate of return on Fund Assets	5.9% pa	6.3% p.a.
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.2% pa	2.5% p.a.

Expected contributions

	$'000
Expected employer contributions to be paid in the period 1 July 2017 to 30 June 2018	-

The defined benefit superannuation liability has been fully funded under AASB1056. No further contributions from ETMHC are required.

15. OTHER CURRENT LIABILITIES

	30 Jun 2017 $'000	30 Jun 2016 $'000
Unearned Revenue	229	-
Security Deposits	54	54
Total	**283**	**54**

16. RETAINED EARNINGS

	30 Jun 2017 $'000	30 Jun 2016 $'000
Opening Balance	(69,930)	51,265
Net Profit Before Dividend	(1,739)	3,768,299
Superannuation Actuarial (Losses)/Gains	83,165	(129,969)
Income Tax Benefit/(Expense) on Superannuation Actuarial Gains/(Losses)	-	(91,638)
Dividend	-	-
Transfers from Capital to retained earnings	-	651,967
Transfers from Reserves to retained earnings	-	1,870,331
Owner related equity transaction	-	(6,190,184)
Closing Balance	**11,496**	**(69,930)**

17. CAPITAL EXPENDITURE COMMITMENTS CONTINUING OPERATIONS

As at reporting date 30 June 2017 there are no capital expenditure commitments (Year ended 30 June 2016: nil).

18. CONTINGENCIES

No contingencies exist as at 30 June 2017 (year ended 30 June 2016: nil).

19. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	30 Jun 2017 $'000	30 Jun 2016 $'000
Short-term employee benefits	-	1,433
Post-employment benefits	-	185
Other long-term benefits	-	169
Termination benefits	-	-
Total	**-**	**1,787**

Fees Paid to Directors

Fees, including superannuation benefits paid to Directors, other than salaries paid to full-time Directors, were $0.2 million as at 30 June 2016. On 17 December 2015, the Board of Directors of TransGrid was dissolved.

20. FAIR COMPENSATION TRUST ACCOUNT

In accordance with the *Land Acquisition (Just Terms Compensation) Act*, ETMHC maintains a Trust Account. ETMHC performs only a custodial role in respect of these monies, and as the monies cannot be used for the achievement of the entity's own objectives, these funds are not recognised in the financial statements. The account balance as at 30 June 2017 is $531 thousand (30 June 2016 $537 thousand).

21. LEASES

Finance lease receivable

On completion of the long term lease transaction, ETMHC acts as a lessor and NSWENO act as a lessee in a 99 year lease arrangement. The former TransGrid SOC transferred substantially all risks and rewards incidental to ownership of the leased assets to NSWENO, as such the lease is classified as a finance lease.

On expiry of the 99 year lease term, the network assets will revert to ETMHC. As a result, ETMHC recognises a finance lease receivable equal to the value of its net investment in the lease. As all lease payments were received upfront, the net investment in the lease corresponds to the present value of the assets that will revert to ETMHC on expiry of the 99 year term. No further payments will be received, and a residual asset will be accreted over the 99 year term of the lease.

ETMHC's residual interest in the leased assets has been valued by external advisers as at 30 June 2016 and will be regularly re-assessed in future periods. The expected residual value will depend upon specific factors such as the nature of the asset, volatility of land values, the rate of technological change and competitive conditions.

22. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit after Income Tax Equivalent expense to net cash provided by operating activities

	30 Jun 2017 $'000	30 Jun 2016 $'000
Profit/(Loss) after Income Tax Equivalent Expense	(1,739)	3,768,299
Add/(Less): Items Classified as Financing/Investing Activities		
Net Loss/(Gain) on Disposal of Property, Plant and equipment	-	2,938
Net gain on cash flow hedges — ineffective	-	(32)
Add/(Less) Non-Cash Items		
Gain/(loss) on Superannuation actuarial	83,165	-
Depreciation and Amortisation	-	107,701
Amortisation of Lease Incentive Assets	-	567
Fair Value Movement of Investment Property	-	(8,499)
Amortisation of (Premium)/Discount on Loans	-	(1,745)
Borrowings Indexation	-	4,058
Gain on disposal of discontinued operations	-	(3,635,210)
Loss on early settlement of borrowings	-	301,845
Finance Lease Income	(1,830)	(940)
Net Cash Provided by Operating Activities Before Change in Assets and Liabilities	**79,596**	**538,982**
Net Changes in Assets and Liabilities during the financial year		
(Increase)/Decrease in Trade Debtors & Other Receivables	4,824	105,396
(Increase)/Decrease in Inventories	-	475
(Increase)/Decrease in Other Current Assets	71	(5,166)
(Increase)/Decrease in Other Non-Current Assets	(744)	380
Increase/(Decrease) in Trade Creditors & Other Payables	(734)	(71,351)
Increase/(Decrease) in Provisions	(76,614)	(84,340)
Increase/(Decrease) in Income Tax & Deferred Taxes	-	(342,171)
Increase/(Decrease) in Other Current Liabilities	228	5,869
Net Cash Provided by Operating Activities	**6,627**	**148,074**

23. FINANCIAL INSTRUMENTS

ETMHC’s principal financial instruments are outlined below. The financial instruments arise directly from ETMHC’s operations or are required to finance ETMHC’s operations. The Secretary has overall responsibility for the establishment and oversight of risk management and review of policies for managing risk.

Financial Instrument Categories

		30 Jun 2017 $'000	30 Jun 2016 $'000
Carrying Amount	**Note**		
Financial Assets			
Cash and cash equivalents	8	145,750	139,123
Trade and other receivables	9	1,171	6,001
Financial Liabilities			
Trade and other payables	12	41	553

The above table excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 *Financial Instruments*, and excludes lease receivables which only represent the unguaranteed residual value.

Financial Risk Management Overview

As at 30 June 2017 ETMHC has exposure to the following risks:

- Credit risk;
- Liquidity risk; and
- Interest rate risk.

Credit Risk

Credit risk arises when there is possibility that ETMHC's debtors default on their contractual obligations, resulting in a financial loss to ETMHC. The maximum exposure to credit risk is generally represented by the carrying amount of financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of ETMHC, including cash and receivables. No collateral is held by ETMHC.

Cash

Cash comprises bank balances with financial institutions. Interest is earned on daily bank balances.

Receivables

All trade debtors are recognised as amounts receivable at balance date. The collection of receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off.

An allowance for impairment is raised when there is objective evidence that ETMHC will not be able to collect all amounts due. No interest is earned on trade debtors. The average credit period on receivables, unless otherwise agreed, is 30 days. There are no receivables that are past due or considered impaired as at reporting date.

The aging of ETMHC's trade and other receivables at the end of the reporting period was:

	Gross Receivables 30 June 2017 $'000	Impairment Losses 30 June 2017 $'000	Gross Receivables 30 June 2016 $'000	Impairment Losses 30 June 2016 $'000
Not past due	1,171	-	6,001	-
Past due 1-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
More than 60 days	-	-	-	-
	1,171	**-**	**6,001**	**-**

Liquidity risk

Liquidity risk is the risk that ETMHC will be unable to meet its payment obligations when they fall due. ETMHC continuously manages risk through monitoring future cash flows and commitment maturities. There were no defaults on payables in the current year, and no assets have been pledged as collateral.

Due to the 99 year finance lease transaction (Note 2) the former TransGrid SOC's main business operations have been discontinued therefore ETMHC's exposure is limited to the value of trade payables.

All trade and other payables are expected to be settled by ETMHC within the next 12 months.

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 movements in interest rates.

The effect on ETMHC's net result and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +/- 1 per cent is used. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

ETMHC's exposure to interest rate risk is limited to cash at bank.

30 June 2017

Variable Rate Instruments	Impact	
	$'000	$'000
	-1%	1%
Cash and cash equivalents	(1,458)	1,458
Cash flow sensitivity (net)	**(1,458)**	**1,458**

30 June 2016

Variable Rate Instruments	Impact	
	$'000	$'000
	-1%	1%
Cash and cash equivalents	(1,391)	1,391
Cash flow sensitivity (net)	**(1,391)**	**1,391**

Operational Risk

Operational Risk is the risk of suffering financial loss due to mismanagement, error, fraud or unauthorised use of financial products. Appropriate segregation of duties and maintenance of control systems are in place to mitigate operational risk.

Management assessed that the carrying amount of all financial instruments approximate the fair value largely due to the short term maturities of the instruments.

24. RELATED PARTIES

a) Ultimate parent

The NSW Government is the ultimate parent of ETMHC. The NSW Government is also the ultimate parent of NSW Treasury that provides key management personnel services to ETMHC.

(b) Key management personnel remuneration

ETMHC defines key management personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the entity. NSW Government is the ultimate controlling party of the entity, therefore, the Treasurer, NSW Treasury Secretary and Deputy Secretaries are considered as KMP. The NSW Cabinet are considered related parties of ETMHC because of its role to direct overall government policy and make decisions about State issues.

The entity does not have employees. The key management personnel services were provided by NSW Treasury.

There was no remuneration paid to any of the KMP by the entity during the period.

No loans were made to any of the KMP by the agency 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 agency with any related parties was recovered at cost.

(i) Transactions with KMP

The agency has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP is required to complete annual declarations in relation to the related party transactions. No KMP has declared that he/she and their close family members have made any transactions with the agency during the reporting period.

(ii) Transactions with other related entities

The company interacts with other government agencies in delivering services to the general public. Services provided by other government agencies are provided to ETMHC in the same commercial terms as the general public.

25. BUDGET REVIEW

Profit/Loss

For the year ended 30 June 2017, ETMHC had a loss of $1.7 million which is $2.1 million lower than the budgeted profit of $0.4 million.

Operating expenses total $6.5 million which is $6.4 million higher than the budget. This is primarily the result of increases in workers compensation insurance ($2.2 million) and defined benefit superannuation ($4.1 million) expenses.

Total revenue is $4.2 million higher than budget, mainly due to investment income of $2.2 million, higher finance lease income arising from the accretion of the finance lease receivable of $1.2 million, and recognition of workers' compensation insurance recoveries of $0.8 million.

Assets and Liabilities

Net assets for the year are $11.5 million, which is $45.6 million higher than budgeted net liabilities of $34.1 million. This is mainly due to the finance lease receivable of $20.4 million, higher cash balances of $5.2 million, and a decrease of $19.3 million in provisions, mainly related to defined benefit superannuation liabilities based on latest actuarial valuation.

Cash flows

Net cash flows from operating activities of $6.6 million is $6.8 million higher than budget. The key drivers of this increase are insurance refunds of $3.2 million, interest receipts of $3.0 million, and rental income of $0.6 million.

Cash and cash equivalents held at reporting date were above budget by $5.2 million.

26. REMUNERATION OF AUDITOR

	30 Jun 2017 $'000	30 Jun 2016 $'000
Audit of financial statements	50	272

27. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2017

Ministerial Holding Corporation

Charter

The Ministerial Holding Corporation (MHC) is a NSW State Owned Corporation established under section 37B of the *State Owned Corporations Act 1989* (the Act).

Objectives

The purpose of MHC is set out in Section 37B of the Act which includes:

- to hold on behalf of the Crown, retain, transfer and dispose of assets, rights and liabilities transferred to it by or under this or any other Act
- to acquire, exchange, lease, dispose of and otherwise deal with property
- to develop and manage land transferred to it under this Act or otherwise acquired by it
- to carry out any activities or business that relate to any of the above or are incidental or ancillary to any of the above, including demanding, collecting and receiving charges, levies, rates and fees.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The MHC has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Ministerial Holding Corporation (the Corporation), 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, and 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 Corporation 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 Corporation 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.

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 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.

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 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 Corporation's ability to continue as a going concern except where the Corporation'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 Corporation carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Aaron Green
Director, Financial Audit Services

3 October 2017
SYDNEY

Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2017

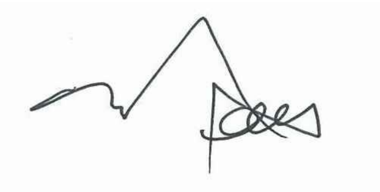
STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, I state that, in my opinion:

(a) The accompanying financial statements exhibit a true and fair view of the financial position of the Ministerial Holding Corporation as at 30 June 2017 and the financial performance for the year then ended; and

(g) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *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

26 September 2017

Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue			
Share of profit of an associate	4	562,443	(890,442)
Total expenses		-	-
Net result		**562,443**	**(890,442)**
Other comprehensive income			
Items that will not be reclassified to net result			
Share of an associate's other comprehensive income	4	(75,000)	(411,756)
Total other comprehensive income		**(75,000)**	**(411,756)**
Total comprehensive result for the year		**487,443**	**(1,302,198)**

The accompanying notes form part of these financial statements.

Ministerial Holding Corporation

Statement of Financial Position
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	3	-	-
Total current assets		**-**	**-**
Non-current assets			
Investment in an associate	4	6,112,970	5,625,527
Total non-current assets		**6,112,970**	**5,625,527**
Total assets		**6,112,970**	**5,625,527**
Liabilities			
Total current liabilities		**-**	**-**
Total non-current liabilities		**-**	**-**
Total liabilities		**-**	**-**
Net assets		**6,112,970**	**5,625,527**
Equity			
Accumulated funds		4,250,094	3,687,651
Reserves	5	75,000	150,000
Other contributed equity	5	1,787,876	1,787,876
Total equity		**6,112,970**	**5,625,527**

The accompanying notes form part of these financial statements.

Ministerial Holding Corporation

Statement of Changes in Equity
as at 30 June 2017

	Notes	Accumulated funds $	Reserves $	Other contributed equity $	Total $
Balance at 1 July 2016		**3,687,651**	**150,000**	**1,787,876**	**5,625,527**
Net result for the year	4	562,443		-	562,443
Other comprehensive income	4	-	(75,000)	-	(75,000)
Total comprehensive result for the year		562,443	(75,000)	-	487,443
Balance at 30 June 2017		**4,250,094**	**75,000**	**1,787,876**	**6,112,970**
Balance at 1 July 2015		**4,578,093**	**561,756**	**1,787,876**	**6,927,725**
Net result for the year		(890,442)	-	-	**(890,442)**
Other comprehensive income	4	-	(411,756)	-	**(411,756)**
Total comprehensive result for the year		(890,442)	(411,756)	-	**(1,302,198)**
Balance at 30 June 2016		**3,687,651**	**150,000**	**1,787,876**	**5,625,527**

The accompanying notes form part of these financial statements.

Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities	3	-	-
Cash flows from investing activities		-	-
Cash flows from financing activities		-	-
Net increase/(decrease) in cash		-	-
Opening cash and cash equivalents		-	-
Closing cash and cash equivalents		-	-

The accompanying notes form part of these financial statements.

1. MINISTERIAL HOLDING CORPORATION INFORMATION

Ministerial Holding Corporation (MHC) is a NSW State Owned Corporation established under section 37B of the *State Owned Corporations Act 1989* (the Act). It is a not-for-profit entity (as profit is not its principal objective) with no cash generating units, and is consolidated as part of the NSW Total State Sector Accounts.

The affairs of the MHC , up to 12th April 2016, were managed by the NSW Minister for Finance, Services and Property in accordance with paragraphs (2) and (3) of section 37B of the Act. Effective from 13th April 2016, the management of the Corporation was transferred to the Treasury by way of the Administrative Arrangement (Administration of Acts – Amendment No 1) Order 2016.

MHC's principal activities as set out in section 37B of the Act are:

a) to hold on behalf of the Crown, retain, transfer and dispose of assets, rights and liabilities transferred to it by or under this or any other Act, and

b) to acquire, exchange, lease, dispose of and otherwise deal with property, and

c) to develop and manage land transferred to it under this Act or otherwise acquired by it, and

d) to carry out any activities or business that relate to any of the above or are incidental or ancillary to any of the above, including demanding, collecting and receiving charges, levies, rates and fees.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The MHC is controlled by the NSW Treasurer under section 37B of the Act and has been treated as a department for the purposes of financial reporting under the *Public Finance and Audit Act 1983*.

The MHC's financial statements are general purpose financial statements which 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

Judgements, key assumptions and estimations that management has made are disclosed in the relevant notes to the financial statements.

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest dollar.

Statement of Compliance

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

New, revised or amending standards and interpretations

The MHC 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet effective

As mandated by Treasury Circular TC17-04, the MHC 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 MHC:

- AASB 1058 *Income of Not-for-profit Entities*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

It is considered that the implementation of the above standards will not materially impact the on the financial performance or position of the MHC.

REVENUE

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

EXPENSES

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

Finance officers of the NSW Treasury provide administrative services, including the preparation of financial statements of the MHC. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and no charge is made to the MHC for them.

The Crown Entity pays for the MHC's audit fees inclusive of GST of $29,480.

ASSETS

Assets are future economic benefits controlled by MHC and is 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.

Investments in Associates

Associates are those entities in which the entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the MHC holds more than 20 percent of the voting power of another entity. The MHC has a 50 per cent interest in Hunter Valley Training Company Pty Limited (HVTC). Refer to Note 4 for the accounting policy and disclosure of MHC's interest in HVTC.

LIABILITIES

Liabilities are the future sacrifices of economic benefits that the MHC 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and Services Tax (GST)

Revenues, expenses and assets are generally recognised net of the amount of goods and services tax (GST). However, receivables and payables are stated with the amount of GST included and GST that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the relevant asset or expense.

The net amount of GST recoverable from or payable to the ATO is recognised as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of any cash flow that is recoverable from or payable to the ATO is classified as an operating cash flow.

Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

3. CASH AND CASH EQUIVALENTS

There were no cash and cash equivalents as at 30 June 2017 (2016: Nil).

Reconciliation of Cash Flows from Operating Activities to Net Result for the year

	2017 $	2016 $
Net cash used in operating activities	-	-
Adjustment for non-cash items		
Share of profit of an associate	562,443	(890,442)
Net result	**562,443**	**(890,442)**

4. INVESTMENT IN ASSOCIATE

The MHC's investment in an associate is 50 per cent share in the Hunter Valley Training Company Pty Limited (HVTC) (30 June 2016: 50 per cent). HVTC provides nationally accredited training programs in trade and vocational fields. The MHC's investment in HVTC was established by the NSW government to address skills shortages across NSW regional areas. Investments in HVTC are carried at cost. There is no published quotation price for the fair value of this investment.

The MHC has applied the equity method to account for its investment in HVTC. The financial statements include the MHC's share of the profit or loss and other comprehensive income from the date that significant influence commences.

When the MHC's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the MHC has an obligation or has made payments on behalf of the investee.

4. INVESTMENT IN AN ASSOCIATE (continued)

Under AASB 128 *Investments in Associates* the investment is measured consistently with the policies applied in the MHC financial statements. The MHC recognises its investment based upon 50 per cent of HVTC net assets reported in HVTC's financial statements with the exception of property, plant and equipment (PP&E), specifically land and buildings, which have been adjusted to fair value in accordance with Treasury's Policy and Guidelines Paper TPP 14-01 *Valuation of Physical Non-Current Assets at Fair Value*, AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

The MHC performs revaluation on HVTC's land and buildings for financial reporting purposes, once every three years. The last revaluation on HVTC's land and buildings was completed on 30 June 2016 by independent assessment which was based on best available market evidence including current market selling prices for same or similar assets. The key inputs considered under this approach are from the sales of comparable land and buildings in the area.

At the end of each reporting period, an assessment of the valuation of land and buildings is conducted to ensure that their carrying amount does not differ materially from their fair value.

	2017 $	2016 $
Non-current investment in an associate	**6,112,970**	**5,625,527**
MHC's share of HVTC's assets and liabilities		
Current assets	4,145,953	3,258,866
Non-current assets	3,939,034	4,293,199
	8,084,987	7,552,065
Current liabilities	1,921,128	1,870,617
Non-current liabilities	50,889	55,921
	1,972,017	1,926,538
Net assets	**6,112,970**	**5,625,527**
MHC's share of HVTC's total comprehensive income		
Income	19,147,153	20,669,490
Expenses	(18,584,710)	(21,559,932)
Profit/(Loss)	**562,443**	(890,442)
Other comprehensive income	(75,000)	(411,756)
Total comprehensive result for the year	**487,443**	**(1,302,198)**

5. EQUITY

Reserves

Reserves comprise the MHC's share of post-acquisition movements in the asset revaluation surplus of HVTC.

At 30 June 2017, the asset revaluation reserve for the Hunter Valley Training Corporation was $150,000 (30 June 2016: $300,000); MHC's share was $75,000 (30 June 2016: $150,000).

Other Contributed Equity

The other contributed equity balance is a result of the acquisition of 50 per cent of HVTC, which has been classified as an equity contribution. The balance of $1,787,876 represents the MHC's share of HVTC's net assets at the date of acquisition.

6. CONTINGENT LIABILITIES

On 31 May 2012, the MHC entered into a sale and leaseback arrangement with Sydney Desalination Plant Pty Limited ("SDP"), SDP Assets Trust and SDP Pipeline Trust (together, the "Lessees"). SDP Assets Trust and SDP Pipeline Trust were unit trusts wholly-owned by SDP at the inception of the sale and leaseback arrangement.

Under the sale and leaseback arrangement, the MHC purchased the Desalination Plant, associated Land, Easements and Pipeline Licence ("Assets") from the Lessees and leased the Assets back to the Lessees by means of 50-year finance leases which the Lessees have prepaid. This means the MHC has no assets or liabilities relating to these transactions on its Statement of Financial Position.

Title to the Assets will transfer to the Lessees at the end of the lease term, provided certain stewardship requirements, intended to safeguard water security, are satisfied.

Sydney Water Corporation (SWC), the parent entity of Sydney Desalination Plant Pty Limited at the time of the sale and leaseback transaction, has previously given Roads and Maritime Services an indemnity in respect of any loss or liability which Roads and Maritime Services incurs in relation to the M5 as a result of the construction, operation or maintenance of the Pipeline. MHC has given SWC a counter-indemnity in respect of this existing indemnity.

The MHC is of the opinion that provisions are not required in respect of this matter, as the existence of a possible obligation will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within its control.

There were no material contingent assets or liabilities relating to the MHC's investment in HVTC as at 30 June 2017 (30 June 2016: Nil).

7. RELATED PARTY DISCLOSURE

(a) Ultimate parent

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

(b) Key management personnel remuneration

Key management personnel (KMP) are those considered to have the authority and responsibility for planning, directing and controlling the activities of the entity. KMP of the MHC includes the Treasurer, NSW Treasury Secretary, and certain NSW Treasury Deputy Secretaries and Executive Directors. The NSW Cabinet are considered related parties of MHC because of its role to direct overall government policy and make decisions about the State issues.

The MHC does not have employees, key management personnel services were provided by NSW Treasury. There was no remuneration paid, nor loans made, to any of the KMP by the MHC during the period.

7. RELATED PARTY DISCLOSURE (continued)

(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.

(i) Transactions with KMP

The MHC 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 declaration in relation to the related party transactions. During the reporting period, no KMP has declared that he/she or their close family members have made any transactions with the MHC.

(ii) Transactions with other related entities

There are no transactions with other related entities.

8. EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the reporting date requiring disclosure.

End of audited financial statements

Alpha Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2017

Alpha Distribution Ministerial Holding Corporation

The Alpha Distribution Ministerial Holding Corporation (ADMHC) was established on 2 December 2016. It is the continuing entity of the former Ausgrid State Owned Corporation (SOC) which was subject of a long-term lease transaction, authorised under the *Electricity Network Assets (Authorised Transactions) Act 2015* ("the Act").

Ausgrid was converted into the ADMHC immediately after the completion of the lease transaction under Schedule 7 of the Act. ADMHC is the same legal entity as the former Ausgrid SOC.

Objectives

The purpose of ADMHC is to act as a lessor of the network assets, to hold and manage on behalf of the Crown certain assets, rights and liabilities, to carry out activities or business that relate to the assets, rights, and liabilities held by it, and to carry out other functions as may be required by the regulation.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The ADMHC has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

Alpha Distribution Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Alpha Distribution Ministerial Holding Corporation (the Corporation), 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 Corporation 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 Corporation 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 Corporation'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 Corporation 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.

Aaron Green
Director, Financial Audit Services

9 October 2017
SYDNEY

Alpha Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2017

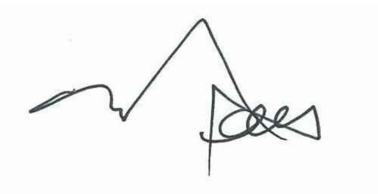
STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F 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 Alpha Distribution Ministerial Holding Corporation's financial position as at 30 June 2017 and the financial performance for the year then ended; and

(h) 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* and NSW Treasury Policy and Guidelines Papers.

Further 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

9 October 2017

Alpha Distribution Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	30 June 2017 $M	30 June 2016 $M
Continuing operations			
Investment revenue	4	0.3	-
Other income	4	29.1	14.0
Expenses	5	(1.0)	-
Profit before income tax expense from continuing operations		**28.4**	**14.0**
Income tax expenses relating to continuing operations	7(i)	-	(4.2)
Profit/(loss) for the period from continuing operations		**28.4**	**9.8**
Discontinued operations			
Profit/(loss) after tax for the period from discontinued operations	6(a)	5,028.2	(261.2)
Profit/(loss) for the period		**5,056.6**	**(251.4)**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Net increase/(decrease) in revaluation reserve		18.0	(6.7)
Superannuation actuarial gains/(losses)	17(ii)	46.2	(94.3)
Income tax relating to items that will not be reclassified	7(ii)	(17.2)	30.3
Total items that will not be reclassified subsequently to profit or loss		**47.0**	**(70.7)**
Items that may be reclassified subsequently to profit or loss:			
Net gains on cash flow hedges		2.3	5.1
Income tax expense relating to items that will be reclassified	7(ii)	(0.7)	(1.5)
Total items that may be reclassified subsequently to profit or loss		**1.6**	**3.6**
Other comprehensive income for the period, net of tax		**48.6**	**(67.1)**
Total comprehensive income for the period		**5,105.2**	**(318.5)**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2017

	Notes	30 June 2017 $M	30 June 2016 $M
Current assets			
Cash and cash equivalents	8	24.2	0.4
Trade and other receivables	9	3.7	425.0
Inventories		-	31.9
Other current assets	10	-	0.6
Assets classified as held for sale	11	-	7.0
Total current assets		**27.9**	**464.9**
Non-current assets			
Property, plant and equipment	12	-	15,333.5
Intangibles	13	-	161.9
Other non-current assets	10	130.6	-
Total non-current assets		**130.6**	**15,495.4**
Total assets		**158.5**	**15,960.3**
Current liabilities			
Trade and other payables	14	2.2	379.6
Borrowings	15	-	4,336.7
Current tax liabilities		-	7.0
Provisions	16	-	439.5
Deferred government grants		-	1.5
Other current liabilities	18	-	7.8
Total current liabilities		**2.2**	**5,172.1**
Non-current liabilities			
Borrowings	15	-	5,206.9
Deferred tax liabilities	7(f)	-	1,072.0
Provisions	16	21.7	334.0
Deferred government grants		-	45.3
Other non-current liabilities	18	-	2.9
Total non-current liabilities		**21.7**	**6,661.1**
Total liabilities		**23.9**	**11,833.2**
Net assets /(liability)		**134.6**	**4,127.1**
Equity			
Contributed equity		-	402.1
Reserves		-	2,898.0
Retained earnings		134.6	827.0
Total equity		**134.6**	**4,127.1**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

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

		Contributed equity $'000	Asset revaluation reserve $'000	hedge revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2016		**402.1**	**2,899.6**	**(1.6)**	**827.0**	**4,127.1**
Comprehensive income for the year:						
Profit/(loss) for the year		-	-	-	5,056.6	5,056.6
Other comprehensive income:						
Net increase/(decrease) in revaluation reserve, net of tax		-	12.6	-	-	12.6
Superannuation actuarial gains/(losses), net of tax		-	-	-	34.4	34.4
Effective portion of changes in fair value of cash flow hedge, net of tax		-	-	1.6	-	1.6
Total other comprehensive income		-	12.6	1.6	34.4	48.6
Total comprehensive income for the year		**-**	**12.6**	**1.6**	**5,091.0**	**5,105.2**
Transactions recorded directly in equity						
Transfer of reserves to retained earnings attributable to discontinued operations, net of tax		-	(2,912.2)	-	2,912.2	-
Transfer of contributed equity to retained earnings		(402.1)	-	-	402.1	-
Distribution to NSW Government	6(e)	-	-	-	(9,097.7)	(9,097.7)
Total transactions recorded directly in equity		**(402.1)**	**(2,912.2)**	**-**	**(5,783.4)**	**(9,097.7)**
Balance at 30 June 2017		**-**	**-**	**-**	**134.6**	**134.6**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

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

	Note	Contributed equity $M	Asset revaluation reserve $M	Hedge revaluation reserve $M	Retained earnings $M	Total $M
Balance at 1 July 2015		**402.1**	**2,934.4**	**(5.2)**	**1,177.8**	**4,509.1**
Comprehensive income for the year:						
Profit/(loss) for the year		-	-	-	(251.4)	(251.4)
Other comprehensive income:						
Net increase/(decrease) in revaluation reserve, net of tax		-	(4.7)	-	-	(4.7)
Superannuation actuarial gains/(losses), net of tax		-	-	-	(66.0)	(66.0)
Effective portion of changes in fair value of cash flow hedge, net of tax		-	-	3.6	-	3.6
Total other comprehensive income		-	(4.7)	3.6	(66.0)	(67.1)
Total comprehensive income for the year		**-**	**(4.7)**	**3.6**	**(317.4)**	**(318.5)**
Transactions recorded directly in equity						
Dividend provided for or paid		-	-	-	(63.5)	(63.5)
Transfers to retained earnings, net of tax		-	(30.1)	-	30.1	-
Total transactions recorded directly in equity		-	(30.1)	-	(33.4)	(63.5)
Balance at 30 June 2016		**402.1**	**2,899.6**	**(1.6)**	**827.0**	**4,127.1**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	30 June 2017 $M	30 June 2016 $M
Cash flows from operating activities			
Cash receipts from customers		1,188.8	2,791.4
Cash paid to suppliers and employees		(649.3)	(1,579.0)
Interest received		0.2	0.3
Interest paid		(139.1)	(628.9)
Income tax received/(paid)		(60.0)	(100.2)
Net cash inflows from operating activities	24	**340.6**	**483.6**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles assets		(213.6)	(502.5)
Proceeds from the sale of property, plant and equipment		6.8	175.8
Net cash outflows from investing activities		**(206.8)**	**(326.7)**
Cash flows from financing activities			
Proceeds from borrowings		-	310.0
Repayments of borrowings		(110.0)	(170.5)
Dividends paid		-	(294.8)
Net cash outflows from financing activities		**(110.0)**	**(155.3)**
Net increase / (decrease) in cash and cash equivalents		**23.8**	**1.6**
Cash and cash equivalents at beginning of the period		0.4	(1.2)
Cash and cash equivalents at the end of the period	8	**24.2**	**0.4**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

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

NOTES INDEX

1. ALPHA DISTRIBUTION MINISTERIAL HOLDING CORPORATION INFORMATION

The Alpha Distribution Ministerial Holding Corporation (referred to as "ADMHC") is a continuing entity of the former Ausgrid State Owned Corporation (SOC). Ausgrid's electricity network assets are the subject of a long-term lease transaction, authorised under the *Electricity Network Assets (Authorised Transactions) Act 2015* ("the Act"). Immediately after transaction completion, the former Ausgrid was converted into the ADMHC under Schedule 7 of the Act. ADMHC is the same legal entity as the former Ausgrid SOC. The functions of ADMHC are:

- to hold on behalf of the Crown, assets, rights and liabilities acquired to it by or under an authorised transaction Act;
- to carry out activities or business that relate to the assets, rights and liabilities held by it including demanding, collecting and receiving charges, levies, rates and fees;
- such other functions of an authorised transaction as may be prescribed by the regulations.

ADMHC is a NSW government entity and is a not-for-profit entity from 2 December 2016. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

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

ADMHC is consolidated as part of the NSW Total State Sector Accounts.

2. LONG-TERM LEASE OF THE AUSGRID NETWORK ASSETS

The *Electricity Network Assets (Authorised Transactions) Bill 2015* was assented on 4 June 2015 which initiated the process for the long term lease of the former Ausgrid network assets in order to fund infrastructure projects across New South Wales (NSW) as part of the Government's rebuilding NSW plan.

On 20 October 2016 the Premier and Treasurer of NSW announced an Australian-owned consortium comprising of IFM Investors and Australian Super as the successful bidders.

On 30 November 2016 a number of statutory vesting orders under the *Electricity Network Assets (Authorised Transactions) Bill 2015* were received from the Treasurer of New South Wales. The vesting orders became effective on 1 December 2016 and on the same date, the network assets were leased under a 99 year finance lease to the successful buyer. The former Ausgrid as a State Owned Corporation was converted to ADMHC, a General Government Entity, for nil consideration.

A Ministerial Order on the same date was signed transferring existing employees of the former Ausgrid SOC to Ausgrid Management Pty Ltd as part of the long term lease agreement.

Cash consideration of $16.19 billion (comprising an upfront lease premium for the assets held by the former Ausgrid of $12.80 billion, the purchase provides for a number of sold assets of $3.39 billion, including stamp duty of $0.49 billion). The proceeds were directly to a number of State bank accounts and the former Ausgrid's bank accounts in accordance with the Payment Direction issued by NSW Treasury. The stamp duty component has been excluded from the purchase price and the calculation of the gain on disposal. For further details refer to Note 6(e). Majority of the cash consideration paid to NSW Government is accounted for as a distribution to Restart NSW and a direct adjustment to equity. The Statement of Comprehensive Income includes a gain on disposal of the net assets of the former Ausgrid and a gain on entering into the 99 year finance lease. For further details refer to Note 6(c).

The results of the long-term lease of the former Ausgrid network are classified as discontinued operations and presented separately from the continuing operations of ADMHC. The continuing operations of ADMHC mainly relate to defined benefit superannuation balances of retired employees and the finance lease receivable recognised as a result of the transaction. Comparative figures in the Statement of Comprehensive Income and related notes have been restated accordingly (as per final former Ausgrid accounts).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are general-purpose financial statements, and have been prepared on an accrual basis and in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and relevant NSW Treasury policies and circulars.

From 2 December 2016 onwards, ADMHC is classified as a not-for-profit General Government entity. Prior to this date, ADMHC operated as Ausgrid, a for-profit State Owned Corporation (SOC). The current year Statement of Comprehensive Income in these financial statements has been prepared on a for-profit basis for transactions during the period 1 July 2016 to 1 December 2016, and on a not-for-profit basis for transactions during the period 2 December 2016 to 30 June 2017. The Statement of Financial Position as at 30 June 2017 is prepared on a not-for-profit basis.

All comparative information in these financial statements is presented consistent with the for-profit classification of the former Ausgrid SOC.

All amounts are rounded to one decimal place in millions and are expressed in Australian dollars (AUD) unless otherwise stated.

The principal accounting policies adopted in the preparation of the financial statements are set out below and in the relevant notes. Many of the policies are only relevant to information prior to the long-term lease transaction, and are not relevant to ADMHC balances reported at 30 June 2017. Significant accounting policies relevant to the whole reporting period are listed in the first part of the summary below. Policies no longer relevant to the continuing operations of ADMHC have been grouped under the heading “Significant policies of the former Ausgrid State Owned Corporation” at the end of the below summary.

Statement of compliance

The financial statements and notes comply with applicable Australian Accounting Standards, which include Australian Accounting Interpretations.

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by ADMHC in preparing the financial statements in accordance with NSW Treasury Circular NSW TC 17-04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards.

The following new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2017.

AASB 9 Financial Instruments (2014) (operative date 1 July 2018)
AASB 15 Revenue from Contracts with Customers (operative date 1 July 2018)
AASB 1058 Income of Not-for-profit Entities (operative date 1 January 2019)
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (operative date 1 July 2018)
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (operative date 1 January 2017)
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 (operative date 1 July 2018)

AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 with AASB 4 Insurance Contracts (operative date 1 January 2018)
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (operative date 1 January 2017)
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (operative date 1 January 2019)
AASB 2017-1 Amendments to Australian Accounting Standards – Transfer of investment Property, Annual Improvements 2014-16 Cycle and Other Amendments (operative date 1 January 2019)
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle (operative date 1 January 2017)

It is considered impracticable to presently determine the impact of adopting the above accounting standards issued, but not yet effective. ADMHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC 17/04.

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 of the former Ausgrid SOC as at 30 June 2016.

Changes in Accounting Policies

ADMHC 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.

The adoption of these Standards and Interpretations did not have any significant impact on the financial performance or position of the ADMHC.

Significant Accounting Judgements, Estimates and Assumptions made by management

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Judgements, key assumption and estimations management have made are disclosed in the relevant notes to the financial statements.

Revenue from continuing operations

Revenue is measured at the fair value of the consideration or contributions received or receivable to the extent it is probable that the economic benefits will flow to ADMHC and the amount is reliably measurable.

Investment revenue

Investment revenue relates to interest revenue and is recognised using the effective interest method as set out in AASB139 *Financial Instruments: Recognition and Measurement*.

Finance Income

Finance income is recognised reflecting a constant periodic rate of return on ADMHC's net investment in the finance lease in accordance with AASB 117 *Leases.*

Expenses from continuing operations

Expenses are recognised when incurred.

Finance officers of the NSW Treasury provide administrative services, including the preparation of ADMHC financial statements. Due to the irregular and varied nature services provided during the financial year, no charge was made to the entity for these services.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and for the purposes of the Statement of Cash Flows comprise cash at bank and deposits with financial institutions.

Trade and other receivables

Receivables from trade and other debtors are recognised at amounts due less an allowance for any uncollectible amounts. Collectability of these receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment loss on trade and other receivables is raised when there is objective evidence that ADMHC will not be able to collect the debt.

Allowance for impairment loss on trade and other receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of recovery of these receivables is assessed by management. This assessment is based on enquiries as to the intention of late paying customers to pay, supportable past collection history, and historical write-offs of bad debts.

Leases

Finance Leases – ADMHC as Lessor

ADMHC is the lessor in a 99-year lease which is classified as a finance lease, as it is deemed that substantially all the risk and rewards incidental to the ownership of the leased assets have been transferred to the lessee. Finance lease accounting requires ADMHC to recognise finance leased assets as a receivable equal to the net investment in the lease, which is defined as the gross investment in the lease discounted at the interest rate implicit in the lease.

The gross investment in the lease is the aggregate of the minimum lease payments receivable by ADMHC and any unguaranteed residual value accruing to ADMHC. The unguaranteed residual value represents the amount ADMHC expects to recover from the value of the leased assets at the end of the lease term that is not guaranteed in any way by either the lessee or third parties unrelated to ADMHC. As all of the payments under the 99 year finance lease have been paid upfront by the successful bidder, ADMHC's gross investment in this lease comprises only the unguaranteed residual value of the assets which will be handed back to the State of NSW at the expiry of the lease term. This is referred to as the finance lease receivable in the financial statements.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of ADMHC.

ADMHC's residual interest in the leased assets has been valued as at 1 December 2016 and will be regularly re-assessed every five years with the next assessment due on 30 June 2022. The expected residual value will depend upon specific factors such as the nature of the asset, volatility of land values, the rate of technological change and competitive conditions.

A valuation gain is recorded by ADMHC to the extent that the fair value of the leased assets exceeded their carrying value at the time of derecognition.

Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to ADMHC prior to the end of the period and there is an obligation to make future payment. The amounts are unsecured and are usually paid within 30 days of recognition.

Subsequent to initial recognition of these liabilities at fair value, they are measured at amortised cost using the effective interest rate method. This measurement is equivalent to the original invoice amount.

Superannuation

The significant estimates and judgements used in determining the unfunded superannuation liability are included in Note 17 to the financial statements.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

Derecognition of financial assets

A financial asset is primarily derecognised when:

• The rights to receive cash flows from the asset have expired; or

• ADMHC has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) ADMHC has transferred substantially all the risks and rewards of the asset, or (b) ADMHC has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When ADMHC has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, ADMHC continues to recognise the transferred asset to the extent of its continuing involvement. In that case, ADMHC also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that ADMHC has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that ADMHC could be required to repay.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), with the following exceptions:

• Where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; and

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position.

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

Discontinued operations and assets held for sale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Comprehensive Income.

In order to maintain consistency when segregating the performance of continuing and discontinued operations, comparative figures in the Statement of Comprehensive Income and related notes have been restated accordingly. This allows the presentation of an aggregate amount (profit from discontinued operations) to be presented on the face of the Statement of Comprehensive Income.

Assets (or disposal groups comprising assets and liabilities) whose carrying amounts are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with ADMHC's accounting policies.

Thereafter, assets held for sale are measured at the lower of carrying amount and fair value less costs to sell; not depreciated; reclassified from non-current to current; and separately presented in the Statement of Financial Position.

An impairment loss is recognised in profit or loss for any initial and subsequent write down from the carrying amount measured immediately before reclassification or re-measurement to fair value less costs to sell.

A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

The sale of the asset should be expected to qualify for recognition as a completed sale within one year from the date of classification.

SIGNIFICANT POLICIES OF THE FORMER AUSGRID STATE OWNED CORPORATION

References to the Corporation in this section relate to the former Ausgrid.

Basis of consolidation

Subsidiary

Subsidiary is an entity controlled by the Corporation. Control exists when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Prior to the long-term lease of the Ausgrid network assets, the former Ausgrid SOC prepared consolidated financial statements comprising the financial statements of the former Ausgrid SOC and its wholly owned subsidiary Ausgrid Pty Limited (the "Consolidated" entity at 1 December 2016).

The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

On 9 October 2016, Ausgrid Pty Limited was deregistered by the Australian Securities & Investments Commission (ASIC).

For the period ended 1 December 2016, there were no significant differences between the parent entity and the consolidated entity financial information. As a result, the information presented and disclosed in the financial statements is for both the parent entity and the consolidated entity. Where significant differences exist between the parent entity and the consolidated entity financial information, separate information is presented or disclosed in the financial statements.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Ausgrid, Endeavour Energy and Essential Energy operated under a joint venture agreement from 1 July 2012 to 31 December 2015. A legal entity Networks NSW Pty Limited was used as the vehicle for this joint venture. On 29 January 2016, the former Ausgrid transferred its one third ownership interest in Networks NSW Pty Limited to Essential Energy for nominal consideration. Networks NSW Pty Limited was incorporated in Australia.

Significant accounting estimates and judgements of the former Ausgrid SOC

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASBs that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year are discussed below and in the various respective notes:

Note 3 – Unread meters
Note 3, 12 – Property, plant and equipment
Note 3, 13 – Intangible assets
Note 3, 16 – Provisions
Note 3, 10 – Other assets
Note 17 – Superannuation – Defined benefits plan
Note 26 – Fair value measurements

Investment properties

The former Ausgrid SOC leases out a portion of its properties. These properties are in excess of current usage requirements and are held for future use as owner occupied properties. Therefore these properties fall outside the definition of investment properties and are treated as leases of property, plant and equipment.

Unless otherwise indicated, the accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Revenue from former Ausgrid SOC Operations

Revenue is recognised when, the amount of revenue can be reliably measured, and to the extent that it is probable that the future economic benefits will flow to the entity. Revenue for the sale of goods is recognised when significant risks and rewards of ownership of the goods has passed to the buyer. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Network use of systems (NUOS) revenue

Revenue involving the rendering of electricity supply services is recognised in profit and loss on an accrual basis based on the consumption of electricity. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or if the costs incurred or to be incurred cannot be measured reliably.

Unread meters

Unread Meters accrual is an estimate of the network use of system charges associated with energy consumed and not invoiced as at balance date. The accrual for Unread Meters includes both meters that have been read but not yet billed and meters that have not been read as at balance date. The methodology used by Ausgrid reflects a bottom up approach where an accrual is estimated for all active sites within the Ausgrid distribution area. The accrual is calculated for each component of the Network Price including Energy components such as Peak, Shoulder & off Peak, Capacity and Network Access Charge.

Transmission revenue

Transmission revenue represents the financial transfer from TransGrid to the former Ausgrid relating to the utilisation by TransGrid of former Ausgrid's transmission assets.

Excess/shortfall in regulatory revenue

Network use of system revenue comprises of the following three components:

- Distribution use of system revenue – with effect from 1 July 2014, the Australian Energy Regulator (AER) started determining the former Ausgrid's allowed revenues under a revenue cap pricing framework. Where revenue from distribution services exceeds or is below the Maximum Allowed Revenue (MAR) as determined by the AER and adjustments will be made to future prices to reflect this excess or shortfall, no liability or asset is recognised, as such an adjustment relates to the provision of future services.

- Transmission revenue – where revenue related to transmission costs, which operates as a pass-through cost to customers exceeds or is below the actual transmission costs paid to transmission network service providers and embedded generators and adjustments will be made to future prices to reflect this excess or shortfall, no liability or asset is recognised, as such an adjustment relates to the provision of future services.

- Climate Change Fund revenue – where revenue related to receipt of contributions to the Climate Change Fund, which operates as a pass-through to customers, exceeds or is below actual contributions paid to the Office of Environment & Heritage, and adjustments will be made to future prices to reflect this excess or shortfall, no liability or asset is recognised, as such an adjustment relates to the provision of future services.

Contribution for capital works

This represents cash and non-cash capital contributed by customers and developers, mainly towards the capital cost of electricity connections. Cash and non-cash capital contributions have been reported in order to comply with Australian Accounting Interpretation 18 *Transfers of Assets from Customers*. Cash capital contributions are initially recorded as liabilities. Once the network asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to revenue, and the asset is recognised at fair value.

Contributions of non-current assets are recognised as revenue and an asset when the former Ausgrid gains control of the asset. The fair value of contributed assets is recognised at the date at which control is gained and the assets are ready for use.

Solar Bonus Rebate Scheme Recovery

The former Ausgrid recognises solar revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the former Ausgrid's activities.

Government grants

Government grants are recognised in the Statement of Financial Position initially as deferred income when they are received and the former Ausgrid complies with the conditions attaching to them, in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

Grants that compensate the former Ausgrid for the cost of an asset are recognised in profit and loss as revenue on a systematic basis over the useful life of the asset.

Grants that compensate the former Ausgrid for expenses incurred are recognised as revenue in profit and loss in the same period in which the expenses are incurred.

Other revenue

Other revenue consists of revenue from monopoly fees, miscellaneous network charges and other miscellaneous income.

Income Tax

The former Ausgrid and its controlled entity were exempt from federal income tax under the Income Tax Assessment Acts. However, they are subject to the National Tax Equivalent Regime which is based on the Income Tax Assessment Acts. Tax equivalents are payable to the Office of State Revenue.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets as at 1 December 2016 were derecognised due to the Transaction.

Income taxes relating to items recognised directly in equity (such as asset revaluation surplus, cash flow hedges and superannuation actuarial gains and losses) are recognised in equity and not in profit or loss. ADMHC obtained a tax exempt status as part of the conversion from a SOC to the Ministerial Holding Corporation on 1 December 2016.

Tax consolidation

The former Ausgrid SOC and its wholly-owned Australian resident entity, Ausgrid Pty Limited, formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group was the former Ausgrid SOC.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘group allocation’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts.

The former Ausgrid SOC recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Tax funding arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average purchase price of each item. In the case of manufactured stock for internal use, costs include direct labour, materials and a portion of variable overhead which comprises the cost of bringing the inventories to their appropriate location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale and are measured at lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction as opposed to continued use. Once classified as held for sale, depreciation and amortisation ceases. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

Property, plant and equipment

As at 30 June 2017 ADMHC has no property, plant and equipment. The policies outlined below relate to the property, plant and equipment held by the former Ausgrid SOC at 30 June 2016 and derecognised as part of the 1 December 2016 lease transaction.

(i) Recognition and measurement

Items of property, plant and equipment are initially recognised at cost. Non-system assets purchased below $500 are expensed as acquired. All costs of assets constructed by the former Ausgrid (system assets) are capitalised. Cost includes expenditure that is directly attributable to the acquisition and or construction of the asset including costs of materials, services, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an allocated proportion of supporting overhead costs. Capitalised costs also include borrowing costs in accordance with AASB 116 *Property Plant and Equipment* and AASB 123 *Borrowing Costs*.

Management judgement is required in the assessment of the types of costs that are directly attributable to the construction of our property, plant and equipment. Satisfying the directly attributable criteria requires an assessment of those unavoidable costs that, if not incurred, would result in the property, plant and equipment not being constructed. Directly attributable overheads are allocated to the cost of construction of an asset using direct labour hours.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained in accordance with Interpretation 18, AASB 13 *Fair Value Measurement* and AASB 116.

After initial recognition as an asset, items of property, plant and equipment are measured at fair value. Fair value is determined in accordance with NSW Treasury Accounting Policy TPP 14-01 *Valuation of Physical Non-Current Assets at Fair Value*, AASB 13 and AASB 116, and reviewed annually for impairment in accordance with AASB 136 *Impairment of Assets*.

System assets

System assets are stated at fair value less accumulated depreciation and impairment losses. The fair value of system assets is determined using the income approach in accordance with AASB 13.

The valuation methodology reflects a discounted cash flow methodology to value the former Ausgrid, and a calculation to subtract the value of other business assets and liabilities to arrive at a value for the former Ausgrid's system assets.

The income approach is based on a discounted cash flow model using the following methods and assumptions:

- Use of an estimate of future cash flows to be derived based on financial projections approved by the Board;
- Expectations about possible variations in the amount/timing of future cash flows to reflect the most likely outcome;
- The time value of money, represented by the current market risk-free rate and the price for bearing the uncertainty inherent in the asset, as encapsulated in the discount rate;
- Other factors such as illiquidity that should be reflected in pricing future cash flows; and
- A multiple of the forecast regulated asset base (RAB) at the end of the forecast period used as a proxy for the terminal value. The terminal value RAB multiple is determined with reference to market observable multiples.

System assets are revalued at least every five years in accordance with TPP14-01 and AASB 13. However, an assessment is made at each reporting date to ensure the net carrying value of system assets does not differ materially from its fair value, which is calculated on a 'cash generating unit' (CGU) basis using the discounted cash flows.

The former Ausgrid SOC's view is that the distribution network as a whole should be considered to be a "single asset" for the purposes of revaluation. This is because all components within the network must work together in order to reliably supply electricity. Further, due to the specialised nature of the former Ausgrid SOC's network, system assets cannot be readily sold to third parties for different uses.

Non-system land and buildings

Non-system land and buildings are stated at fair value.

Non-system land and buildings were revalued during 2013/14 to reflect fair value in accordance with AASB 13, AASB 116 and the NSW Treasury Accounting Policy TPP14-01. Independent valuers, Preston Rowe Paterson NSW Pty Limited (PRP) were engaged to value these assets. The 2013/14 valuations were assessed at fair value based upon existing use which was provided by PRP. Sample testing of asset values is performed in intervening years to confirm that the current carrying amounts for these assets reflect fair value.

Other property, plant and equipment

Other property, plant and equipment assets comprise non-specialised assets with short useful lives. These assets are stated at their depreciated historical costs which are considered an acceptable surrogate for fair value under TPP14-01 as any difference is unlikely to be material.

(ii) Revaluations

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss. Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same asset, they are debited directly to the asset revaluation reserve. The system assets disclosure in Note 12 reflects the gross method of presentation as a revaluation adjustment has not been recognised since the introduction of TPP14-01. When an asset is revalued using the income approach, the former Ausgrid SOC will disclose any future revaluation adjustments on a net basis in accordance with TPP14-01. For non-system assets, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Gains and losses on disposal of revalued assets are included in profit and loss for the year. Any related revaluation increments in the asset revaluation reserve upon disposal are transferred to Retained Earnings.

Fair value measurement

The former Ausgrid SOC measured provisions and property, plant and equipment at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 26.

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

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

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

The fair value of an asset or liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The former Ausgrid SOC used valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- *Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities*
- *Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable*
- *Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable*

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the former Ausgrid SOC determined whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(iii) Subsequent costs

The former Ausgrid SOC recognised in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the former Ausgrid and the cost of the item can be measured reliably. All other costs are recognised in profit and loss as an expense as incurred.

(iv) Depreciation

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- buildings	40 years
- system assets	1 - 70 years
- plant and equipment	3 - 25 years

System assets with 70 year useful lives relate to tunnel assets.

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

Intangible Assets

As at 30 June 2017 ADMHC has no intangible assets. The policies outlined below relate to the borrowings held by the former Ausgrid SOC at 30 June 2016 and derecognised as part of the 1 December 2016 lease transaction.

Intangible assets that are acquired externally or internally generated by the former Ausgrid are stated at cost less accumulated amortisation and impairment losses (see below).

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Easements, which are an interest in land allowing access to network assets, are not amortised as they are granted for an unlimited time.

Intangible assets are amortised from the date they are available for use. Amortisation is charged to profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use.

The estimated useful life for computer software is 1 – 4 years.

Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying amount reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Significant receivables are individually assessed for impairment. Non-significant receivables are collectively assessed by placing them in portfolios of similar risk profiles, based on objective evidence from historical experience and adjusted for any effects of economic and credit conditions existing at each reporting date.

Non-Financial assets

The carrying amounts of non-financial assets, other than inventories, and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually irrespective of any indication of impairment. The recoverable amount of an asset or cash generating unit (CGU) is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit and loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of the amount of previous revaluation, with any excess recognised through profit or loss.

Impairment losses recognised in respect of a CGU are allocated first to reduce the carrying amount of goodwill (if any) allocated to the CGU and then, to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed its recoverable amount or the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss has been recognised for the asset in prior years.

Other assets

Other current assets for 30 June 2016 relate to costs for external, recoverable and contestable works carried out by the former Ausgrid SOC which are still work in progress at 30 June 2016. Costs for work in progress are deferred and recognised in profit and loss on completion of work and services. Other assets are measured at cost.

The other non-current asset represents the emerging asset, being the present value of the network assets to be returned to the State on the expiry of the 99 year lease term.

Loans and Borrowings

As at 30 June 2017 ADMHC has no borrowings. The policies outlined below relate to the borrowings held by the former Ausgrid SOC at 30 June 2016 and repaid as part of the 1 December 2016 lease transaction.

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. This includes capital indexed bonds whose carrying amount is restated at each reporting date by way of an indexation adjustment based on the Consumer Price Index (CPI) in Australia.

Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. The difference between the face value and the capital value of these debt securities is amortised over the life of the specific instrument. Interest associated with these instruments is brought to account on an accrual basis. Indexation adjustments on CPI indexed bonds are also recognised as part of finance costs in profit and loss.

Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the amortisation process.

Dividends

The former Ausgrid SOC, paid dividends to the State of NSW prior to its conversion to a General Government entity on 1 December 2016.

Provision is made for the amount of dividend payable in relation to the current period, in accordance with the dividend recognition policy set out in NSW Treasury Policy TPP 14-4 *Financial Distributions Policy for Government Businesses*. Accordingly, a dividend in relation to the period is taken to be determined before the end of the reporting period, consistent with the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*

No dividends are payable from profit for the year ended 30 June 2017 (30 June 2016 - $63.5 million).

Employee Benefits of former Ausgrid SOC employees

All liabilities for employee benefits that are expected to be paid for services provided by employees to reporting date represent present obligations and are fully provided for in the financial statements.

Liabilities for employee benefits for wages, salaries, annual leave, pre 1993 sick leave and long service leave that are expected to be wholly settled within twelve months of the reporting date, represent present obligations resulting from employees' services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the former Ausgrid SOC expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date based on an actuarial assessment undertaken by Cumpston Sarjeant Pty Limited. The actuary has used a full actuarial projection method, with future cash flows discounted to the present day using market yields on national government bonds as a discount rate. The accrued portion of future benefits has been determined using the projected unit credit method. Consideration is given to expected future wage and salary levels, and a range of demographic assumptions including retirement, withdrawal, death and disability rates.

The amounts provided have been apportioned between current and non-current provisions. The current provisions being that portion which is expected to be paid within the ensuing 12 months or where there is no unconditional right to defer settlement of the obligation (refer Note 16). Non-current provisions are those amounts that are expected to be paid after 12 months and where there exists an unconditional right to defer settlement beyond 12 months.

Financial Instruments

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The former Ausgrid SOC uses derivative financial instruments, such as forward currency contracts and forward interest rate contracts, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the former Ausgrid SOC formally designates and documents the hedge relationship to which the former Ausgrid SOC wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the former Ausgrid SOC will assess the effectiveness of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the criteria for hedge accounting are accounted for as described below:

Fair value hedges

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Corporation revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading hedge revaluation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘other gains or loss’ line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition on a non-financial asset or non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial assets or non-financial liability.

Hedge accounting is discontinued when the Corporation revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. At that time, any gain or loss recognised in other comprehensive income and accumulated in equity remains in equity and is transferred to profit and loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit and loss.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognises termination benefits at the earlier of the following dates: (a) when the Corporation can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Other liabilities

Deferred revenue

Deferred revenue is recognised for customer prepayments for external, recoverable and contestable works carried out by former Ausgrid SOC at reporting date. The revenue is deferred pending completion of the works and services.

Deposits

Deposits represent liabilities for contractors' deposits which can be refunded at any time after the end of the financial year and unclaimed monies which are held up to 6 years before being transferred to the Office of State Revenue. The amount which can be refunded in the succeeding financial year and at any time is shown as current and the remainder of the liability as non-current.

Share Capital

The former Ausgrid SOC was incorporated under the State Owned Corporations Act 1989 with issued capital of two fully paid $1 ordinary shares. The shares each have a $1 par value.

Shareholders were the Treasurer and the Minister for Finance, Services and Property on behalf of the NSW Government. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Corporation. The $2 share capital is included in Contributed Equity in the Statement of Financial Position.

Reserves

Asset revaluation reserve

The revaluation reserve relates to fair value movements in property, plant and equipment.

Hedging reserve

The hedging reserve was used to record unrealised gains or losses of effective cash flow hedges. The unrealised gains or losses of all other derivatives are recognised in profit and loss.

Finance costs

The former Ausgrid SOC finance costs were recognised as expenses in profit and loss in the period in which they are incurred and include:

- interest expenses calculated using the effective interest method as described in AASB 139 Financial Instruments: Recognition and measurement, e.g. interest on overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps, amortisation of discounts or premiums relating to borrowings, indexation adjustments on CPI indexed bonds, and mark-to-market losses resulting from the early retirement of long-term debt into short-term debt;
- discount expense applied to provisions and amortised assets;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- a government loan guarantee fee assessed by NSW Treasury.

The amount excludes finance costs relating to qualifying assets, in which case they are capitalised as part of the cost of those assets in accordance with AASB 123. Qualifying assets are assets that take a substantial period of time to get ready for their intended use. The former Ausgrid SOC considers this to be 12 months or more.

Capitalisation of borrowing costs is undertaken where a direct relationship can be established between the borrowings and the relevant projects giving rise to qualifying assets. Typically, these are projects whose expected total project expenditure is approximately $10 million or greater.

Foreign Currency Translation

Foreign currency transactions are converted to Australian currency at the exchange rates at the date of the transaction, with resulting exchange differences recognised as income or expense in profit and loss.

4. INCOME FROM CONTINUING OPERATIONS

	30 Jun 2017 $M	30 Jun 2016 $M
(a) Investment revenue		
Interest income	0.3	-
	0.3	**-**
(b) Other income		
Finance income [(i)]	4.8	-
Superannuation settlement gains (defined benefit plan) recognised in profit for the period	5.4	14.0
Grant from Crown Finance Entity	16.8	-
Statutory income	2.1	-
	29.1	**14.0**
Total revenue	**29.4**	**14.0**

(i) At the date of execution of the 99-year finance lease, ADMHC recognised a finance lease receivable representing ADMHC's net investment in the lease. As the lease payments were received upfront, no further payments will be received by ADMHC and the residual asset will be accreted over the term of the lease as finance income.

5. EXPENSES FROM CONTINUING OPERATIONS

	30 Jun 2017 $M	30 Jun 2016 $M
Expenses		
Defined benefit expense	0.5	-
Operating expenses	0.5	-
Total	**1.0**	**-**

6. DISCONTINUED OPERATIONS

The Discontinued Operations relate to the long-term lease of the core network infrastructure assets and selected other assets of the former Ausgrid SOC. The remaining assets and liabilities required to run the transmission business were also sold. The Discontinued Operations in effect cover the entire operations, with the exception of transactions relating to defined benefit superannuation balances of retired employees.

(a) Financial Performance of operations disposed

The results for the former Ausgrid SOC network assets up to the date of disposal are presented below in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*. The consolidated results from discontinued operations include the performance of the former Ausgrid SOC network Assets from the beginning of the period until the date of disposal on 1 December 2016.

	30 Jun 2017 $M	30 Jun 2016 $M
Revenue	1,158.0	2,628.2
Expenses excluding finance costs	(640.6)	(1,886.4)
Finance Costs	(200.8)	(591.4)
(Loss)/gain on disposal of property, plant and equipment	(10.5)	50.3
Results from operating activities	**306.1**	**200.7**
Loss on early settlement of debt portfolio	(667.7)	(407.7)
Gain on disposal of discontinued operations	4,375.0	-
Total loss on early settlement & gain on disposal of discontinued operations	**3,707.3**	**(407.7)**
Profit from discontinued operations before tax	**4,013.4**	**(207.0)**
Income tax equivalent benefit / (expense)	1,014.8	(54.2)
Profit after Tax for the Period from Discontinued	**5,028.2**	**(261.2)**

(b) Cash flows from discontinued operations

The net cash flows incurred by discontinued operations are as follows:

	30 Jun 2017 $M	30 Jun 2016 $M
Operating	379.4	483.6
Investing	(206.8)	(326.7)
Financing	(110.0)	(155.3)
Net cash (outflow) / inflow	**62.6**	**1.6**

(c) Net assets disposed of in discontinued operations

	30 Jun 2017 $M
Derecognised under 99 year finance lease:	
-Property, plant and equipment	15,038.5
-Easements	110.5
Total dercongised under 99 year finance lease:	**15,149.0**

Disposed through sale:

Cash and cash equivalents	1.6
Trade and other receivables	421.5
Inventories	36.4
Other current assets	0.6
Assets classified as held for sale	27.8
Property, plant and equipment	385.3
Intangible assets	50.7
Trade and other payables	(122.4)
Provisions	(588.8)
Finance lease liabilities	(17.6)
Deferred government grants	(46.2)
Other liabilities	(11.5)
Total disposed through sale:	**137.4**
Net assets disposed of in discontinued operations	**15,286.4**

The fair value hierarchy of financial statement assets and liabilities disposed were all Level 2 immediately prior to disposal. Refer to Note 26 for fair value measurement basis consistent with prior year.

(d) Gain on disposal of discontinued operations

At the date of execution of the 99 year finance lease, the upfront lease premium paid to the various funds administered by Crown and the former Ausgrid SOC exceeded the carrying value of the relevant property, plant and equipment and intangibles held by ADMHC. This has been recorded as a gain on disposal of discontinued operations.

	30 Jun 2017 $M	30 Jun 2016 $M
Consideration paid to former Ausgrid SOC - promissory note	3,852.1	-
Consideration paid to directly to the Crown	15,700.3	-
Valuation gain on lease residual	125.8	
Purchase price adjustment paid to Ausgrid NOP	(16.8)	-
Net assets attributable to discontinued operations	(15,286.4)	-
Gain on disposal of discontinued operations	**4,375.0**	**-**

(e) Net distribution relating to the discontinued operations reflected in Statement of Changes in Equity

The total cash consideration for the transaction was $15.7 billion of which $489 million stamp duty was remitted directly to the Office of State Revenue. Cash consideration of $61.4 million was received by the former Ausgrid SOC, of which $37.4 million was used to pay outstanding liabilities relating to the former Ausgrid post 1 December 2016. In substance the transaction is treated as a disposal by the former Ausgrid SOC and in lieu of cash proceeds, is accounted for as a distribution to Restart NSW, net of a purchase price adjustment and an authorised distribution to settle the former Ausgrid SOC's outstanding loan portfolio and outstanding dividend payment.

	30 Jun 2017 $M	30 Jun 2016 $M
Cash proceeds remitted directly to the Crown Entity	15,700.3	-
Repayment of NSW TCorp borrowings	(10,168.1)	-
Payment of FY16 dividend	(63.5)	-
Payment of Government Guarantee Fee (GGF)	(223.1)	-
Net distribution - cash	5,245.6	-
Net distribution - promissory note received from NSW Government	3,852.1	-
Net distribution reflected in statement of changes in equity	**9,097.7**	**-**

7. INCOME TAX

99 year finance lease transaction

The former Ausgrid SOC was subject to the National Tax Equivalent Regime (NTER) administered by the ATO until its exit from the regime on 1 December 2016 following the long-term lease of the Ausgrid network (refer Note 2). The NTER is based on application of federal income tax laws under which the former Ausgrid SOC paid income tax equivalents to NSW Treasury.

A private binding ruling from the ATO stated the long-term lease transaction is tax neutral under the NTER. The gain on the long-term lease of the Ausgrid network (refer to Note 6(d)) and the market value loss on the early settlement of debt portfolio and other transaction-related costs are non-assessable and non-deductible respectively for income tax equivalent purposes.

Income tax expense

Major components of income tax expense for the years ended 30 June 2016 and 30 June 2017 are:

(i) Profit or Loss

Continuing operations

	30 Jun 2017 $M	30 Jun 2016 $M
Current tax expense		
Current year	1.6	4.2
Deferred Income Tax		
Relating to origination and reversal of temporary differences	(1.6)	-
Income tax expense relating to continuing operations	**-**	**4.2**

Discontinued Operations

	30 Jun 2017 $M	30 Jun 2016 $000
Current tax expense		
Current year	75.2	94.3
Adjustments in respect of current income tax of previous years	(0.1)	2.7
Total current income tax	**75.1**	**97.0**
Deferred tax expense		
Relating to origination and reversal of temporary differences	17.0	(39.1)
Over provision of tax in prior years	-	(3.7)
Total deferred income tax	**17.0**	**(42.8)**
Reversal of temporary differences		
Origination and reversal of temporary differences recongised in relation to prior years	(1,106.9)	-
Income tax (benefit)/ expense relating to Discontinued Operations	**(1,014.8)**	**54.2**

(ii) Other Comprehensive Income

	30 Jun 2017 $M	30 Jun 2016 $M
Items not to be reclassified subsequently to profit or loss:		
Superannuation defined benefits remeasurements	11.8	(28.3)
Revaluation of property, plant and equipment	5.4	(2.0)
Total	**17.2**	**(30.3)**
Items to be reclassified subsequently to profit or loss:		
Revaluation of hedge derivatives	0.7	1.5
Income tax charged directly to other comprehensive income	**17.9**	**(28.8)**

(iii) Reconciliation of income tax expense on pre-tax accounting profit to income tax expense reported in profit or loss

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in profit or loss for continuing operations as follows:

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Continuing operations

	30 Jun 2017 $M	30 Jun 2016 $M
Profit before tax	5.4	14.0
Income tax using the domestic coporation tax rate of 30%	1.6	4.2
Relating to origination and reversal of temporary differences*	(1.6)	-
Income tax expense on pre-tax net profit or loss of continued operations	**-**	**4.2**

*The former Ausgrid SOC exited the NTER on 1 December 2016 and ceased to be a tax paying entity.

Discontinued operations

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in profit or loss for discontinued operations as follows:

	30 Jun 2017 $M	30 Jun 2016 $M
Profit/(loss) before tax	4,013.4	(207.0)
Income tax using the domestic corporation tax rate of 30%	1,204.0	(62.1)
Non-assessable gain on lease and sale transaction and related	(1,312.5)	-
Non-deductible realised losses on retirement of long term debt	200.3	122.3
Other non-duductible expenses	0.5	-
Non-assessable income on the sale of property	1.5	(5.0)
Over provision of tax in prior years	(0.1)	(1.0)
Reclassification of superannuation to continuing operations	(1.6)	-
Origination and reversal of temporary differences recognised in relation to prior years	(1,106.9)	-
Income tax expense/(benefit) recognised in profit or loss of discontinued operations	**(1,014.8)**	**54.2**

(iv) Components of Deferred Income Tax

Deferred Income Tax at 30 June 2017 and 30 June 2016 relates to the following:

	30 Jun 2017 $M	30 Jun 2016 $M
Recongised deferred tax assets and liabilities attributable to the		
Property, plant and equipment	-	1,289.6
Intangible assets	-	5.6
Employee benefits	-	(121.2)
Deferred government grants	-	(14.0)
Provisions	-	(32.2)
Defined superannuation benefit	-	(53.9)
Other	-	(1.9)
Net deferred tax liabilities	**-**	**1,072.0**

	Balance 1 Jul 2016 $M	Recognised in profit or loss $M	Recoginsed in other comprehensive income $M	Reversal of temporary differences previously recognised $M	Balance 30 Jun 2017 $M
Movement in temporary differences during the year					
Property, plant and equipment	1,289.6	(8.1)	5.4	(1,286.9)	-
Intangible assets	5.6	-	-	(5.6)	-
Employee benefits	(121.2)	12.7	-	108.5	-
Deferred government grants	(14.0)	0.1	-	13.9	-
Provisions	(32.2)	8.7	0.7	22.8	-
Defined superannuation benefit	(53.9)	1.1	11.8	41.0	-
Other	(1.9)	-	-	1.9	-
Net deferred tax liabilities	**1,072.0**	**14.5**	**17.9**	**(1,104.4)**	**-**

	Balance 1 Jul 2015 $M	Recognised in profit or loss $M	Recognised in other comprehensive income $M	Balance 30 Jun 2016 $M
Movement in temporary differences during the year				
Property, plant and equipment	1,338.9	(47.3)	(2.0)	1,289.6
Intangible assets	5.9	(0.3)	-	5.6
Employee benefits	(115.0)	(6.2)	-	(121.2)
Deferred government grants	(14.5)	0.5	-	(14.0)
Provisions	(35.6)	1.9	1.5	(32.2)
Defined superannuation benefit	(33.9)	8.3	(28.3)	(53.9)
Other	(2.2)	0.3	-	(1.9)
Net deferred tax liabilities	**1,143.6**	**(42.8)**	**(28.8)**	**1,072.0**

Upon Ausgrid's exit from the NTER, deferred Income Tax balances are not recoverable and have been derecognised.

8. CASH AND CASH EQUIVALENTS

	30 Jun 2017 $M	30 Jun 2016 $M
Cash at Bank	24.2	0.4
Total	**24.2**	**0.4**

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank. Refer to note 25 regarding credit risk, liquidity and market risk arising from financial instruments.

9. TRADE AND OTHER RECEIVABLES

	30 Jun 2017 $M	30 Jun 2016 $M
Current		
Trade receivables	-	117.6
Less: impairment of trade receivables	-	(3.2)
Interest receivables	0.3	-
Unread meters	-	285.5
	0.3	399.9
Prepayments	-	25.1
GST Receivable	3.4	-
Total	**3.7**	**425.0**

The movement in the impairment of trade receivables is detailed below:		
Opening balance at beginning of the period/year	(3.2)	(3.4)
- additional provisions	(0.1)	(2.2)
- amounts reversed	3.3	2.4
Closing balance at end of the period/year	**-**	**(3.2)**

Details regarding credit risk, liquidity risk and market risk, including the financial assets that are either past due or impaired, are disclosed in note 25.

10. OTHER ASSETS

	30 Jun 2017 $M	30 Jun 2016 $M
Current		
Deferred costs - WIP on recoverable works	-	0.6
Total	**-**	**0.6**
Non-current		
Emerging asset/finance lease receivable	130.6	-
Total	**130.6**	**-**

11. ASSETS CLASSIFIED AS HELD FOR SALE

	30 Jun 2017 $M	30 Jun 2016 $M
Assets held for sale		
Systems assets	-	7.0
Total	**-**	**7.0**

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12. PROPERTY, PLANT AND EQUIPMENT

Valuation and accumulated depreciation for each class of property, plant and equipment as well as reconciliation of the carrying amounts of intangibles at the beginning and end of the financial year.

	Land and Buildings $M	System Assets $M	Plant & Equipment $M	Total $M
At 1 July 2016 - fair value				
Gross carrying amount	564.2	19,876.6	565.8	21,006.6
Accumulated depreciation and impairment	(58.9)	(5,208.6)	(405.6)	(5,673.1)
Net carrying amount	**505.3**	**14,668.0**	**160.2**	**15,333.5**
At 30 June 2017 - fair value				
Gross carrying amount	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-
Net carrying amount	**-**	**-**	**-**	**-**
Year ended 30 June 2017				
Net carrying amount at start of year	505.3	14,668.0	160.2	15,333.5
Additions	3.7	272.7	9.4	285.8
Disposals	-	(6.5)	(6.0)	(12.5)
Depreciation expense	(4.3)	(142.0)	(10.6)	(156.9)
Reversal of prior year impairment	-	-	0.3	0.3
Transfer to Held for Sale	(22.7)	(3.7)	-	(26.4)
Transfer to 99 year lease	(482.0)	(14,788.5)	(153.3)	(15,423.8)
Net carrying amount at end of period	**-**	**-**	**-**	**-**
At 1 July 2015 - fair value				
Gross carrying amount	572.7	19,330.3	560.1	20,463.1
Accumulated depreciation and impairment	(44.0)	(4,741.1)	(368.1)	(5,153.2)
Net carrying amount	**528.7**	**14,589.2**	**192.0**	**15,309.9**
At 30 June 2016 - fair value				
Gross carrying amount	564.2	19,876.6	565.8	21,006.6
Accumulated depreciation and impairment	(58.9)	(5,208.6)	(405.6)	(5,673.1)
Net carrying amount	**505.3**	**14,668.0**	**160.2**	**15,333.5**

Year ended 30 June 2016				
Net carrying amount at start of year	528.7	14,589.2	192.0	15,309.9
Additions	31.7	598.1	12.5	642.3
Disposals	-	(35.8)	(6.8)	(42.6)
Revaluation decrement	-	(2.5)	-	(2.5)
Depreciation expense	(14.8)	(467.5)	(37.5)	(519.8)
Reclassification	(20.3)	20.3	-	-
Transfer to Held for Sale	(20.0)	(33.8)	-	(53.8)
Net carrying amount at end of period	**505.3**	**14,668.0**	**160.2**	**15,333.5**

Assets under construction

Until the transaction (refer note 2), the former Ausgrid SOC continued with its Network Capital Program. Upon the transaction taking place all constructions in progress was transferred to the Ausgrid Partnerships. The carrying amounts as at 30 June 2016 were:

Land and buildings	$7.3 million
System assets	$582.8 million
Plant and equipment	$4.3 million

Historic cost of revalued assets

The carrying amount of assets had they been carried under the historic cost model as at 30 June 2016 were:

Land and buildings	$459.0 million
System assets	$11,622.3 million

Property, Plant and Equipment is treated in accordance with the various explanations set out in Note 3. Property, Plant and Equipment are valued in accordance with NSW Treasury Policy TPP 14-1 Valuation of Physical Non-Current Assets at Fair Value

Details regarding fair value measurement of property, plant and equipment are disclosed in Note 26.

13. INTANGIBLES

Valuation and accumulated amortisation of intangibles as well as reconciliation of the carrying amounts of intangibles at the beginning and end of the financial year.

	Easement $M	Computer Software $M	Other $M	Total $M
At 1 July 2016				
At cost	110.4	555.9	12.4	678.7
Accumulated amortisation and impairment	-	(504.9)	(11.9)	(516.8)
Net carrying amount	**110.4**	**51.0**	**0.5**	**161.9**
At 30 June 2017				
Gross carrying amount	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	**-**	**-**	**-**	**-**
Year ended 30 June 2017				
Net carrying amount at start of year	110.4	51.0	0.5	161.9
Additions	-	7.7	-	7.7
Disposals	-	(0.3)	-	(0.3)
Amortisation	-	(8.3)	(0.2)	(8.5)
Reversal of prior year impairment	-	0.4	-	0.4
Transfer to 99 year lease	(110.4)	(50.5)	(0.3)	(161.2)
Net carrying amount at end of period	**-**	**-**	**-**	**-**
At 1 July 2015				
At cost	110.4	542.2	12.4	665.0
Accumulated amortisation and impairment	-	(468.5)	(11.2)	(479.7)
Net carrying amount	**110.4**	**73.7**	**1.2**	**185.3**
At 30 June 2016				
At cost	110.4	555.9	12.4	678.7
Accumulated amortisation and impairment	-	(504.9)	(11.9)	(516.8)
Net carrying amount	**110.4**	**51.0**	**0.5**	**161.9**
Year ended 30 June 2016				
Net carrying amount at start of year	110.4	73.7	1.2	185.3
Additions	-	13.7	-	13.7
Amortisation expense	-	(36.4)	(0.7)	(37.1)
Net carrying amount at end of period	**110.4**	**51.0**	**0.5**	**161.9**

Intangible assets under construction

Until the transaction (refer to note 2), former Ausgrid continued with its Intangible Capital Program. Upon the transaction, all constructions in progress were disposed. As at 30 June 2016, the construction in progress was relating solely to computer software of $10.7 million.

14. TRADE AND OTHER PAYABLES

	30 Jun 2017 $M	30 Jun 2016 $M
Current		
Trade payables	1.7	73.0
Interest payable	-	243.6
Accruals	0.5	22.7
GST Payable	-	40.3
Total	**2.2**	**379.6**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 25**.**

15. BORROWINGS

	30 Jun 2017 $M	30 Jun 2016 $M
Current		
Finance lease liabilities	-	1.5
Current portion of loans	-	4,335.2
Total	**-**	**4,336.7**
Non-Current		
Finance lease liabilities	-	16.2
Non-current portion of loans	-	5,190.7
Total	**-**	**5,206.9**

Loans are unsecured and repayable in full on various maturity dates. Pursuant to Section 18 of the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW),* the Treasurer of NSW directed the former Ausgrid SOC on 20 April 2016, at NSW Treasury Corporation's (TCorp) discretion, to retire long term debt into short term debt. The resulting mark-to-market losses of $407.7 million were included in the 'current portion of loans' balance for the year ended 30 June 2016.

The mark-to-market losses for the period ended 1 December 2016 was $667.7 million which was included in the discontinued operations. All borrowings were repaid to TCorp on 1 December 2016 as part of the long-term partial finance lease transactions.

For information about ADMHC's exposure to interest rate and foreign currency risks, refer to note 25.

16. PROVISIONS

	30 Jun 2017 $M	30 Jun 2016 $M
Current		
Insurance	-	4.5
Dividend	-	63.5
Employees' Accrued Benefits	-	310.1
Restructing	-	48.7
Other	-	12.7
	-	439.5
Non-Current		
Insurance	-	18.3
Dividend	-	-
Employees' Accrued Benefits	21.7	233.6
Restructing	-	9.0
Other	-	73.1
	21.7	334.0
Total	**21.7**	**773.5**

On completion of the Transaction on 1 December 2016, all provisions, except the defined benefit superannuation balance of retired employees were disposed and transferred to the Ausgrid Partnerships.

17. UNFUNDED SUPERANNUATION

The following narrative and tables summarise the components of movement in ADMHC's net superannuation asset/liability recognised in Profit or Loss and Other Comprehensive Income, and the funded status and amounts recognised in the Statement of Financial Position for the defined benefit superannuation funds. Assets and Liability values of ADMHC's Energy Industries Superannuation Scheme Defined Benefit Funds are provided by the Fund's Actuary, Mercer Consulting (Australia) Pty Ltd.

Significant events

On completion of the 99 year lease transaction, all current employees and their respective defined benefit plans were transferred to Ausgrid Management Pty Ltd. The defined benefit plan remaining with ADMHC relate to the retired employees.

Nature of benefits

The Energy Industries Superannuation Scheme (the Scheme) is divided into seven divisions, of which Divisions B, C and D provide defined benefits, that is at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. Divisions B, C and D are closed to new members except for members of eligible schemes who can transfer their entitlements into the Scheme.

Disclosures below are prepared in relation to Divisions B, C and D only; these Divisions are referred to collectively as "the Fund" hereafter.

Regulatory framework

The Scheme was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees of certain Energy Industries bodies in NSW.

The Scheme is regulated primarily by the *Superannuation Industry (Supervision) Act 1993 (Cth)* ("the SIS legislation"), but is also subject to regulation under the *Superannuation Administration Act 1996 (NSW).*

The SIS legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

The Scheme has received an exemption from annual actuarial valuations and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

Governance

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

• Administration of the Scheme and payment to the beneficiaries from Scheme assets when required in accordance with the Scheme rules;

• Management and investment of the Scheme assets;

• Compliance with other applicable regulations, and

• Compliance with the Trust Deed.

Risks

There are a number of risks to which the 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, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.

• Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.

• 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.

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The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

	As at 30-Jun-17
Member Numbers	
Contributors	0
Deferred benefits	2
Pensioners	121

(i) Movements in Superannuation Net Asset/(Liability) recognised in profit or loss

	30 Jun 2017 **$M**	**30 Jun 2016** **$M**
Continuing operations		
Current service cost	0.1	2.0
Net Interest expense/(income)	0.5	(0.4)
Settlement	(5.5)	(15.6)
Total net income - continuing operations	**(4.9)**	**(14.0)**
Discountined operations		
Current service cost	4.9	9.8
Net Interest expense	1.4	3.1
Total net expense - discontinued operations	**6.3**	**12.9**
Total net expense/(income)	**1.4**	**(1.1)**

(ii) Movements in Superannuation Net Asset/(Liability) recognised in Other Comprehensive Income

Continuing operations	**30 Jun 2017 $M**	**30 Jun 2016 $M**
Actuarial (gains)/losses on liabilities	(12.1)	37.1
Actuarial (gains)/losses on assets	(4.6)	(1.5)
Total actuarial (gains)/losses - continuing operations	**(16.7)**	**35.6**
Discontinued operations		
Actuarial (gains)/losses on liabilities	(32.4)	62.8
Actuarial (gains)/losses on assets	2.9	(4.2)
Total actuarial (gains)/losses - discontinued operations	**(29.5)**	**58.6**
Total actuarial (gains)/losses	**(46.2)**	**94.2**

Reconciliation of the Superannuation Net Asset/ (Liability)

	30 Jun 2017 $M	**30 Jun 2016 $M**
Net Asset/(Liability) at the beginning of the year	179.4	112.9
Current service cost- continuing operations	0.1	2.0
Current service cost- discontinued operations	4.9	9.8
Interest expense/(income) - continuing operations	0.5	(0.4)
Interest expense/(income) - discontinued operations	1.4	3.1
Settlement - continuing operations	(5.5)	(15.6)
Actuarial losses/(gains) on assets - continuing operations	(4.6)	(1.5)
Actuarial losses/(gains) on assets- discontinued operations	2.9	(4.2)
Actuarial losses/(gains) arising from changes in demographic assumptions- continuing operations	-	(9.0)
Actuarial losses/(gains) arising from changes in demographic assumptions- discontinued operations	-	6.8
Actuarial losses/(gains) arising from changes in financial assumptions- continuing operations	(11.5)	20.8

Actuarial losses/(gains) arising from changes in financial assumptions- discontinued operations	(42.9)	55.8
Actuarial losses/(gains) arising from liability experience-continuing operations	(0.6)	25.3
Actuarial losses/(gains) arising from liability experience-discontinued operations	10.5	0.2
Employer contributions	(4.4)	(26.6)
Employees transferred	(108.5)	-
Net Asset/(Liability) at the end of the year	**21.7**	**179.4**

Reconciliation of the present value of the defined benefit obligation

	30 Jun 2017 $M	30 Jun 2016 $M
Present value of defined benefit obligations at the beginning of the year	645.3	721.9
Current service cost- continuing operations	0.1	2.0
Current service cost- discontinued operations	4.9	9.8
Interest expense/(income) - continuing operations	2.6	6.4
Interest expense/(income) - discontinued operations	4.1	12.3
Settlement - continuing operations	(20.6)	(112.7)
Actuarial losses/(gains) on assets - continuing operations	-	-
Actuarial losses/(gains) on assets- discontinued operations	-	-
Actuarial losses/(gains) arising from changes in demographic assumptions- continuing operations	-	(9.0)
Actuarial losses/(gains) arising from changes in demographic assumptions- discontinued operations	-	6.8
Actuarial losses/(gains) arising from changes in financial assumptions- continuing operations	(11.5)	20.8
Actuarial losses/(gains) arising from changes in financial assumptions- discontinued operations	(42.9)	55.8
Actuarial losses/(gains) arising from liability experience-continuing operations	(0.6)	25.3
Actuarial losses/(gains) arising from liability experience-discontinued operations	10.5	0.2
Employer contributions	1.7	4.8
Employees transferred	(470.3)	-
Benefits paid	(25.8)	(93.5)
Taxes, premiums and expenses paid	(1.1)	(5.6)
Transfer in from pooled funds	0.6	-
Present value of defined benefit obligations at the end of the year	**97.0**	**645.3**

Reconciliation of the fair value of fund assets

	30 Jun 2017 $M	30 Jun 2016 $M
Fair value of Fund assets at the beginning of the year	(465.9)	(609.0)
Interest expense/(income) - continuing operations	(2.3)	(6.8)
Interest expense/(income) - discontinued operations	(2.7)	(9.2)
Settlement - continuing operations	15.1	97.1
Actuarial losses/(gains) on assets - continuing operations	(4.6)	(1.5)
Actuarial losses/(gains) on assets- discontinued operations	2.9	(4.2)
Employer contributions	(6.1)	(31.4)
Employees transferred	361.8	-
Benefits paid	25.8	93.5
Taxes, premiums and expenses paid	1.3	5.6
Transfer in from pooled funds	(0.6)	-
Fair value of Fund assets at the end of the year	**(75.3)**	**(465.9)**

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 13.4 years.

Fair value of fund assets

All Division B, C and D assets are held in Pool B of the Fund. Pool B in turn holds units invested in the Energy Investment Fund, a pooled superannuation trust. As such, assets are not separately invested for each employer and it is not possible or appropriate to disaggregate and attribute Fund assets to individual entities, and the disclosures below relate to total assets of Pool B of the Fund.

Energy Investment Fund	30 Jun 2017 $M	30 Jun 2016 $M
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,977.6	2,013.1
Level 3 - Unobservable inputs	-	-
Total	**1,977.6**	**2,013.1**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and 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 and unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

Some Pool B assets are invested in accordance with member investment choices. For Pool B assets invested in the Energy Investment Fund but not subject to investment choice, the percentage invested in each asset class at the end of the reporting period is:

Asset Category	30 June 2017	30 June 2016
Alternatives	10%	28%
International Equities	26%	23%
Australian Equities	16%	17%
Infrastructure	11%	8%
Property	4%	10%
Private Equity	1%	2%
Cash	5%	12%
Fixed Income	27%	0%
Total	**100%**	**100%**

Derivatives can be used by investment managers, however strict investment guidelines detail all limits approved on the use of derivatives. The use of derivatives is governed by the investment policies, which permit the use of derivatives to change the Fund's exposure to particular assets. The Trustee requires that derivative financial instruments are not entered into for speculative purposes or to gear the Fund, and that all derivatives positions are (a) fully cash covered; (b) are offset to existing assets; or (c) are used to alter the exposures in underlying asset classes. Compliance with policies and exposure limits are reviewed by the Trustee on a continual basis. As such, the investment managers make limited use of derivatives.

The fair value of Fund assets includes no amounts relating to:

- any of ADMHC's financial instruments; and
- any property occupied by, or other assets used by, ADMHC.

Significant actuarial assumptions at the end of the reporting period

	30 June 2017	30 June 2016
Discount rate	2.62% pa	1.99% pa
Salary increase rate (excluding promotional increases)	N/A	0% pa until 31 Dec 2016 and 2.5% pa thereafter
Rate of CPI Increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.5% pa
Pensioner mortality	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2015 (the rates are disclosed in the triennial report available from the Trustee website). The pension mortality rates are based on experience of the NSW public sector.	As per 30 June 2015 triennial report

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Sensitivity analysis

ADMHC's total defined benefit obligation as at the end of the reporting period under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to its sensitivity to demographic assumptions.

As at 30 June 2017

	Base case	**Scenario A - 1.0% discount**	**Scenario B +1.0% discount rate**
Discount rate	2.62% pa	1.62% pa	3.62% pa
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	97.0	113.0	83.9

	Base case	**Scenario C +0.5% rate of CPI**	**Scenario D -0.5% rate of CPI**
Discount rate	2.62% pa	2.62% pa	2.62% pa
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.50% 2017/2018; 2.75% 2018/2019; 3.00% pa thereafter	1.50% 2017/2018; 1.75% 2018/2019; 2.00% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	97.0	104.7	90.0

	Base case	**Scenario E +0.5% Salary**	**Scenario F -0.5% Salary**
Discount rate	2.62% pa	2.62% pa	2.62% pa
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	97.0	97.0	97.0

	Base case	**Scenario G Lower pensioner mortality rates***	**Scenario H Higher pensioner mortality rates****
Defined benefit obligation ($M)	97.0	99.4	95.5

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

Asset/Liability matching strategies

ADMHC is not aware of any asset and liability matching strategies currently adopted by the Fund.

Funding arrangements for employer contributions

Funding arrangements 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 and the trustee.

Funding positions are reviewed annually and funding arrangements may be adjusted as required.

Net Surplus / (Deficit)

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AASB 1056 *Financial Reporting by Superannuation Plans*:

	30 Jun 2017 $M	30 Jun 2016 $M
Net market value of Fund assets	(75.3)	(465.8)
Accrued benefits	62.1	416.8
Net Surplus/(Deficit)	**(13.2)**	**(49.0)**

Please note that the AASB1056 results are based on the 2016 actuarial funding basis used by the Trustee in setting employer contributions, with the exception of the retrenchment, which are based on the AASB 119 basis.

Contribution Recommendations

Recommended contribution rates for the entity are:

At 30 June 2017

Division B	Division C	Division D	Additional Contributions
Multiple of member contributions	% of member salary	Multiple of member contributions	$M
N/A	N/A	N/A	-

Economic Assumptions

The economic assumptions adopted by the Fund’s Actuary in determining the employer contribution recommendations are set out in the following table. These assumptions differ from the economic assumptions used to determine the superannuation net asset/ (liability) in the Statement of Financial Position.

Weighted Average Assumptions	30 June 2017	30 June 2016
Expected rate of return on Fund assets backing current pension liabilities	5.9% pa	6.3% p.a.
Expected rate of return on Fund assets backing other liabilities	5.9% pa	6.3% p.a.
Expected salary increase rate	N/A	3% p.a. until 30 June 2018 and 3.5% p.a. thereafter
Expected rate of CPI Increase	2.2% pa	2.5% p.a.

Expected contributions

	$M
Expected employer contributions to be paid in the period 1 July 2017 to 30 June 2018	-

The defined benefit superannuation liability has been fully funded under AASB1056. No further contributions from ADMHC are required.

18. OTHER LIABILITIES

	30 Jun 2017 $M	30 Jun 2016 $M
Current		
Deposits	-	1.8
Deferred revenue	-	6.0
	-	**7.8**
Non-Current		
Deposits	-	1.6
Deferred revenue	-	1.3
Total	**-**	**2.9**

19. CAPITAL EXPENDITURE COMMITMENTS CONTINUING OPERATIONS

As at reporting date 30 June 2017 there are no capital expenditure commitments (Year ended 30 June 2016: $94.4 million).

20. CONTINGENCIES

No contingencies exist as at 30 June 2017 (year ended 30 June 2016; contingent liabilities $25.8 million and contingent assets $0.5 million).

21. AUDIT FEES CONTINUING OPERATIONS

	30 Jun 2017 $M	30 Jun 2016 $M
Audit services		
Auditing the financial statements	0.6	0.4
Total auditor's remuneration	**0.6**	**0.4**

22. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel comprised members of the Board of Directors, Networks New South Wales (NNSW) executive management team (until 31 December 2015) and the Corporation executive leadership team.

The following were the key management personnel of Ausgrid at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

Mr Roger Massy-Greene (Chairman) (term concluded effective 1 December 2016)
Dr Peter Dodd (term concluded effective 1 December 2016)
Ms Laura Reed (term concluded effective 1 December 2016)
Mr Phil Garling (term concluded effective 1 December 2016)
Dr Patrick Strange (term concluded effective 1 December 2016)
Ms Diana Eilert (term concluded effective 1 December 2016)
Mr Trevor Armstrong (term as Acting Chief Executive Officer concluded 1 December 2016)

Key management personnel remuneration

In addition to their salaries, former Ausgrid also provided post-employment benefits to key management personnel. For Directors, post-employment benefit relates solely to compulsory superannuation contributions which former Ausgrid is obliged to pay in accordance with the Superannuation Guarantee (Administration) Act 1992.

Prior to the cessation of the NNSW structure, the allocation of the NNSW executive management team remuneration to former Ausgrid was based on the proportion of customer numbers to the total customer numbers of Ausgrid, Endeavour Energy and Essential Energy combined.

The key management personnel compensation are as follows:

	30 Jun 2017 $M	30 Jun 2016 $M
Short-term employee benefits	2.0	4.0
Long-term benefits	0.1	0.2
Post-employment benefits	0.1	0.3
Termination benefits	0.4	-
Total	**2.6**	**4.5**

23. LEASES

Operating leases

Lessor

As at 30 June 2016, Ausgrid leased out a number of its properties, including land and communication towers, under operating lease agreements at market rentals, predominately on a fixed term basis. These operating leases were transferred to Ausgrid Asset Partnership on 1 December 2016 as part of the Transaction (refer note 2).

Finance lease receivable

On completion of the long term lease transaction, ADMHC acts as a lessor and Ausgrid Asset Partnership act as a lessee in a 99 year lease arrangement. The former Ausgrid SOC transferred substantially all risks and rewards incidental to ownership of the leased assets to Ausgrid Asset Partnership; as such the lease is classified as a finance lease.

On expiry of the 99 year lease term, the network assets will revert to ADMHC. As a result, ADMHC recognises a finance lease receivable equal to the value of its net investment in the lease. This has been presented as an 'Emerging Asset' in note 10 Other Assets. As all lease payments were received upfront, the net investment in the lease corresponds to the present value of the assets that will revert to ADMHC on expiry of the 99 year term. No further payments will be received, and a residual asset will be accreted over the 99 year term of the lease.

ADMHC's residual interest in the leased assets has been valued by external advisers as at 1 December 2016 and will be regularly re-assessed in future periods. The expected residual value will depend upon specific factors such as the nature of the asset, volatility of land values, the rate of technological change and competitive conditions.

24. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

Cash as at the end of the financial year as shown in the Statement of Cash flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 Jun 2017 $M	30 Jun 2016 $M
Cash and Cash Equivalents	24.2	0.4

Alpha Distribution Ministerial Holding Corporation

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

Reconciliation of profit after Income Tax Equivalent expense to net cash provided by operating activities

	30 Jun 2017 $M	30 Jun 2016 $M
Profit/(loss) for the period/year	5,056.6	(251.4)
Add/(less) non-cash items		
Depreciation and Amortisation	165.5	556.9
Amortisation of unrealised capital (debt)	(1.1)	(4.7)
Capital contributions	(65.6)	(87.3)
Finance cost capitalised	(5.8)	(19.4)
Capital indexed bonds indexation	0.6	14.8
Impairment of trade recievables	(1.2)	(0.2)
Loss/(gain) on disposal of property, plant and equipment	10.5	(50.3)
Gain on disposal of non-current assets	(0.7)	(0.8)
Loss on early settlement of debt portfolio/Mark to market losses	667.7	407.7
Accrued interest converted into debt	71.3	-
Gain on disposal of discontinued operations	(4,249.2)	-
Emerging assets	(130.6)	-
Net cash provided by operating activities before change in assets and liabilities	**1,518.0**	**565.3**
Net changes in assets and liabilities during the financial year		
(Increase)/decrease in trade debtors & other receivables	6.7	66.3
(Increase)/decrease in operating related inventories	(4.5)	6.0
(Increase)/decrease in prepaid operating expenditure	(5.8)	0.8
Increase/(decrease) in accrued operating expenditure	(5.6)	(165.6)
Increase/(Decrease) in provision for income tax payable	-	1.4
Increase/(Decrease) in net deferred tax liabilities	(1,072.0)	(71.6)
Increase/(Decrease) in other provisions	(97.0)	88.8
Increase/(Decrease) in deferred revenue	1.0	(4.5)
Increase/(Decrease) in customer security deposits	(0.2)	(3.3)
Net Cash Provided by Operating Activities	**340.6**	**483.6**

25. FINANCIAL INSTRUMENTS

ADMHC's principal financial instruments are outlined below. The financial instruments arise directly from ADMHC's operations or are required to finance ADMHC's operations. The Secretary has overall responsibility for the establishment and oversight of risk management and review of policies for managing risk.

Financial Instrument Categories

Carrying Amount	Notes	30 June 2017 $M	30 June 2016 $M
Financial Assets			
Cash and cash equivalents	8	24.2	0.4
Trade and other receivables	9	0.3	399.9
Financial Liabilities			
Trade and other payables	14	2.2	339.3
Borrowings	15	-	9,525.9

The above table excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 *Financial Instruments*, and excludes lease receivables which only represent the unguaranteed residual value.

Financial Risk Management Overview

Financial instruments comprise of cash, trade debtors, trade creditors, short term deposits and loans. The main purpose of these financial instruments was to raise finance or invest surplus cash for the entity's operations, and to manage exposure to price movements.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 of the financial statements.

As at 30 June 2017, ADMHC has exposure to the following risks:

- Credit risk;
- Interest rate risk; and
- Liquidity risk

Throughout the period to 1 December 2016, operating as the former Ausgrid SOC, ADMHC was also exposed to the following risks:

- Currency risk; and
- Capital risk management

Credit Risk

Credit risk arises when there is possibility that ADMHC's debtors default on their contractual obligations, resulting in a financial loss to ADMHC. The maximum exposure to credit risk is generally represented by the carrying amount of financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of ADMHC, including cash and receivables. No collateral is held by ADMHC.

Cash

Cash comprises bank balances with financial institutions. Interest is earned on daily bank balances.

Alpha Distribution Ministerial Holding Corporation

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

Receivables

All trade debtors are recognised as amounts receivable at balance date. The collection of receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off.

An allowance for impairment is raised when there is objective evidence that ADMHC will not be able to collect all amounts due. No interest is earned on trade debtors. The average credit period on receivables, unless otherwise agreed, is 30 days. There are no receivables that are past due or considered impaired as at reporting date.

The aging of ADMHC's trade and other receivables past due but not impaired at the end of the reporting period was:

	30 Jun 2017 $M	30 Jun 2016 $M
Less than 3 months overdue	-	6.8
3 months to 6 months overdue	-	0.9
Later than 6 months overdue	-	3.1
	-	**10.8**

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 movements in interest rates.

The effect on ADMHC's net result and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +/- 1 per cent is used. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Due to the 99 year finance lease transaction (Note 2) the former Ausgrid SOC's borrowings were all extinguished therefore exposure to interest rate risk is limited to cash at bank at 30 June 2017.

30 June 2017

Variable Rate Instruments	**Impact**	
	$M	**$M**
	-1%	**1%**
Cash and cash equivalents	(0.2)	0.2
Cashflow sensitivity (net)	**(0.2)**	**0.2**

30 June 2016

Variable Rate Instruments	Impact	
	$M	$M
	-1%	1%
Cash and cash equivalents	-	-
Borrowings	52.1	52.1
Cashflow sensitivity (net)	**52.1**	**52.1**

Liquidity risk

Liquidity risk is the risk that ADMHC will be unable to meet its payment obligations when they fall due. ADMHC continuously manages risk through monitoring future cash flows and commitment maturities. There were no defaults on payables in the current year, and no assets have been pledged as collateral.

Due to the 99 year finance lease transaction (Note 2) the former Ausgrid SOC's main business operations have been discontinued therefore ADMHC's exposure is limited to the value of trade payables.

All trade and other payables are expected to be settled by ADMHC within the next 12 months.

The following are the contractual maturities of financial liabilities, including estimated interest payments as at 30 June 2016:

30 June 2016	Carrying amount $M	Contractual cash flows Total $M	1 year or less $M	1-5 years $M	More than 5 years $M
Non derivative financial liabilities					
Fixed rate loans	8,377.4	9,397.6	4,619.1	2,846.9	1,931.6
Inflation indexed loans	1,148.5	1,458.7	32.7	485.5	940.5
Finance lease liability	17.7	72.2	1.5	5.9	64.8
Trade and other payables	340.2	340.2	340.2	-	-
Total	**9,883.8**	**11,268.7**	**4,993.5**	**3,338.3**	**2,936.9**

Note: The amounts disclosed above for loans are the contractual undiscounted cash flows. These disclosed contractually committed cash flows will not differ from the timing and the amounts expected to be incurred for these liabilities, however liabilities will change for floating loans and inflation indexed loans due to changes in market rates and CPI inflation rates.

Capital risk management

Consistent with NSW Treasury Policy *Capital Structure Policy for Government Businesses (TPP02-7),* which is the component of the NSW Government's Commercial Policy Framework, former Ausgrid's objectives were to determine an appropriate capital structure to enable an appropriate return on equity and efficient investment decisions to be made on a commercial basis.

Under the policy, both an appropriate capital structure and a minimum-to-maximum capital structure range were determined.

Due to the Transaction (refer note 2) former Ausgrid's borrowings were all distinguished.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Former Ausgrid was exposed foreign currency risk in respect of purchase of capital equipment that were denominated in a currency other than the AUD.

Former Ausgrid used forward exchange contracts to hedge its foreign currency risk for all foreign exchange exposures that exceeded $AUD 500,000 in value.

Due to the Transaction (refer to note 2) former Ausgrid's main business operations have been discontinued therefore ADMHC is not subject to any foreign exchange risk going forward.

26. FAIR VALUE MEASUREMENT

ADMHC holds no financial assets or liabilities that are fair valued as at 30 June 2017. Therefore only the comparative period fair value measurement information is disclosed below.

This note provides information about how the former Ausgrid determines the fair value of all assets and liabilities for which fair value is measured or disclosed in the financial statements.

(a) Fair value hierarchy

(i) Recognised fair value measurements

The following table presents the Corporation's assets and liabilities measured and recognised at fair value at 30 June 2016.

	Notes	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
At 30 June 2016					
Recurring fair value measurements					
System assets	12	-	-	14,668.00	14,668.0
Land and buildings	12	-	505.3	-	505.3
Total		**-**	**505.3**	**14,668.0**	**15,173.3**
Non-recurring fair value measurements					
Assets held for sale	12	-	7.0	-	7.0

There were no transfers between levels 1 and 2 for recurring fair value measurements during the current and comparative periods.

For transfers in and out of level 3 measurements refer (b) below.

Ausgrid's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

Ausgrid also had a number of assets and liabilities which are were measured at fair value, but for which fair values are disclosed below for 30 June 2016.

Receivables and payables

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows at the current market interest rates that are available to the Corporation for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

Interest rates used for determining fair value

The entity uses the government yield curve as at 30 June 2016 plus an adequate constant credit spread to discount financial instruments. The interest rates used were 1.7% - 2.2% for the year ended 30 June 2016.

Deposits

Deposits represent liabilities for contractors' deposits which can be refunded at any time after the end of the financial year. The net fair value is the carrying value.

(iii) Valuation techniques used to derive level 2 and level 3 fair values

Ausgrid measures and recognises the following assets and liabilities at fair value on a recurring basis:

- System assets
- Land and buildings

Ausgrid had also measured assets and liabilities at fair value on a non-recurring basis as a result of the reclassification of assets as held for sale.

(iv) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. In the absence of current quoted market prices, the price of the most recent transaction will provide evidence of the current fair value.

The fair values of other financial assets and financial liabilities (excluding energy derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using maximum observable market input data which include prices from observable current market transactions and dealer quotes for similar instruments.

System assets

System assets are valued using techniques described in note 3. All resulting fair value estimates for system assets are included in level 3.

Land and buildings

Land and buildings are valued using techniques described in note 3. All resulting fair value estimates for land and buildings are included in level 2.

(vi) Non-recurring fair value measurements

Non-current assets classified as held for sale were measured at the lower of their carrying amount and fair value less cost to sell and were included in level 2.

Assets held for sale comprised buildings and system assets transferred from property, plant and equipment. The valuation techniques and significant input used in the calculation have been discussed under Note 3.

(b) Fair value hierarchy measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period ended 30 June 2016 for recurring fair value measurements:

	System assets $M
Opening balance 1 July 2015	14,589.2
Acquisitions	598.1
Disposals	(35.8)
Depreciation and revaluation decrement	(470.0)
Transfer to level 2	(33.8)
Transfer from level 2	20.3
Closing balance 30 June 2016	**14,668.0**

(i) Transfers between levels 2 and 3 and changes in valuation techniques

Transfers between levels 2 and 3 were reclassification of asset categories between system assets, land and buildings and assets held for sale recognised at market value. There were no changes in valuation techniques during the period.

(ii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements for the comparative period.

Decription	Fair value at 30 June 2016 $M	Unobervable inputs	Range of inputs	Relationship of unobservable inputs to fair value
System assets	14,668.0	Discount rate	+/- 50 basis points	The higher the discount rate and terminal yield, the lower the fair value. A 50 basis points increase/decrease in discount rate results in a $362.8 million decrease/increase change in the fair value.
		5 year forecast capital expenditure	+/- 10%	The higher the capital expenditure the lower the fair value. A 10% movement in the capital expenditure results in a $28.9 million change in the fair value.
		5 year forecast operating expenditure	+/-10%	The higher the operating expenditure the lower the fair value. A 10% movement in the operating expenditure results in a $129.6 million change in the fair value.
		Forecast terminal RAB multiple	+/-5%	The higher the terminal RAB multiple, the higher the fair value. A 5% movement in the terminal RAB multiple results in a $661.9 million change in the fair value.

(iii) Valuation processes

The main level 3 inputs used by the group are set out in Note 3 under the System Assets heading.

(c) Fair value versus carrying amount

As at 30 June 2017, the carrying amount of cash and cash equivalents are a reasonable approximation of their fair value.

The carrying amounts and fair values of financial assets and liabilities at the end of comparative period were:

	Notes	30 June 2017 Carrying Amount $M	30 June 2017 Fair Value $M	30 June 2016 Carrying Amount $M	30 June 2016 Fair Value $M
Financial instruments					
Financial assets carried at amortised cost					
Cash and cash equivalents	8	24.2	24.2	0.4	0.4
Trade and other receivables (excluding statutory receivables & prepayments)	9	0.3	0.3	399.9	399.9
Total financial assets		**24.5**	**24.5**	**400.3**	**400.3**
Financial assets carried at amortised cost					
Borrowings	15	-	-	9,543.6	10,379.4
Trade and other payables (excluding statutory payables)	14	2.2	2.2	340.2	340.2
Deposits		-	-	3.4	3.4
Total financial liabilities		**2.2**	**2.2**	**9,887.2**	**10,723.0**

27. RELATED PARTIES

a) Ultimate parent

The NSW Government is the ultimate parent of ADMHC. The NSW Government is also the ultimate parent of NSW Treasury that provides key management personnel services to ADMHC.

(b) Key management personnel remuneration

ADMHC defines key management personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the entity. NSW Government is the ultimate controlling party of the entity, therefore the Treasurer, NSW Treasury secretary and Deputy Secretaries are considered as KMP. The NSW Cabinet are considered related parties of ADMHC because of its role to direct overall government policy and make decisions about State issues.

The entity does not have employees. The key management personnel services were provided by NSW Treasury. There was no remuneration paid to any of the KMP by the agency during the period.

No loans were made to any of the KMP by the agency 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 agency with any related parties was recovered at cost.

(i) Transactions with KMP

The agency has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP is required to complete annual declarations in relation to the related party transactions. No KMP has declared that he/she and their close family members have made any transactions with the entity during the reporting period.

(ii) Transactions with other related entities

The company interacts with other government agencies in delivering services to the general public. Services provided by other government agencies are provided to ADMHC in the same commercial terms as the general public.

28. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Electricity Retained Interest Corporation – Ausgrid

ABN 40 543 372 305

Financial Statements
for the period ended 30 June 2017

Electricity Retained Interest Corporation – Ausgrid

ABN 40 543 372 305

Charter

The Electricity Retained Interest Corporation – Ausgrid (ERIC-A) was established on 4 November 2016 under the *Electricity Retained Interest Corporation Act 2015*.

Objectives

The purpose of ERIC-A is to provide for the effective stewardship and oversight, protecting the value and maximising returns, of the retained interest of the State of New South Wales in Ausgrid's network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015.*

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The ERIC-A has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation - Ausgrid

To Members of the New South Wales Parliament and Directors of the Corporation

Opinion

I have audited the accompanying financial statements of the Electricity Retained Interest Corporation – Ausgrid (the Corporation), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion the financial statements:

- are in accordance with the *Corporations Act 2001*, including:
  - give a true and fair view of the Corporation's and consolidated entity's financial position as at 30 June 2017, and of their financial performance for the period ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001
- 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 Corporation and the consolidated 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.

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 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.

Directors' Responsibility for the Financial Statements

The Directors are 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 Directors determines are 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 Directors must assess the ability of the Company and the consolidated entity to continue as a going concern except where the Corporation'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 Company or the consolidated 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
- about any other information which may have been hyperlinked to/from the financial statements.

Aaron Green
Director, Financial Audit Services

29 September 2017
SYDNEY

Electricity Retained Interest Corporation-Ausgrid (ERIC-A)
ABN 40 543 372 305

Director's Declaration
for the period ended 30 June 2017

Pursuant to Section 41C 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 Electricity Retained Interest Corporation – Ausgrid's financial position as at 30 June 2017 and the financial performance for the year then ended

(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, Corporation Act 2001* and NSW Treasury Policy and Guidelines Papers; and

(c) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

Further this declaration has been made after receiving the declarations required to be made to the directors by the Director of Crown Finance in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the board

Director ......C Reed......

Dated 25/9/2017

Electricity Retained Interest Corporation-Ausgrid (ERIC-A)
ABN 40 543 372 305
Directors' Report
for the period ended 30 June 2017

The directors present their report on Electricity Retained Interest Corporation Ausgrid (ERIC-A) for the financial year ended 30 June 2017.

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Laura Reed
Belinda Gibson
Robert Wright

Directors who are the initial Directors, have been in office since the date of appointment, 4 November 2016 to the date of this report unless otherwise stated.

Principal activities

ERIC-A (the Corporation) has been set up under the *Electricity Retained Interest Corporations Act 2015 No 6* to provide for the effective stewardship and oversight of the retained interest of the state in Ausgrid's network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015*. The retained interest was established on 4 November 2016.

ERIC-A's function is to provide effective stewardship and oversight of the retained interest for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State.

No significant changes in the nature of the Corporation's principal activity occurred during the reporting period.

Operating results

The net result of the Corporation is $34,480 thousand at the end of the reporting period, representing the Corporation's share of Ausgrid Partnership's profit/(loss). The Corporation's expenses are reimbursed by the State, while distributions received from its retained interest in Ausgrid are fully repatriated to the State.

Distributions paid or recommended

Total amount of distributions paid at the end of this reporting period was $98.3 million with another $85.3 million to be recommended for payment in 2017-18.

Review of operations

A review of the operations of the Corporation during the period and the results of those operations found that during the period, the Corporation continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. Financial and company secretariat support are provided by staff of NSW Treasury for the Corporation and its subsidiaries.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Corporation during the period.

Significant events after the balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in future financial years.

Indemnification and insurance of directors and officers

Insurance premiums have been paid to cover any legal liabilities relating to professional indemnity and directors & officers during or since the end of the reporting period for any person who is or has been an officer of ERIC-A.

Indemnification of auditors

To the extent permitted by law, the Corporation has agreed to indemnify its auditors, Audit Office of NSW, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

No payment has been made to indemnify the Audit Office of NSW during or since the financial year.

Auditor's independence declaration

The directors received the following declaration from the auditor of ERIC-A.

[INSERT SIGNED AUDITORS INDEPENDENCE DECLARATION]

Signed in accordance with a resolution of the directors:

Director: ....

Dated 25/9/2017

AUDITOR-GENERAL
NEW SOUTH WALES

To the Directors
ERIC Alpha Holdings Pty Ltd

Auditor's Independence Declaration

As auditor for the audit of the financial statements of ERIC Alpha Holdings Pty Ltd for the year ended 30 June 2017, I declare, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Aaron Green
Director, Financial Audit Services

25 September 2017
SYDNEY

Electricity Retained Interest Corporation-Ausgrid (ERIC-A)
ABN 40 543 372 305

Consolidated Statement of Comprehensive Income
for the period ended 30 June 2017

	Notes	30 June 2017 Consolidated $'000	Parent $'000
Contribution income	4	632	618
Distribution income	4	98,292	-
Share of income from investment in associate	4	34,480	
Directors fees	5	(230)	(230)
Other expenses	6	(402)	(388)
Distribution paid	6	(98,292)	-
Net result for the period		**34,480**	**-**
Other comprehensive income:			
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		26,040	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		11,061	-
Total share of associate's other comprehensive income/(loss)	8	37,101	-
Total comprehensive income/(loss)		**71,581**	**-**

The accompanying notes form an integral part of these financial statements

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Electricity Retained Interest Corporation-Ausgrid (ERIC-A)
ABN 40 543 372 305

Consolidated Statement of Financial Position
As At 30 June 2017

	Notes	30 June 2017 Consolidated $'000	30 June 2017 Parent $'000
Current assets			
Trade and other receivables	7	353	342
Total current assets		**353**	**342**
Non-current assets			
Investment in associate	8	3,923,707	-
Total non-current assets		**3,923,707**	**-**
Total assets		**3,924,060**	**342**
Current liabilities			
Trade and other payables	9	353	342
Total current liabilities		**353**	**342**
Non-current liabilities			
Total non-current liabilities		**-**	**-**
Total liabilities		**353**	**342**
Net assets /(liability)		**3,923,707**	**-**
Equity			
Contributed capital	10	3,852,126	-
Accumulated surplus per SOCI		71,581	-
Total equity		**3,923,707**	**-**

The accompanying notes form an integral part of these financial statements.

Electricity Retained Interest Corporation-Ausgrid (ERIC-A)
ABN 40 543 372 305

Consolidated Statement of Changes in Equity
for the period ended 30 June 2017

	Consolidated			Parent		
	Contributed Capital $'000	Accumulated surplus $'000	Total $'000	Contributed Capital $'000	Accumulated surplus $'000	Total $'000
Balance at 4 November 2016	-	-	-	-	-	-
Comprehensive income for the period ended 30 June 2017						
Net result for the period	-	34,480	34,480	-	-	-
Other comprehensive income:						
investment in associate	-	37,101	37,101	-	-	-
Total other comprehensive income	-	37,101	37,101	-	-	-
Total comprehensive income for the period	-	71,581	71,581	-	-	-
Owner related equity transactions:						
Retained interest from sale of Ausgrid	3,852,126	-	3,852,126	-	-	-
Total owner related equity transactions	3,852,126	-	3,852,126	-	-	-
Balance at 30 June 2017	**3,852,126**	**71,581**	**3,923,707**	-	-	-

The accompanying notes form an integral part of the financial statements.

Notes to the Consolidated Financial Statements
for the period ended 30 June 2017

NOTES INDEX

1. Electricity Retained Interest Corporation - Ausgrid information

ERIC-A (the Corporation) has been set up under the *Electricity Retained Interest Corporations Act 2015 No 6* to provide for the effective stewardship and oversight of the retained interest of the State of New South Wales ("the State") in Ausgrid's network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015*.

ERIC-A's function is to provide effective stewardship and oversight of the part of the retained interest for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. ERIC-A is a NSW government entity and is a not-for-profit entity from 4 November 2016. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

The consolidated financial statements of ERIC-A and its subsidiaries for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 25 September 2017.

ERIC-A is consolidated as part of the NSW Total State Sector Accounts.

2. Basis for Consolidation

Subsidiaries

The consolidated financial statements of ERIC-A includes the ERIC-A parent and its subsidiaries (see "Entities within the Group) as at 30 June 2017. ERIC-A achieves control through the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary
- The ability to use its power over the investee to affect its returns

ERIC-A has considered all relevant facts and circumstances in assessing whether it has power over a subsidiary, including:

- The contractual arrangement(s) with the other vote holders of the subsidiary
- Rights arising from other contractual arrangements
- The ERIC-A's voting rights and potential voting rights

ERIC-A re-assesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements.

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the parent of ERIC-A and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of ERIC-A are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If ERIC-A loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. ERIC-A's retained investment is recognised at fair value.

Entities within the Group

The ERIC Group comprises of the following entities:

Electricity Retained Interest Corporation Ausgrid ("ERIC-A"), ERIC Alpha Holdings Pty Ltd, four ERIC Alpha Asset Trusts ("NAPTs"), four ERIC Alpha Operator Trusts ("NOPTs") and the associated four ERIC Alpha Asset Corporation (NAPT Trustee) and ERIC Alpha Operator Corporation (NOPT Trustee) companies. NAPTs and NOPTs hold the legal interests in the retained interest.

Under the *Electricity Retained Interest Corporations Act 2015 No 6*, a Fund has been established for ERIC-A in the Special Deposit Account where all financial returns (including distribution income, return of capital and any financial distribution) derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be deposited. This Special Deposit Account is controlled by the State, and not ERIC-A. Therefore, ERIC-A (or the entities it controls) does not recognise the Special Deposit Account within its financial statements.

3. Significant Accounting Policies

Basis of Preparation

The financial statements are general-purpose financial statements, and have been prepared on an accrual basis and in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and relevant NSW Treasury policies and circulars.

All information in these financial statements is presented consistent with the not-for-profit classification of the General Government entity.

All amounts are rounded to the nearest thousand dollars ($'000) and are expressed in Australian dollars (AUD) unless otherwise stated.

The principal accounting policies adopted in the preparation of the financial statements are set out below and in the relevant notes. Significant accounting policies relevant to the whole reporting period are listed in the first part of the summary below.

Statement of compliance

The financial statements and notes comply with applicable Australian Accounting Standards, which include Australian Accounting Interpretations.

Australian Accounting Standards and interpretations that have recently been issued or amended, but are not effective, have not been adopted by ERIC-A in preparing the financial statements in accordance with NSW Treasury Circular NSW TC 17-04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards.

The following new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2017.

AASB 9 Financial Instruments (2014) (operative date 1 July 2018)
AASB 15 Revenue from Contracts with Customers (operative date 1 July 2018)
AASB 16 Leases (operative date 1 July 2019)
AASB 1058 Income of Not-for-profit Entities (operative date 1 January 2019)
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (operative date 1 July 2018)
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (operative date 1 January 2017)
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 (operative date 1 July 2018)
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (operative date 1 January 2017)
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (operative date 1 January 2019)
AASB 2017-12 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle (operative date 1 January 2017)

It is considered impracticable to presently determine the impact of adopting the above accounting standards issued, but not yet effective.

Changes in Accounting Policies

ERIC-A 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.

The adoption of these Standards and Interpretations did not have any significant impact on the financial performance or position of ERIC-A.

Significant Accounting Judgements, Estimates and Assumptions made by management

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Judgements, key assumption and estimations management have made are disclosed in the relevant notes to the financial statements.

Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment

.

Distribution income

Distribution income is recognised reflecting the quarterly distributions from the partnerships which the State retains. This is offset by the Distribution expense to the State as all financial returns must be deposited into the ERIC-A Special Deposit Account (SDA). The SDA is controlled by the State. Refer to Note 13.

Government contribution

ERIC-A obtains control of the contribution or the right to receive the contribution; when it is probable that the economic benefits of the grant will flow to ERIC-A, and the amount of the grant can be measured reliably.

Expenses

Expenses are recognised when incurred.

Finance officers of the NSW Treasury provide administrative services, including the preparation of ERIC-A financial statements. A service fee of $250,000 per financial year is payable by ERIC-A in relation to these services.

Current Income Tax Expense

Electricity Retained Interest Corporation Ausgrid (“ERIC-A”), ERIC Alpha Holdings, the ERIC Alpha Asset Trusts (“NAPTs”), the ERIC Alpha Operator Trusts (“NOPTs”), the ERIC Alpha Asset Corporation (NAPT Trustees) and the ERIC Alpha Operator Corporation (NOPT Trustees) is exempt from income tax under Division 1AB of the *Income Tax Assessment Act 1936* (Cth) because each of ERIC-A, ERIC Alpha Holdings, the NAPTs, the NOPTs, the NAPT Trustees and the NOPT Trustees are State/Territory bodies (“STBs”) and not excluded STBs under Division 1AB.

Cash and cash equivalents

Cash and cash equivalents are not recognised in the Statement of Financial Position as the ERIC-A Special Deposit Account is controlled by the State.

Trade and other receivables

Receivables from trade and other debtors are recognised at amounts due less an allowance for any uncollectible amounts. Collectability of these receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment loss on trade and other receivables is raised when there is objective evidence that ERIC-A will not be able to collect the debt.

Allowance for impairment loss on trade and other receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of recover of these receivables is assessed by management. This assessment is based on enquiries as to the intention of late paying customers to pay, supportable past collection history, and historical write-offs of bad debts.

Investment in associates
The State’s retained interest in Ausgrid is accounted in ERIC-A’s investment in its associate as per AASB 128 using the equity method.

ERIC-A has significant influence over its associates through the Board who participate in the financial and operating policy decisions of the investee, but do not have control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the ERIC-A's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the ERIC-A's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the ERIC-A's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the ERIC-A recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

As at 30 June 2017, ERIC-A has assessed for impairment for the 7 months from the acquisition date 1 December 2016 to determine if there has been any impairment loss on its investment in its associate. The evidence from the impairment assessment indicates that no impairment loss needs to be recognised as at 30 June 2017.

At each financial reporting date, ERIC-A will measure and recognise the retained interest at its fair value.

Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to ERIC-A prior to the period and there is an obligation to make future payment. The amounts are unsecured and are usually paid within 30 days of recognition.

Subsequent to initial recognition of these liabilities at fair value, they are measured at amortised cost using the effective interest rate method. This measurement is equivalent to the original invoice amount.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

Going Concern

The State will provide ERIC-A in the form of contributions to meet its debt obligations as and when they become due and payable. As a result, the financial statements are prepared on a going concern basis.

4. Income

	Consolidated $'000	Parent $'000
Contribution from Crown Entity	632	618
Distribution received from partnerships	98,292	-
Share of income from investment in associate	34,480	
Total	**133,404**	**618**

5. Directors fees

Salaries	210	210
Superannuation contribution	20	20
Total	**230**	**230**

6. Other expense

Audit fees	97	86
Other	305	302
Total	**402**	**388**
Distribution paid		
Distribution paid to Crown Entity	98,292	-
Total	**98,292**	**-**
Total Other expense	**98,694**	**388**

7. Receivables

Receivable from Crown Entity	344	333
Prepayments	9	9
Total	**353**	**342**

8. Non-current assets

Electricity Retained Interest Corporation Ausgrid (ERIC-A) investment in an associate represents 100 per cent interest in shares of ERIC Alpha Holdings Pty Ltd, which has an investment in associate consisting of the NSW Government's 49.6 per cent share in Ausgrid Asset Partnership (AAP) and Ausgrid Operator Partnership (AOP), with IFM Investors and AustralianSuper holding the other 50.4 percent. Refer to note 3 – investment in associate.

Under AASB 128 *Investments in Associates* the investment is measured consistently with the policies applied in the ERIC-A financial statements. ERIC-A recognises its investment based on 49.6 percent of the Ausgrid's net assets reported in Ausgrid's consolidated financial statements.

Changes in ERIC-A's share of the associate's net results, adjusted to ensure consistency with ERIC-A accounting policy, are reflected in surplus ot deficit. Where changes are recognised directly in the associate's equity, ERIC-A recongises its share in other comprehensive income.
2

	Consolidated $'000	Parent $'000
Investment in associate	3,923,707	-
	3,923,707	**-**
ERIC-A's share of associate's assets and liabilities		
Current assets	387,029	-
Non-current assets	9,841,582	-
	10,228,611	-
Current liabilities	316,547	-
Non-current liabilities	5,988,357	-
	6,304,904	-
Net assets	**3,923,707**	**-**
ERIC-A's share of associate's profit		
Revenue	765,427	-
Profit before income tax	(348,341)	-
Income tax expense	-	-
Stamp duty*	481,113	-
Distribution income recognised	(98,292)	-
Profit after income tax	**34,480**	**-**
Other comprehensive income	37,101	-
Total comprehensive income	**71,581**	**-**

* Contributed equity excludes State's stamp duty.

ERIC-A's share of commitments for expenditure

Capital expenditure	38,886	-
Operating leases as lessee	45,434	-
Operating leases as lessor	7,043	-

The associate had $35.1 million in contingent liabilities and $0.1 million in contingent assets, in which ERIC-A has a 49.6 per cent share.

9. Current Payables

Accruals	344	333
Other	9	9
Total	**353**	**342**

10. Equity

Contributed capital - retained interest in partnerships	3,852,126	-
Accumulated surplus	71,581	-
Closing Balance	**3,923,707**	**-**

Contributed capital

Contributed capital represents fully paid ordinary shares issued to ERIC Alpha Holdings Pty Ltd for $1 consideration on incorporation under one or more vesting orders made by the Treasurer of NSW under the Electricity Network Assets (Authorised Transactions) Act 2015.

11. Commitments

As at reporting date 30 June 2017 there are no capital expenditure commitments.

12. Contingencies

No contingencies exist as at 30 June 2017.

13. Legal Interest in NAP & NOP

ERIC-A, through Ausgrid Network Asset Partnership Trusts (NAPTs) and Ausgrid Network Asset Operator Trusts (NOPTs) holds a 49.6% legal equity interest in Ausgrid Network Asset Partnership (NAP) and Ausgrid Network Operator Partnership (NOP).

All financial returns of NAP and NOP derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be payable directly into the Special Deposit Account (SDA) which is controlled by the State, in accordance with the *Electricity Retained Interest Corporations Act 2015 No 6*. ERIC-A recognise the retained interest in NAP and NOP on Consolidated Statemer of Financial Position using the equity method.

14. Compensation of Key Management Personnel

	30 Jun 2017 $'000
Short-term employee benefits	230
Post-employment benefits	-
Other long-term benefits	-
Termination benefits	-
Total	**230**

15. Financial Instruments

ERIC-A principal financial instruments are outlined below. The financial instruments arise directly from ERIC-A operations or are required to finance ERIC-A operations. The Board has overall responsibility for the establishment and oversight of risk management and review of policies for managing risk.

Financial Instrument Categories

		30 Jun 2017	
Carrying Amount	**Note**	**Consolidated $'000**	**Parent $'000**
Financial Assets			
Trade and other receivables	7	-	-
Financial Liabilities			
Trade and other payables	9	-	-

The above table excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 *Financial Instruments.*

Financial Risk Management Overview

As at 30 June 2017, ERIC-A had exposure to the following risks:

- Credit risk; and
- Liquidity risk

Credit risk arises when there is possibility that ERIC-A debtors default on their contractual obligations, resulting in a financial loss to ERIC-A. The maximum exposure to credit risk is generally represented by the carrying amount of financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of ERIC-A, including receivables. No collateral is held by ERIC-A.

Receivables

All trade debtors are recognised as amounts receivable at balance date. The collection of receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters in demand. Debts which are known to be uncollectible are written off.

An allowance for impairment is raised when there is objective evidence that ERIC-A will not be able to collect all amounts due. No interest is earned on trade debtors. The average credit period on receivables, unless otherwise agreed, is 30 days. There are no receivables that are past due or considered impaired as at reporting date.

The aging of all ERIC-A trade and other receivables at the end of the reporting period has not exceeded the past due date of 30 days.

Liquidity Risk

Liquidity risk is the risk ERIC-A will be unable to meet its payment obligations when they fall due. ERIC-A continuously manages risk through monitoring commitment maturities. There were no defaults on payables in the current year, and no assets have been pledged as collateral.

All trade and other payables are expected to be settled by ERIC-A within the next 12 months.

16. Related parties

(a) Ultimate parent

The NSW Government is the ultimate parent of ERIC-A. The NSW Government is also the ultimate parent of NSW Treasury that provides key management personnel services to ERIC-A.

(b) Key management personnel remuneration

The Corporation defines key management personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Corporation. NSW Government is the ultimate controlling party of the Corporation, therefore the Treasurer, NSW Treasury secretary, Deputy Secretary and the Corporation Directors are considered as KMP. The NSW Cabinet are considered related parties of the Corporation because of its role to direct overall government policy and make decisions about State issues

The Corporation does not have employees. The key management personnel services were provided by NSW Treasury. The Corporation directors are independent members who have been appointed by the Treasurer. During the period, remuneration has been paid to Corporation Directors. Refer to Note 14 Compensation of Key Management Personnel.
No loans were made to any of the KMP by the Corporation 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. Any expenditure paid by the Corporation with related parties was recovered at cost.

(i) Transactions with KMP

The Corporation has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP is required to complete annual declarations in relation to the related party transactions. No KMP has declared that he/she and their close family members have made any transactions with the Corporation during the reporting period.

(ii) Transactions with Director related entities

The Directors of the Corporation are also Directors for the Ausgrid Asset Network Partnership and Ausgrid Asset Operator Partnership. There was one transaction made between the Corporation and the Partnerships during the period. The transaction was related to the distribution income received by the Corporation from the Partnership of $98.3 million. No other related party transaction occurred in this reporting period.

(iii) Transactions with other related entities

The company interacts with other government agencies in delivering services to the general public.
Services provided by other government agencies to the Corporation including payroll, accounting and finance, adminstrative and company secretariat services. These services were provided to the Corporation in the same commercial terms as for any other agencies.

17. Events after the reporting date

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Electricity Retained Interest Corporation – Endeavour Energy

ABN 61 573 737 242

Financial Statements
for the period ended 30 June 2017

Electricity Retained Interest Corporation – Endeavour Energy

ABN 61 573 737 242

Charter

The Electricity Retained Interest Corporation – Endeavour Energy (ERIC-E) was established on 2 June 2017 under the *Electricity Retained Interest Corporation Act 2015*.

Objectives

The purpose of ERIC-E is to provide for the effective stewardship and oversight, protecting the value and maximising returns, of the retained interest of the State of New South Wales in Endeavour Energy's distribution network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015.*

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The ERIC-E has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation – Endeavour Energy

To Members of the New South Wales Parliament and Directors of the Corporation

Opinion

I have audited the accompanying financial statements of the Electricity Retained Interest Corporation – Endeavour Energy (the Corporation), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion the financial statements:

- are in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the Corporation's and consolidated entity's financial position as at 30 June 2017, and of their financial performance for the period ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001
- 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 Corporation and the consolidated 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.

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 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.

Directors' Responsibility for the Financial Statements

The Directors are 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 Directors determines are 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 Directors must assess the ability of the Corporation and the consolidated entity to continue as a going concern except where the Corporation'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 Corporation or the consolidated 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
- about any other information which may have been hyperlinked to/from the financial statements.

Aaron Green
Director, Financial Audit Services

9 October 2017
SYDNEY

Electricity Retained Interest Corporation - Endeavour Energy (ERIC-E)
ABN 61 573 737 242

Director's Declaration
for the period ended 30 June 2017

Pursuant to Section 45F 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 Electricity Retained Interest Corporation – Endeavour Energy's financial position as at 30 June 2017 and the financial performance for the year then ended

(d) 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, Corporation Act 2001* and NSW Treasury Policy and Guidelines Papers; and

(e) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

Further this declaration has been made after receiving the declarations required to be made to the Directors by the Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Board

Director..

Trevor Davis AM

Dated

Chair

27/9/17

Electricity Retained Interest Corporation-Endeavour Energy (ERIC-E)
ABN 61 573 737 242

Director's Report
for the period ended 30 June 2017

The directors present their report on Electricity Retained Interest Corporation - Endeavour Energy (ERIC-E or the Corporation) for the financial period 2 June 2017 to 30 June 2017.

Information on directors

The names of each person who has been a director during the period and to the date of this report are:

Trevor Danos AM (Chair)
Helen Conway
Scott Davis

Directors, who are the initial Directors, have been in office since the date of appointment by the Treasurer of NSW, 24 May 2017 to the date of this report unless otherwise stated.

Principal activities

ERIC-E has been set up under the *Electricity Retained Interest Corporations Act 2015 No 6* to provide for the effective stewardship and oversight of the retained interest of the State in Endeavour's Energy distribution network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015*. The retained interest was established on 2 June 2017.

ERIC-E's function is to provide effective stewardship and oversight of the retained interest for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State.

No significant changes in the nature of the Corporation's principal activity occurred during the financial period.

Operating results

The net result of the Corporation is nil at the end of the reporting period. All expenses of ERIC-E are reimbursed by the State, while distributions received from investments are fully repatriated to the State.

Distributions paid or recommended

No distributions have been paid or recommended as at 30 June 2017.

Review of operations

A review of the operations of ERIC-E during the financial period and the results of those operations found that during the period, ERIC-E continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. Financial and company secretariat support are provided by staff of the Treasury NSW for ERIC-E and its subsidiaries.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the ERIC-E during the period.

Significant events after the balance date

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of ERIC-E, the results of those operations or the state of affairs of ERIC-E in future financial years.

Electricity Retained Interest Corporation-Endeavour Energy (ERIC-E)
ABN 61 573 737 242

Director's Report (continued)
for the period ended 30 June 2017

Indemnification and insurance of directors and officers

Insurance premiums have been paid to cover any legal liabilities relating to professional indemnity and directors & officers during or since the end of the financial period for any person who is or has been an officer of ERIC-E.

By a Deed of Indemnity dated 8 June 2017, ERIC-E has indemnified each Director against:

(a) civil liability (other than a liability to ERIC-E or a Subsidiary) for liability incurred in his or her capacity as an Officer (unless the liability arises out of conduct involving a lack of good faith), and

(b) liability for costs incurred in defending proceedings (civil or criminal) in which judgement is given in favour of the Director or the Director is acquitted.

Auditor's independence declaration

The directors received the following declaration from the auditor of ERIC-E.

[INSERT SIGNED AUDITORS INDEPENDENCE DECLARATION]

Signed in accordance with a resolution of the directors:

Director: ....

Trevor Danos AM

Dated 27/9/17

AUDITOR-GENERAL
NEW SOUTH WALES

To the Directors
ERIC Epsilon Holdings Pty Ltd

Auditor's Independence Declaration

As auditor for the audit of the financial statements of ERIC Epsilon Holdings Pty Ltd for the period ended 30 June 2017, I declare, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Aaron Green
Director, Financial Audit Services

26 September 2017
SYDNEY

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | **e** mail@audit.nsw.gov.au | **audit.nsw.gov.au**

Electricity Retained Interest Corporation-Endeavour Energy (ERIC-E)
ABN 61 573 737 242

Consolidated Statement of Comprehensive Income
For the Period Ending 30 June 2017

		30 June 2017	
		Consolidated	Parent
	Notes	$'000	$'000
Contribution income	4	114	103
Directors' fees	5	(28)	(28)
Other expenses	6	(86)	(75)
Net result for the period		**-**	**-**
Other comprehensive income:			
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss)		**-**	**-**

The accompanying notes form an integral part of the financial statements

Electricity Retained Interest Corporation - Endeavour Energy (ERIC-E)
ABN 61 573 737 242

Consolidated Statement of Financial Position
As At 30 June 2017

		30 June 2017	
	Notes	Consolidated $'000	Parent $'000
Current assets			
Trade and other receivables	7	114	103
Total current assets		**114**	**103**
Non-current assets			
Investment in associate	8	1,946,448	-
Total non-current assets		**1,946,448**	**-**
Total assets		**1,946,562**	**103**
Current liabilities			
Trade and other payables	9	114	103
Total current liabilities		**114**	**103**
Non-current liabilities			
Total non-current liabilities		**-**	**-**
Total liabilities		**114**	**103**
Net assets /(liability)		**1,946,448**	**-**
Equity			
Contributed capital	10	1,946,448	-
Total equity		**1,946,448**	**-**

The accompanying notes form an integral part of the financial statements

Electricity Retained Interest Corporation - Endeavour Energy (ERIC-E)
ABN 61 573 737 242

Consolidated Statement of Changes in Equity
for the period ended 30 June 2017

	Consolidated			Parent		
	Contributed Capital $'000	Accumulated funds $'000	Total $'000	Contributed Capital $'000	Accumulated funds $'000	Total $'000
Balance at 2 June 2017	**-**	**-**	**-**	**-**	**-**	**-**
Comprehensive income for the period ended 30 June 2017						
Net result for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-
Owner related equity transactions:						
Retained interest from sale of Endeavour Energy	1,946,448	-	1,946,448	-	-	-
Total owner related equity transactions	1,946,448	-	1,946,448	-	-	-
Balance at 30 June 2017	**1,946,448**	-	**1,946,448**	-	-	-

The accompanying notes form an integral part of the financial statements

NOTES INDEX

Notes to the consolidated financial statements for the period ended 30 June 2017

1. Electricity Retained Interest Corporation – Endeavour Energy information

ERIC-E (the Corporation) has been set up under the *Electricity Retained Interest Corporations Act 2015 No 6* to provide for the effective stewardship and oversight of the retained interest of the State of New South Wales ("the State") in Endeavour Energy distribution network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015*.

ERIC-E's function is to provide effective stewardship and oversight of the part of the retained interest for which it is responsible for, the purpose of protecting value and seeking to maximise returns to the State. ERIC-E is a NSW government entity and is not-for-profit entity from 2 June 2017. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

The consolidated financial statements of ERIC-E and its subsidiaries for the period 2 June 2017 to 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 28 September 2017.

ERIC-E is consolidated as part of the NSW Total State Sector Accounts.

2. Basis for Consolidation

Subsidiaries

The consolidated financial statements of ERIC-E include the ERIC-E as parent and its subsidiaries (see "Entities within the Group) as at 30 June 2017. ERIC-E achieves control through the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary
- The ability to use its power over the investee to affect its returns

ERIC-E has considered all relevant facts and circumstances in assessing whether it has power over a subsidiary, including:

- The contractual arrangement(s) with the other vote holders of the subsidiary
- Rights arising from other contractual arrangements
- The ERIC-E's voting rights and potential voting rights

ERIC-E re-assess whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements.

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of ERIC-E and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of ERIC-E are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If ERIC-E loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. ERIC-E's retained investment is recognised at fair value.

Entities within the Group

The ERIC-E Group comprises of the following entities:

Electricity Retained Interest Corporation - Endeavour Energy, ERIC Epsilon Holdings Pty Ltd, four ERIC Epsilon Asset Trusts ("NAPTs"), four ERIC Epsilon Operator Trusts ("NOPTs") and the associated four ERIC Epsilon Asset Corporation (NAPT Trustee) and ERIC Epsilon Operator Corporation (NOPT Trustee) companies. NAPTs and NOPTs hold the legal interests in the retained interest.

Under the *Electricity Retained Interest Corporations Act 2015 No 6*, a Fund has been established for ERIC-E in the Special Deposit Account where all financial returns (including distribution income, return of capital and any financial distribution) derived by ERIC-E or any subsidiary of ERIC-E from the retained interest for which ERIC-E is responsible, must be deposited. This Special Deposit Account is controlled by the State, and not ERIC-E. Therefore, ERIC-E (or the entities it controls) does not recognise the Special Deposit Account within its financial statements.

3. Significant Accounting Policies

Basis of Preparation

The financial statements are general-purpose financial statements, and have been prepared on an accrual basis and in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and relevant NSW Treasury policies and circulars.

All information in these financial statements is presented consistent with the not-for-profit classification of the General Government entity.

All amounts are rounded to the nearest thousand dollars ($'000) and are expressed in Australian dollars (AUD) unless otherwise stated.

The principal accounting policies adopted in the preparation of the financial statements are set out below and in the relevant notes. Significant accounting policies relevant to the whole reporting period are listed in the first part of the summary below.

Statement of compliance

The financial statements and notes comply with applicable Australian Accounting Standards, which include Australian Accounting Interpretations.

Australian Accounting Standards and interpretations that have recently been issued or amended, but are not effective, have not been adopted by ERIC-E in preparing the financial statements in accordance with NSW Treasury Circular NSW TC 17-04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards.

The following new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2017.

AASB 9 Financial Instruments (2014) (operative date 1 July 2018)
AASB 15 Revenue from Contracts with Customers (operative date 1 July 2018)
AASB 16 Leases (operative date 1 July 2019)
AASB 1058 Income of Not-for-profit Entities (operative date 1 January 2019)
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (operative date 1 July 2018)
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (operative date 1 January 2017)
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 (operative date 1 July 2018)
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (operative date 1 January 2017)
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (operative date 1 January 2019)
AASB 2017-12 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle (operative date 1 January 2017)

It is considered impracticable to presently determine the impact of adopting the above accounting standards issued, but not yet effective.

Changes in Accounting Policies

ERIC-E 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.

The adoption of these Standards and Interpretations did not have any significant impact on the financial performance or position of ERIC-E.

Significant Accounting Judgements, Estimates and Assumptions made by management

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Judgements, key assumption and estimations management have made are disclosed in the relevant notes to the financial statements.

Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Government contribution

ERIC-E obtains control of the contribution or the right to receive the contribution; when it is probable that the economic benefits of the grant will flow to ERIC-E, and the amount of the grant can be measured reliably.

Expenses

Expenses are recognised when incurred.

Finance officers of the NSW Treasury provide administrative services, including the preparation of ERIC-E financial statements. ERIC-E reimburses NSW Treasury for these services.

Current Income Tax Expense

Electricity Retained Interest Corporation – Endeavour Energy, ERIC Epsilon Holdings, the ERIC Epsilon Asset Trusts ("NAPTs"), the ERIC Epsilon Operator Trusts ("NOPTs"), the ERIC Epsilon Asset Corporation (NAPT Trustees) and the ERIC Epsilon Operator Corporation (NOPT Trustees) is exempt from income tax under Division 1AB of the *Income Tax Assessment Act 1936* (Cth) because each of ERIC-E, ERIC Epsilon Holdings, the NAPTs, the NOPTs, the NAPT Trustees and the NOPT Trustees are State/Territory bodies ("STBs") and not excluded STBs under Division 1AB.

Cash and cash equivalents

Cash and cash equivalents are not recognised in the Statement of Financial Position as the ERIC-E Special Deposit Account is controlled by the State.

Trade and other receivables

Receivables from trade and other debtors are recognised at amounts due less an allowance for any uncollectible amounts. Collectability of these receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment loss on trade and other receivables is raised when there is objective evidence that ERIC-E will not be able to collect the debt.

Allowance for impairment loss on trade and other receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of recover of these receivables is assessed by management. This assessment is based on enquiries as to the intention of late paying customers to pay, supportable past collection history, and historical write-offs of bad debts.

Investment in associates

The State's retained interest in Endeavour Energy is accounted in ERIC-E's investment in associate as per AASB 128 using the equity method.

ERIC-E has significant influence over its associates through the Board who participate in the financial and operating policy decisions of the investee, but do not have control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the ERIC-E's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the ERIC-E's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the ERIC-E's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the ERIC-E recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

As at 30 June 2017, ERIC-E has assessed for impairment for the period from establishment of retained interest, 2 June 2017, to determine if there has been any impairment loss on its investment in its associate. The evidence from the impairment assessment indicates that no impairment loss needs to be recognised as at 30 June 2017.

At each financial reporting date, ERIC-E will measure and recognise the retained interest at its fair value.

Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to ERIC-E prior to the period and there is an obligation to make future payment. The amounts are unsecured and are usually paid within 30 days of recognition.

Subsequent to initial recognition of these liabilities at fair value, they are measured at amortised cost using the effective interest rate method. This measurement is equivalent to the original invoice amount.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

Going Concern

The State will provide ERIC-E in the form of contributions to meet its debt obligations as and when they become due and payable. As a result, the financial statements are prepared on a going concern basis.

4. Income

	Consolidated $'000	Parent $'000
Contribution from Crown Entity	114	103
Total	**114**	**103**

5. Directors' fees

Salaries	26	26
Superannuation contribution	2	2
Total	**28**	**28**

6. Other expense

Audit fees	86	75
Total	**86**	**75**

7. Receivables

Receivable from Crown Entity	114	103
Total	**114**	**103**

8. Non-current assets

Electricity Retained Interest Corporation Endeavour (ERIC-E) investment in an associate represents 100 per cent interest in the shares of the ERIC Epsilon Holdings Pty Ltd, which has investment in an associate consisting of NSW Government's 49.6 per cent share in Endeavour Asset Partnership (EAP) and Endeavour Operator Partnership (EOP), with Adance Energy holding the other 50.4 percent. Refer to note 3 – investment in associate.

Under AASB 128 *Investments in Associates* the investment is measured consistently with the policies applied in the ERIC-E financial statements.

There has been no changes in ERIC-E's share of the associate's net results and hence there has been no movement in the investment in associate since the initial recongition.

Investment in associate	1,946,448	-
Total	**1,946,448**	**-**

9. Current Payables

Accruals	114	103
Total	**114**	**103**

10. Equity

	Consolidated $'000	Parent $'000
Contributed Capital - retained interest in partnerships	1,946,448	-
Closing Balance	**1,946,448**	**-**

Contributed capital

Contributed capital represents fully paid ordinary shares issued to ERIC Epsilon Holdings Pty Ltd for $1 consideration on incorporation under one or more vesting orders made by the Treasurer of NSW under the Electricity Network Assets (Authorised Transactions) Act 2015. Contributed capital excludes stamp duty.

11. Commitments

As at reporting date 30 June 2017 there are no capital expenditure commitments.

12. Contingencies

No contingencies exist as at 30 June 2017.

13. Legal Interest in NAP & NOP

ERIC-E, through Endeavour Network Asset Partnership Trusts (NAPTs) and Endeavour Network Asset Operator Trusts (NOPTs) holds a 49.6% legal equity interest in Endeavour Network Asset Partnership (NAP) and Endeavour Network Operator Partnership (NOP).

All financial returns of NAP and NOP derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be payable directly into the Special Deposit Account (SDA) which is controlled by the State, in accordance with the *Electricity Retained Interest Corporations Act 2015 No 6.* ERIC-E recognise the retained interest in NAP and NOP on the Consolidated Statement of Financial Position using the equity method. This predominately makes up ERIC-E's 2016/17 financial report.

14. Compensation of Key Management Personnel

	30 Jun 2017 $'000
Short-term employee benefits	28
Post-employment benefits	-
Other long-term benefits	-
Termination benefits	-
Total	**28**

15. Financial Instruments

ERIC-E principal financial instruments are outlined below. The financial instruments arise directly from ERIC-E operations or are required to finance ERIC-E operations. The Board has overall responsibility for the establishment and oversight of risk management and review of policies for managing risk.

Financial Instrument Categories

		30 Jun 2017	
Carrying Amount	**Note**	**Consolidated $'000**	**Parent $'000**
Financial Assets			
Trade and other receivables	7	-	-
Financial Liabilities			
Trade and other payables	9	-	-

The above table excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 *Financial Instruments.*

Financial Risk Management Overview

As at 30 June 2017, ERIC-E had exposure to the following risks:
• Credit risk; and
• Liquidity risk

Credit Risk

Credit risk arises when there is possibility that ERIC-E debtors default on their contractual obligations, resulting in a financial loss to ERIC-E. The maximum exposure to credit risk is generally represented by the carrying amount of financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of ERIC-E, including receivables. No collateral is held by ERIC-E.

Receivables

All trade debtors are recognised as amounts receivable at balance date. The collection of receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters in demand. Debts which are known to be uncollectible are written off.

An allowance for impairment is raised when there is objective evidence that ERIC-E will not be able to collect all amounts due. No interest is earned on trade debtors. The average credit period on receivables, unless otherwise agreed, is 30 days. There are no receivables that are past due or considered impaired as at reporting date.

The aging of all ERIC-E trade and other receivables at the end of the reporting period has not exceeded the past due date of 30 days.

Liquidity Risk

Liquidity risk is the risk ERIC-E will be unable to meet its payment obligations when they fall due. ERIC-E continuously manages risk through monitoring commitment maturities. There were no defaults on payables in the current year, and no assets have been pledged as collateral.

All trade and other payables are expected to be settled by ERIC-E within the next 12 months.

16. Related parties

(a) Ultimate parent

The NSW Government is the ultimate parent of ERIC-E. The NSW Government is also the ultimate parent of NSW Treasury that provides key management personnel services to ERIC-E.

(b) Key management personnel remuneration

The Corporation defines key management personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Corporation. NSW Government is the ultimate controlling party of the Corporation, therefore the Treasurer, NSW Treasury Secretary, Deputy Secretary and the Corporation Directors are considered as KMP. The NSW Cabinet are considered related parties of the Corporation because of its role to direct overall government policy and make decisions about State issues.

The Corporation does not have employees. The key management personnel services were provided by NSW Treasury. The Corporation Directors are independent members who have been appointed by the Treasurer. Refer to Note 14 Compensation of Key Management Personnel for total remuneration payable to the Directors. No loans were made to any of the KMP by the Corporation 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. Any expenditure paid by the Corporation with related parties was recovered at cost.

(i) Transactions with KMP

The Corporation has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP is required to complete annual declarations in relation to the related party transactions. No KMP has declared that he/she and their close family members have made any transactions with the Corporation during the reporting period.

(ii) Transactions with Director related entities

The Directors of the Corporation are also Directors for the Endeavour Asset Network Partnership and Endeavour Asset Operator Partnership. There were no transactions made between the Corporation and the Partnerships during the period.

(iii) Transactions with other related entities

The company interacts with other government agencies in delivering services to the general public.
Services provided by other government agencies to the Corporation including payroll, accounting and finance, administrative and company secretariat services. These services were provided to the Corporation in the same commercial terms as for any other agencies.

17. Events after the reporting date

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Internal Audit and Risk Management Statement for the 2016-17 Financial Year for the State Rail Authority Residual Holding Corporation (SRARHC)

I, Michael Pratt am of the opinion that the SRARHC has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector, specifically:

Core Requirements		For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework		
1.1	The agency head is ultimately responsible and accountable for risk management in the agency	**Compliant**
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	**Compliant**
Internal Audit Function		
2.1	An internal audit function has been established and maintained	**Compliant**
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	**Compliant**
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	**Compliant**
Audit and Risk Committee		
3.1	An independent Audit and Risk Committee with appropriate expertise has been established	**Compliant**
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	**Compliant**
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	**Compliant**

Membership

The chair and members of the Audit and Risk Committee are:

- Independent Chair, Peter Lucas, appointed April 2012, term expired in April2017.
- Independent Chair, Victoria Weekes, appointed April 2017, first term expires April 2020.
- Independent Member, Jon Tyers, appointed August 2012, first term August 2012 to October 2015, second term extended from November 2015 to October 2018.
- Independent Member, Garry Dinnie, appointed June 2013, first term June 2013 to June 2017, second term extended from July 2017 to December 2017.
- Independent Member, Patricia Azarias, appointed November 2015, first term expires November 2018.

Michael Pratt, Secretary
Date: 22.9.17

4/9/17
Virginia Tinson
Director of Risk
Telephone: 02 9228 3783

04/09/17
Alan Pasfield
F/Chief Audit Executive
Telephone: 02 9228 5295

Internal Audit and Risk Management Statement for the 2016-17 Financial Year for the Liability Management Ministerial Corporation (LMMC)

I, Michael Pratt am of the opinion that the LMMC has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector, specifically:

Core Requirements		For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework		
1.1	The agency head is ultimately responsible and accountable for risk management in the agency	**Compliant**
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	**Compliant**
Internal Audit Function		
2.1	An internal audit function has been established and maintained	**Compliant**
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	**Compliant**
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	**Compliant**
Audit and Risk Committee		
3.1	An independent Audit and Risk Committee with appropriate expertise has been established	**Compliant**
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	**Compliant**
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	**Compliant**

Membership

The chair and members of the Audit and Risk Committee are:

- Independent Chair, Peter Lucas, appointed April 2012, term expired in April2017.
- Independent Chair, Victoria Weekes, appointed April 2017, first term expires April 2020.
- Independent Member, Jon Tyers, appointed August 2012, first term August 2012 to October 2015, second term extended from November 2015 to October 2018.
- Independent Member, Garry Dinnie, appointed June 2013, first term June 2013 to June 2017, second term extended from July 2017 to December 2017.
- Independent Member, Patricia Azarias, appointed November 2015, first term expires November 2018.

Michael Pratt, Secretary
Date: 22.9.17

4/9/17
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04/09/17
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