2015–16

Related Crown Entity Annual Reports

State Rail Authority Residual Holding Corporation
Lotteries Assets Ministerial Holding Corporation
Liability Management Ministerial Corporation
Electricity Assets Ministerial Holding Corporation
Ports Assets Ministerial Holding Corporation
Electricity Transmission Ministerial Holding Corporation

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Crown Entity Related Entities' Annual Reports 2015-16

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is available in electronic format only on the NSW Treasury website
www.treasury.nsw.gov.au

30 October 2016

State Rail Authority Residual Holding Corporation

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.

State Rail Authority Residual Holding Corporation

Financial Statements
for the year ended 30 June 2016

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 2016, 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 2016, 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 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
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

Other Information

The Secretary is responsible for the Other Information, which comprises the information in the Corporation's annual report for the year ended 30 June 2016, other than the financial statements and my Independent Auditor's Report thereon.

My opinion on the financial statements does not cover the Other Information. Accordingly, I do not express any form of assurance conclusion on the Other Information. However, I must read the Other Information and consider whether it is materially inconsistent with the financial statements, the knowledge I obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I must report that fact.

I have nothing to report in this regard.

The Secretary of Treasury's Responsibility for the Financial Statements

The Secretary is responsible for preparing financial statements that give a true and fair view 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 of financial statements that give a true and fair view and 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 include, disclosing, as applicable, matters related to going concern and 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, and
- 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 of the financial statements.

I conducted my audit in accordance with the Australian Auditing Standards, which require me to exercise professional judgement and maintain professional scepticism throughout the audit. I must also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures to respond to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary
- conclude on the appropriateness of the Secretary's use of the going concern basis of accounting by obtaining audit evidence to identify whether material uncertainty exists. Events or conditions may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude material uncertainty exists, I must draw attention to the relevant financial statement disclosures in my Independent Auditor's Report. If the disclosures are inadequate, I must modify my opinion. My conclusions are based on audit evidence obtained up to the date of my Independent Auditor's Report. However, future events or conditions may cause the the Corporation to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the transactions and events are fairly presented in the financial statements.

I communicate with the Secretary about:

- the planned scope and timing of the audit
- significant audit findings including significant internal control deficiencies identified during my audit.

My opinion does *not* provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically about the effectiveness of the internal control
- 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

4 August 2016
SYDNEY

State Rail Authority Residual Holding Corporation

Financial Statements
for the year ended 30 June 2016

Statement by Department Head

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 2016 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 Direction and applicable Australian Accounting Standards.

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

Rob Whitfield
Secretary

29 July 2016

State Rail Authority Residual Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2016

	2016 $000	2015 $000
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 2016

	2016 $000	2015 $000
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
as at 30 June 2016

	2016 $000	2015 $000
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 2016

	2016 $000	2015 $000
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.

Notes to the financial statements
for the year ended 30 June 2016

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.

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)

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 2016. 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 TC 16-02.

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 (2015: $3,850).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and Services Tax

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.

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. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Lotteries Assets Ministerial Holding Corporation

Lotteries Assets Ministerial Holding Corporation

Charter

The Lotteries Assets Ministerial Holding Corporation (LAMHC) was established under the *NSW Lotteries (Authorised Transaction) Act, 2009.*

The functions of the LAMHC are:

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

Objective

The Corporation has had no transactions.

Staffing

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

Lotteries Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2016

INDEPENDENT AUDITOR'S REPORT

Lotteries Assets Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Lotteries Assets Ministerial Holding Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows, 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 2016, 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
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

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Other Information

The Secretary is responsible for the Other Information, which comprises the information in the Corporation's annual report for the year ended 30 June 2016, other than the financial statements and my Independent Auditor's Report thereon.

My opinion on the financial statements does not cover the Other Information. Accordingly, I do not express any form of assurance conclusion on the Other Information. However, I must read the Other Information and consider whether it is materially inconsistent with the financial statements, the knowledge I obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I must report that fact.

I have nothing to report in this regard.

Secretary's Responsibility for the Financial Statements

The Secretary is responsible for preparing financial statements that give a true and fair view 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 of financial statements that give a true and fair view and 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's operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and 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, and
- 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 of the financial statements.

I conducted my audit in accordance with the Australian Auditing Standards, which require me to exercise professional judgement and maintain professional scepticism throughout the audit. I must also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures to respond to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary

- conclude on the appropriateness of the Secretary's use of the going concern basis of accounting by obtaining audit evidence to identify whether material uncertainty exists. Events or conditions may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude material uncertainty exists, I must draw attention to the relevant financial statement disclosures in my Independent Auditor's Report. If the disclosures are inadequate, I must modify my opinion. My conclusions are based on audit evidence obtained up to the date of my Independent Auditor's Report. However, future events or conditions may cause the Corporation to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the transactions and events are fairly presented in the financial statements.

I communicate with the Secretary about:

- the planned scope and timing of the audit
- significant audit findings including significant internal control deficiencies identified during my audit.

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

4 August 2016
SYDNEY

Lotteries Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2016

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 financial position of the Lotteries Assets Ministerial Holding Corporation as at 30 June 2016 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.

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

Rob Whitfield
Secretary

25 July 2016

Lotteries Assets Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2016

	2016 $000	2015 $000
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.

Lotteries Assets Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2016

	2016 $000	2015 $000
Assets	-	-
Total assets	-	-
Liabilities	-	-
Total liabilities	-	-
Net assets	-	-
Equity	-	-
Total equity	-	-

The accompanying notes form part of these financial statements.

Lotteries Assets Ministerial Holding Corporation

Statement of Changes in Equity
as at 30 June 2016

	2016 $000	2015 $000
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.

Lotteries Assets Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2016

	2016 $000	2015 $000
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. LOTTERIES ASSETS MINISTERIAL HOLDING CORPORATION INFORMATION

Lotteries Assets Ministerial Holding Corporation (LAMHC) was established during 2009 by the *NSW Lotteries (Authorised Transaction) Act 2009 No 60*. The Act authorises the transfer of assets from NSW Lotteries Corporation to the private/public sector. The LAMHC holds and carries on any business related to these assets. No NSW Lotteries assets (as defined by the Act) have been transferred to the LAMHC since the commencement of the Act.

The LAMHC is a reporting entity and remains so until the establishing legislation is repealed. The LAMHC is managed by the Treasurer with delegation powers.

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)

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 2016. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

The LAMHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular TC 16-02.

New, revised or amending standards and interpretations

The LAMHC 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 LAMHC.

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 LAMHC. 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, $3,850 inclusive of GST (2015: $3,850).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and Services Tax

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.

ASSETS

Assets are future economic benefits controlled by LAMHC 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 LAMHC 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

3. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets or contingent liabilities.

4. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Liability Management Ministerial Corporation

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.

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2016

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 the Liability Management Ministerial Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2016, 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 2016, 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 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
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

The Secretary of the Treasury's Responsibility for the Financial Statements

The Secretary is responsible for preparing financial statements that give a true and fair view 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 of financial statements that give a true and fair view and 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 include, disclosing, as applicable, matters related to going concern and 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 of the financial statements.

I conducted my audit in accordance with the Australian Auditing Standards, which require me to exercise professional judgement and maintain professional scepticism throughout the audit. I must also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures to respond to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary
- conclude on the appropriateness of the Secretary's use of the going concern basis of accounting by obtaining audit evidence to identify whether material uncertainty exists. Events or conditions may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude material uncertainty exists, I must draw attention to the relevant financial statement disclosures in my Independent Auditor's Report. If the disclosures are inadequate, I must modify my opinion. My conclusions are based on audit evidence obtained up to the date of my Independent Auditor's Report. However, future events or conditions may cause the Corporation to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the transactions and events are fairly presented in the financial statements.

I communicate with the Secretary about:

- the planned scope and timing of the audit
- significant audit findings including significant internal control deficiencies identified during my audit.

My opinion does *not* provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically about the effectiveness of the internal control
- 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.

Aaron Green
Director, Financial Audit Services

17 August 2016
SYDNEY

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2016

Statement by Department Head

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 Liability Management Ministerial Corporation's financial performance for the year ended 30 June 2016 and financial position as at 30 June 2016; 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 the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

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

Rob Whitfield
Secretary

16 August 2016

Liability Management Ministerial Corporation

Statement of Comprehensive Income
for the year ended 30 June 2016

	Note	Actual 2016 $'000	Budget 2016 $'000	Actual 2015 $'000
Expenses excluding losses				
Other operating expenses	3	20	40	20
Total expenses excluding losses		**20**	**40**	**20**
Revenue				
Investment revenue	4	693	6,220	8,075
Grants and contributions	5	18,745	18,745	17,713
Total revenue		**19,438**	**24,965**	**25,788**
Net result		**19,418**	**24,925**	**25,768**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**19,418**	**24,925**	**25,768**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Financial Position
as at 30 June 2016

	Note	Actual 2015 $'000	Budget 2015 $'000	Actual 2014 $'000
Assets				
Current assets				
Cash and cash equivalents	6	25	10	21
Receivables	7	2	4	3
Total current assets		**27**	**14**	**24**
Non-current assets				
Financial assets at fair value	8	102,954	111,760	83,550
Total non-current assets		**102,954**	**111,760**	**83,550**
Total assets		**102,981**	**111,774**	**83,574**
Liabilities				
Current liabilities				
Payables	9	11	40	22
Total current liabilities		**11**	**40**	**22**
Total liabilities		**11**	**40**	**22**
Net assets		**102,970**	**111,734**	**83,552**
Equity				
Accumulated funds		102,970	111,734	83,552
Total equity		**102,970**	**111,734**	**83,552**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Changes in Equity
as at 30 June 2016

	Total Equity
	$'000
Balance at 1 July 2015	**83,552**
Net result for the year	19,418
Total other comprehensive income	-
Total comprehensive income for the year	**19,418**
Transactions with owners in their capacity as owners	-
Balance at 30 June 2016	**102,970**
Balance at 1 July 2014	**57,784**
Net result for the year	25,768
Total other comprehensive income	-
Total comprehensive income for the year	**25,768**
Transactions with owners in their capacity as owners	-
Balance at 30 June 2015	**83,552**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Cash Flows
for the year ended 30 June 2016

	Note	Actual 2016 $'000	Budget 2016 $'000	Actual 2015 $'000
Cash flows from operating activities				
Payments				
Other		34	24	11
Total payments		**34**	**24**	**11**
Receipts				
Grants and contributions		18,745	18,745	17,713
Interest received		2	3,335	4
Other		3	1	1
Total receipts		**18,750**	**22,081**	**17,718**
Net cash flows from operating activities	6	**18,716**	**22,057**	**17,707**
Cash flows from investing activities				
Purchase of investments		(18,712)	(22,072)	(24,864)
Investment revenue		-	-	7,077
Net cash flows from investing activities		**(18,712)**	**(22,072)**	**(17,787)**
Net cash flows from financing activities		**-**	**-**	**-**
Net decrease in cash and cash equivalents		**4**	**(15)**	**(80)**
Opening cash and cash equivalents		21	25	101
Closing cash and cash equivalents	6	**25**	**10**	**21**

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* and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

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 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 2015-16.

AASB 2014-1 *Amendments to Australian Accounting Standards (Part E: Financial Instruments).*

The initial application of the standard would not have material impact to the LMMC financial statements.

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 2016.

AASB 9 *Financial Instruments (2014)* (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 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* (operative date 1 July 2016)
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* (operative date 1 July 2016)
AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* (operative date 1 July 2016)
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (operative date 1 July 2017*)
AASB 1057 *Application of Australian Accounting Standards* (operative date 1 July 2016)
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* (operative date 1 July 2016)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LMMC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC16/02.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Financial assets comprise investments in TCorp Hour-Glass Investment Facilities (HGIF). 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 HGIF incorporates distributions received and unrealised movements in fair value and is reported as investment revenue in the Statement of Comprehensive Income.

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 AND RESERVES

Accumulated Funds

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

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.

	2016 $'000	2015 $'000

3. OTHER OPERATING EXPENSES

	2016 $'000	2015 $'000
Audit fees	20	20

4. INVESTMENT REVENUE

	2016 $'000	2015 $'000
Revenue from financial assets held at fair value		
Hour-Glass Investment Facility	5,291	7,077
Gains/(losses) from financial assets held at fair value		
Hour-Glass Investment Facility	(4,600)	994
Bank interest	2	4
	693	**8,075**

5. GRANTS AND CONTRIBUTIONS

	2016 $'000	2015 $'000
Contributions from the Crown Entity	18,745	17,713

6. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash held at financial institutions	25	101

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

	2016 $'000	2015 $'000
Net cash flows from operating activities	**18,716**	**17,707**
Gain on investments	691	8,071
(Decrease)/Increase in assets	-	1
Decrease/(Increase) in liabilities	11	(11)
Net result for the year	**19,418**	**25,768**

7. CURRENT RECEIVABLES

	2016 $'000	2015 $'000
GST receivable	2	3

8. NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE

	2016 $'000	2015 $'000
Hour-Glass Investment Facility	102,954	83,550

As at 30 June 2016, total investments of the LMMC are financial assets designated at fair value through profit or loss.

	2016 $'000	2015 $'000
9. PAYABLES		
Other accruals	11	22

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 2016 $'000	Carrying amount 2015 $'000
Financial assets				
Cash and cash equivalents	6	N/A	25	21
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	102,954	83,550
Financial liabilities				
Payables	9	Payables (measured at amortised cost)	11	22
Total			**102,968**	**83,549**

Risk management

The assets of the LMMC are invested in TCorp's Hour-Glass Investment Facility in accordance with the investment strategy determined by the Management Committee.

The actual rate of return on LMMC assets during the year was 0.51 per cent (2015: 12.61 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 HGIF.

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.

10. FINANCIAL INSTRUMENTS (continued)

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.

Other price risk

Exposure to other price risk is through the investment in the TCorp's HGIF. The LMMC has no direct equity investments.

The LMMC holds units in the following Hour-Glass investment facility:

Facility	Investment Sectors	Investment Horizon	2016 $'000	2015 $'000
Long Term Growth Facility	Cash, money market instruments, Australian bonds, listed property, Australian & International shares	7 years and over	102,954	83,550

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

Hour-Glass Investment facilities	Change in unit price		Impact on net result	
	2016 %	2015 %	2016 $'000	2015 $'000
Long Term Growth Facility	+/- 16	+/- 15	+/-16,473	+/-12,533

Currency risk

LMMC has foreign currency exposure within its investment in TCorp's HGIF. The Hour-Glass Long Term Growth Facility (LTGF) has approximately 35% foreign currency exposure (30% of LTGF is allocated to unhedged international shares and 5% 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.

10. FINANCIAL INSTRUMENTS (continued)

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

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

As at 30 June 2016 there are no financial assets that are past due or considered impaired.

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 Hour-Glass 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 HGIF 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
2015-16	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value				
TCorp's HGIF	-	102,954	-	**102,954**
	-	**102,954**	**-**	**102,954**
2014-15				
Financial assets at fair value				
TCorp's HGIF	-	83,550	-	**83,550**
	-	**83,550**	**-**	**83,550**

11. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or contingent liabilities as at the reporting date (2015: Nil).

12. BUDGET REVIEW

Hour Glass Long Term Growth Facility full year investment revenue of $0.69 million reflected an investment return of 0.51% pa which is lower than the budgeted return rate of 6.25%pa.

13. EVENTS AFTER THE REPORTING DATE

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

End of audited financial statements

Electricity Assets Ministerial Holding Corporation

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.

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2016

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 the Electricity Assets Ministerial Holding Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2016, 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 2016, 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
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

The Secretary of the Treasury's Responsibility for the Financial Statements

The Secretary is responsible for preparing financial statements that give a true and fair view 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 of financial statements that give a true and fair view and 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's operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and 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, and
- issue an Independent Auditor's Report including my opinion.

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

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

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.

Aaron Green
Director, Financial Audit Services
5 October 2016

SYDNEY

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2016

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 2016 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* and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

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

Rob Whitfield
Secretary

30 September 2016

Electricity Assets Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2016

	Notes	Actual 2016 $'000	Budget 2016 $'000	Actual 2015 $'000
Expenses excluding losses				
Operating expenses	3	(2,424)	293	2,260
Finance costs	9	2,047	1,939	2,214
Total expenses excluding losses		**(377)**	**2,232**	**4,474**
Revenue				
Investment revenue	4	1,496	4,459	2,324
Other revenue	5	546	225	2,467
Total revenue		**2,042**	**4,684**	**4,791**
Net result		**2,419**	**2,452**	**317**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**2,419**	**2,452**	**317**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2016

	Notes	Actual 2016 $'000	Budget 2016 $'000	Actual 2015 $'000
ASSETS				
Current assets				
Cash and cash equivalents	6	78,599	4,000	74,671
Receivables	7	846	168	1,425
Total current assets		**79,445**	**4,168**	**76,096**
Non-current assets				
Receivables	7	347	261	386
Other financial assets		-	71,454	-
Total non-current assets		**347**	**71,715**	**386**
Total assets		**79,792**	**75,883**	**76,482**
LIABILITIES				
Current liabilities				
Payables	8	57	-	82
Provision for outstanding claims	9	4,344	3,182	4,675
Total current liabilities		**4,401**	**3,182**	**4,757**
Non-current liabilities				
Provision for outstanding claims	9	41,274	37,898	40,027
Total non-current liabilities		**41,274**	**37,898**	**40,027**
Total liabilities		**45,675**	**41,080**	**44,784**
Net assets		**34,117**	**34,803**	**31,698**
Equity				
Accumulated funds		34,117	34,803	31,698
Total equity		**34,117**	**34,803**	**31,698**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Changes in Equity
as at 30 June 2016

	Notes	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2015		**31,698**	**31,698**
Net result for the year		2,419	2,419
Other comprehensive income		-	-
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	10	-	-
Balance at 30 June 2016		**34,117**	**34,117**
Balance at 1 July 2014		**25,225**	**25,225**
Net result for the year		317	317
Other comprehensive income		-	-
Total comprehensive income for the year		**317**	**317**
Transactions with owners in their capacity as owners			
Increase in net assets from equity transfers	10	6,156	6,156
Balance at 30 June 2015		**31,698**	**31,698**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	Actual 2016 $'000	Budget 2016 $'000	Actual 2015 $'000
Cash flows from operating activities				
Payments				
Employee related		-	(96)	-
Claim payments	9	(1,794)	-	(2,828)
Other		(983)	(3,956)	(8,141)
Total payments		**(2,777)**	**(4,052)**	**(10,969)**
Receipts				
Interest received		1,254	2,559	1,823
Other		1,849	382	8,296
Total receipts		**3,103**	**2,941**	**10,119**
Net cash flows from operating activities	11	**326**	**(1,111)**	**(850)**
Cash flows from investing activities				
Proceeds from sale of investments		-	4,000	-
Purchase of investments		-	(2,889)	-
Net cash flows from investing activities		**-**	**1,111**	**-**
Net increase/(decrease) in cash		**326**	**-**	**(850)**
Opening cash and cash equivalents		74,671	4,000	75,321
Cash transferred in as a result of administrative restructuring	10	3,602	-	200
Closing cash and cash equivalents	6	**78,599**	**4,000**	**74,671**

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2016

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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. In 2015, the residual assets, rights and liabilities of the Green State Power and Macquarie Generation were vested in EAMHC through various vesting orders.

During the current reporting period, the State completed the sale of Delta Electricity Vales Point power station assets. The workers compensation claims and liabilities for exposures up to the sale date were fully funded and vested in EAMHC. The vesting order signed by the Treasurer effective from 17 December 2015.

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 published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

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

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.

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 2015-16.

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)*
AASB 2014-1 *Amendments to Australian Accounting Standards (Part E: Financial Instruments)*
AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*.

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 2015-16 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 2016.

AASB 9 *Financial Instruments (2014)* (operative date 1 July 2018)
AASB 15 *Revenue from Contracts with Customers* (operative date 1 July 2018)
AASB 1057 *Application of Australian Accounting Standards* (operative date 1 July 2016)
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 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* (operative date 1 July 2016)
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* (operative date 1 July 2016)
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* (operative date 1 July 2016)
AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* (operative date 1 July 2016)
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* (operative date 1 July 2017)
AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* (operative date 1 July 2016)
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)

It is considered impracticable to presently determine the impact of adopting the above accounting standards issued, but not yet effective.

EAMHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC 16-02.

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.

Finance costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 9).

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 14.

3. OPERATING EXPENSES

	Notes	2016 $'000	2015 $'000
Claims expenses			
Adjustment to existing outstanding claims[1]	9	(2,939)	1,649
		(2,939)	**1,649**
Management fees			
Management fees		178	133
		178	**133**
Other operating expenses			
Actuarial expenses		138	121
Audit fees - audit of financial statements		56	51
Consultants		-	33
Other		143	273
		337	**478**
Total operating expense		**(2,424)**	**2,260**

[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. INVESTMENT REVENUE

Bank interest	1,496	2,324
	1,496	**2,324**

5. OTHER REVENUE

	2016 $000	2015 $000
Eraring Energy claims proceeds[1]	-	1,350
Petroleum exploration royalty	267	112
Recovery revenue	279	933
Other	-	72
	546	**2,467**

[1.] Eraring Energy claims proceeds - Haslin Constructions Pty Ltd was engaged by Eraring Energy (the then state-owned Corporation) to design and construct a reservoir at the Eraring Power Station. The reservoir is used to cool the power station's discharged water to comply with environmental protection licence conditions.

Prior to privatisation, Eraring Energy was preparing a claim against Haslin relating to the failure of pumping station discharge pipes and coating failures on valves in the discharge lines, and also water entry into a part of the plant known as the dry pit. The right to the claim was transferred to EAMHC via vesting order. At the time of the transfer, it was early in legal proceedings and the potential recovery amount cannot be reliably measured. It was treated as a contingent asset by Eraring Energy (pre-transfer) and EAMHC (post transfer). The claims reached a full settlement on 28 November 2014 and the claims proceeds was received by EAMHC in January 2015.

6. CASH AND CASH EQUIVALENTS

Cash at bank	78,599	74,671
	78,599	**74,671**

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)	**78,599**	**74,671**
Closing cash and cash equivalents (per Statement of Cash Flows)	**78,599**	**74,671**

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

7. RECEIVABLES

	2016 $'000	2015 $'000
Expected future recoveries (discounted)	387	433
Interest receivables	744	501
Pertroleum exploration royalty receivables	20	19
GST receivables	21	832
Other	21	26
	1,193	**1,811**
Current	846	1,425
Non-current	347	386
	1,193	**1,811**

8. PAYABLES

Claims payable	15	10
Other	42	72
	57	**82**

9. PROVISIONS FOR OUTSTANDING CLAIMS

	Notes	Dust Disease $'000	Non Dust Disease $'000	2016 Total $'000	2015 Total $'000
Opening balance		43,682	1,020	44,702	43,667
Transfer - in	10	-	3,602	3,602	-
Additions		-	-	-	-
Payments		(1,450)	(344)	(1,794)	(2,828)
Actuarial (gain)/loss		(2,048)	(891)	(2,939)	1,649
Unwinding of discounts		2,025	22	2,047	2,214
Closing balance		**42,209**	**3,409**	**45,618**	**44,702**
Current		3,749	595	4,344	4,675
Non-current		38,460	2,814	41,274	40,027
		42,209	**3,409**	**45,618**	**44,702**

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be between 7 to 10.8 years (2015: 6.67 - 11.3 years) for dust disease liabilities and 4.23 years (2015: 4 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	
	2016	**2015**	**2016**	**2015**
	%	%	%	%
Not later than one year				
Inflation rate	2.5 - 3.0	2.5 - 3.0	2.50	3.50
Discount rate	4.75	4.75	1.77	2.42
Superimposed inflation	2.0 - 2.25	2.0 - 2.5	-	-
Later than one year				
Inflation rate	2.75 - 4.00	2.75 - 3.80	2.75 - 3.50	3.50
Discount rate	4.75	4.75	1.77	2.42
Superimposed inflation	2.0 - 2.25	2.0 - 2.25	-	-

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2016

9. 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 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. We have 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.

9. PROVISION FOR OUTSTANDING CLAIMS (continued)

(b) Dust Disease as at 30 June 2015

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		41,328		
Risk free rate		46,777	5,449	13.2%
Discount rate	+1%	37,782	-3,546	-8.6%
	-1%	45,522	4,194	10.1%
Inflation rate	+1%	45,530	4,202	10.2%
	-1%	37,712	-3,616	-8.7%
Superimposed inflation rate	+1%	45,581	4,252	10.3%
	-1%	37,680	-3,648	-8.8%
Seed Reports[2]	+1 claim	45,500	4,171	10.1%
	-1 claim	37,157	-4,171	-10.1%
Incidence Curves[3]	+15% IBNR claims	46,916	5,587	13.5%
	-15% IBNR claims	35,741	-5,587	-13.5%
Average Claim Size	+10%	45,053	3,725	9.0%
	-10%	37,604	-3,725	-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. We have 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.

9. PROVISION FOR OUTSTANDING CLAIMS (continued)

(c) 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.

(d) Non Dust Disease as at 30 June 2015

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[2]		885		
Risk free rate		876	-9	-1.0%
Discount rate	+1%	851	-34	-3.8%
	-1%	921	36	4.1%
Inflation rate	+1%	920	35	4.0%
(not explicitly modelled)	-1%	851	-33	-3.8%
Superimposed inflation rate	+1%	920	35	4.0%
(not explicitly modelled)	-1%	851	-33	-3.8%

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

10. 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 Macquarie Generation, Green State Power and Delta Electricity to EAMHC in the 2015 and 2016 financial years. The following are the assets and liabilities transferred through equity:

	2016 $'000	2015 $'000
Assets transferred in		
Cash and cash equivalents	3,602	200
Receivables	-	5,977
Other assets	-	30
Total assets	**3,602**	**6,207**
Liabilities transferred in		
Payables	-	51
Provision for outstanding claims	3,602	-
Total liabilities	**3,602**	**51**
Net assets from equity transfers	**-**	**6,156**

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

	2016 $'000	2015 $'000
Net cash flows from operating activities	**326**	**(850)**
Adjustments for:		
Decrease/(increase) in provisions	2,686	(1,035)
Decrease in payables	25	6,843
Decrease in receivables	(618)	(4,641)
Net result	**2,419**	**317**

12. 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 2016 $'000	2015 $'000
Financial Assets				
Cash and cash equivalents	6	N/A	78,599	74,671
Receivables[1]	7	Loan and receivables measured at amortised cost	785	546
Financial liabilities				
Payables[2]	8	Financial liabilities measured at amortised cost	57	75

1. Excludes statutory receivables of $0.021 mil (2015: $0.832 mil) and expected recoveries receivable of $0.382 mil (2015: $0.433 mil) which are not within the scope of AASB7 *'Financial Instruments'*.
2. Excludes statutory payables of Nil (2015: $7,000) which are not within the scope of AASB7 *'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 2015. 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.

12. FINANCIAL INSTRUMENTS (continued)

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
2016					
Cash and cash equivalents	78,599	(786)	(786)	786	786
2015					
Cash and cash equivalents	74,671	(747)	(747)	747	747

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.

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

Liquid 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.

12. FINANCIAL INSTRUMENTS (continued)

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

	Weighted average effective interest rate	Nominal amount	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016								
Payables	-	57	-	-	57	57	-	-
Total financial liabilities	**-**	**57**	**-**	**-**	**57**	**57**	**-**	**-**
2015								
Payables	-	75	-	-	75	75	-	-
Total financial liabilities	**-**	**75**	**-**	**-**	**75**	**75**	**-**	**-**

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

13. 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 2016.

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.

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

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.

Claims and proceedings against Eraring Energy vested in EAMHC

Included in the assets and liabilities vesting in EAMHC from Eraring Energy are various claims which are proceeding at reporting date. It is early in legal proceedings and therefore not practicable to estimate the potential cost of claims at the reporting date.

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 2016. 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 2016.

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 2016.

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.

14. BUDGET REVIEW

Net result

EAMHC's net result is $2.42 million in 2016, in-line with the budget of $2.45 million.

Total expenses were $2.61 million lower than budget, mainly due to lower claim payments and latest actuarial revaluation. Claim payments were $1.57m lower than budget, while a change in actuarial assumptions and incorporation of latest claim experience contributed a further $1.12m to the favourable variance.

Total revenue for 2016 was $2.04 million, $2.64 million below budget due to lower than expected investment returns in line with poor market conditions.

Assets and Liabilities

Total assets for the year were $79.8 million, which exceeded the budget by $3.9 million. During the sale of Delta Electricity, $3.6 million of cash was vested in EAMHC which was not anticipated and not budgeted for. Further, delays in interest settlement have resulted in a higher receivable balance at 30 June 2016 which is also contributing to the favourable asset variance.

Total liabilities were $45.68 million and were $4.6 million higher than budget due to workers' compensation liabilities transferred from Delta Electricity, not included in the budget. Lower than budgeted claim payments made in the year caused the outstanding claim liabilities remain high compared to budget.

Cash flows

The actual net cash flows from operating activities were $0.33 million, $1.44 million higher than budget.

Cash payments were $2.78 million and were $1.3 million lower than budget largely due to lower than expected claim payments.

Cash receipts were $3.1 million, in-line with the cash receipts budget of $2.94 million.

The actual cash flows from investing activities were nil compared with $1.1 million at budget time. This is due to management's decision not to invest EAMHC cash in a long-term growth facility, in light of significant market volatility experienced in 2016.

15. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Ports Assets Ministerial Holding Corporation

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

Ports Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2016

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 statements of financial position as at 30 June 2016, the statements of comprehensive income, the statements of changes in equity and the statements 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 and the consolidated entity as at 30 June 2016, and of their financial performance and 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 and the consolidated entity in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

The Secretary of the Treasury's Responsibility for the Financial Statements

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

In preparing the financial statements, the Secretary must assess the ability of the Corporation and the consolidated entity to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and 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, and
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

- that the Corporation or the consolidated entity carried out their 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.

Aaron Green
Director, Financial Audit Services

13 September 2016
SYDNEY

Financial Statements
for the year ended 30 June 2016

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 2016 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* and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

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

Caralee McLiesh
Acting Secretary

9 September 2016

Ports Assets Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2016

	Notes	Actual Consolidated 2016 $'000	Budget Consolidated 2016 $'000	Actual Consolidated 2015 $'000	Actual Parent 2016 $'000	Actual Parent 2015 $'000
Expenses excluding losses						
Operating expenses	3	33,217	32,592	30,858	181	25
Grants and subsidies	4	-	-	-	-	1,500
Total expenses excluding losses		**33,217**	**32,592**	**30,858**	**181**	**1,525**
Revenue						
Investment revenue	5	61	12,463	90	26	54
Other revenue	6	45,388	32,452	42,414	-	-
Total Revenue		**45,449**	**44,915**	**42,504**	**26**	**54**
Net result		**12,232**	**12,323**	**11,646**	**(155)**	**(1,471)**
Other comprehensive income		-	-	-	-	-
Total comprehensive income		**12,232**	**12,323**	**11,646**	**(155)**	**(1,471)**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2016

	Notes	Actual Consolidated 2016 $'000	Budget Consolidated 2016 $'000	Actual Consolidated 2015 $'000	Actual Parent 2016 $'000	Actual Parent 2015 $'000
Assets						
Current assets						
Cash and cash equivalents	7	1,701	1,731	2,198	510	579
Receivables	8	101	10	133	35	12
Total current assets		**1,802**	**1,741**	**2,331**	**545**	**591**
Non-current assets						
Receivables	8	189,655	189,655	177,192	-	-
Investments	9	-	-	-	156,983	156,983
Total non-current assets		**189,655**	**189,655**	**177,192**	**156,983**	**156,983**
Total assets		**191,457**	**191,396**	**179,523**	**157,528**	**157,574**
Liabilities						
Current liabilities						
Payables	10	202	97	500	143	34
Total current liabilities		**202**	**97**	**500**	**143**	**34**
Total liabilities		**202**	**97**	**500**	**143**	**34**
Net assets		**191,255**	**191,299**	**179,023**	**157,385**	**157,540**
Equity						
Accumulated funds		191,255	191,299	179,023	157,385	157,540
Total equity		**191,255**	**191,299**	**179,023**	**157,385**	**157,540**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Statement of Changes in Equity
as at 30 June 2016

	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**

	Consolidated Accumulated Funds 2015 $'000	Consolidated Total 2015 $'000	Parent Accumulated Funds 2015 $'000	Parent Total 2015 $'000
Balance at beginning of year	167,377	167,377	159,011	159,011
Net result for the year	11,646	11,646	(1,471)	(1,471)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**11,646**	**11,646**	**(1,471)**	**(1,471)**
Balance at end of year	**179,023**	**179,023**	**157,540**	**157,540**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	Actual Consolidated 2016 $'000	Budget Consolidated 2016 $'000	Actual Consolidated 2015 $'000	Actual Parent 2016 $'000	Actual Parent 2015 $'000
Cash flows from operating activities						
Payments						
Operating expenses		37,486	33,450	34,375	745	628
Grants and subsidies		-	-	-	-	1,500
Total payments		**37,486**	**33,450**	**34,375**	**745**	**2,128**
Receipts						
Sale of goods and services		-	9	-	-	-
Interest received		44	-	71	19	48
Other		36,945	33,052	34,325	657	587
Total Receipts		**36,989**	**33,061**	**34,396**	**676**	**635**
Net cash flows from operating activities	11	(497)	(389)	21	(69)	(1,493)
Net increase/(decrease) in cash		**(497)**	**(389)**	**21**	**(69)**	**(1,493)**
Opening cash and cash equivalents		2,198	2,120	2,177	579	2,072
Closing cash and cash equivalents	7	**1,701**	**1,731**	**2,198**	**510**	**579**

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2016

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 published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the 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 2016 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 2015-16.

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)*
AASB 2014-1 *Amendments to Australian Accounting Standards (Part E: Financial Instruments)*
AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2016.

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 1057 *Application of Australian Accounting Standards* (operative date 1 July 2016)
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 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* (operative date 1 July 2016)
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* (operative date 1 July 2016)
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* (operative date 1 July 2016)
AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* (operative date 1 July 2016)
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)

It is considered impracticable to presently determine the impact of adopting the above accounting standards issued, but not yet effective.

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 TC 16-02.

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 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.

In July 2014, PAMHC provided $1.5 million grants to the Port Lessor Companies to cover the recurrent costs and working capital needs. This is in accordance with the Treasurers' direction dated 26 June 2014 which provided initial $2 million of grants to the parent entity PAMHC.

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.

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

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 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.

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 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Operating Expenses				
Land tax	23,286	21,604	-	-
Audit fees - audit of financial statements	85	85	25	25
Contractors	121	-	121	-
Council rates	8,502	8,201	-	-
Consultants	85	-	35	-
Water costs	1,137	967	-	-
Other	1	1	-	-
	33,217	**30,858**	**181**	**25**

4. GRANTS AND SUBSIDIES

Grants and subsidies	-	-	-	1,500
	-	**-**	**-**	**1,500**

5. INVESTMENT REVENUE

Interest income	61	90	26	54
	61	**90**	**26**	**54**

6. OTHER REVENUE

Land tax recoverable from tenants (i)	23,286	21,604	-	-
Council rates recoverable from tenants (i)	8,502	8,199	-	-
Finance income (ii)	12,463	11,644	-	-
Water recoupment	1,137	967	-	-
	45,388	**42,414**	**-**	**-**

(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.

6. OTHER REVENUE (continued)

(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 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Cash at bank	1,701	2,198	510	579
	1,701	**2,198**	**510**	**579**

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)	**1,701**	**2,198**	**510**	**579**
Closing cash and cash equivalents (per Statement of Cash Flows)	**1,701**	**2,198**	**510**	**579**

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

8. RECEIVABLES

	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Current				
Interest receivable	36	19	13	6
Recoupment receivable	37	106	-	-
GST receivable	28	8	22	6
	101	**133**	**35**	**12**
Non-Current				
Finance lease receivable (i)	189,655	177,192	-	-
	189,655	**177,192**	**-**	**-**

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 $12.463 million (2015: $11.644 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

	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Investment in subsidiaries				
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	199	99	143	34
GST Payables	3	401	-	-
	202	**500**	**143**	**34**

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	**(497)**	**21**	**(69)**	**(1,493)**
Add back: non cash items and non-operating activities				
Finance income	12,463	11,644	-	-
(Decrease)/increase in receivables	(32)	133	23	12
Decrease/(increase) in payables	298	(152)	(109)	10
Net Result	**12,232**	**11,646**	**(155)**	**(1,471)**

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 2016 $'000	Consolidated 2015 $'000	Parent 20016 $'000	Parent 2015 $'000
Financial Assets						
Cash and cash equivalents	7	N/A	1,701	2,198	510	579
Receivables	8	Loans and receivables at amortised cost	73	115	13	6
Financial Liabilities						
Payables	10	Financial liabilities measured at amortised cost	199	91	143	31

(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 2015. PAMHC consolidated entity's exposure to interest rate risk follows.

	Carrying amount	-1%		+1%	
		Net result	Equity	Net result	Equity
2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	1,701	(17)	(17)	17	17
2015					
Cash and cash equivalents	2,198	(22)	(22)	22	22

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.

	Weighted average effective interest rate	Nominal amount	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016								
Payables	-	199	-	-	199	199	-	-
Total financial liabilities	**-**	**199**	**-**	**-**	**199**	**199**	**-**	**-**
2015								
Payables	-	91	-	-	91	91	-	-
Total financial liabilities	**-**	**91**	**-**	**-**	**91**	**91**	**-**	**-**

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

13. ADMINISTERED ITEMS

	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Administered Revenue				
Ports Logistics Contribution (i)	6,723	5,931	6,723	5,931
Newcastle Community Contribution (ii)	1,000	1,000	1,000	1,000
Total Administered Revenue	**7,723**	**6,931**	**7,723**	**6,931**

(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	2,018	1,992	2,018	1,992
Total Administered Assets	**2,018**	**1,992**	**2,018**	**1,992**

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 2016, PAMHC's net result is $12.232 million which is in-line with the budgeted result of $12.323 million.

Operating expenses total $33.217 million which is $0.625 million higher than the budget. The higher costs are mainly due to an increase in land tax cost of $0.472 million resulting from the upward revaluation of land. The expenditure result also includes property management fees of $0.121m, reflecting the new MoU with GPNSW which was entered into in 2016, and not included in the budget.

Total revenue is $0.534 million higher than budget mainly due to higher land tax recoupments received in line with higher land values. Finance lease income of $12.463 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 $191.457 million which is in-line with the budget. Total liabilities are $0.202 million, being $0.105 million higher than budget. The increase in liabilities is mainly caused by higher property management fees payable to GPNSW under the new MoU, which was not included in the budget.

Cash flows

Net cash flows from operating activities is in line with budget. Actual cash payments and cash receipts are both grossed up by approximately $4 million relative to budget. This gross up relates to GST collected on lease recoupments; subsequently paid to the Australian Tax Office. This variance does not impact the net cash flow from operating activities as both GST receipts and GST payments are higher than budget by the same amount.

Cash and cash equivalents held at reporting date were in-line with the budget, being only $0.03 million lower than the budgeted amount of $1.731 million.

16. 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

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. ETHMC 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.

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2016

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 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows, 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 2016, 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
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

Emphasis of matter paragraph

Without qualifying my opinion, I draw attention to Note 3 'Basis of preparation' in the financial statements, which indicates due to the conversion of the former TransGrid (a for-profit State Owned Corporation) to the Corporation (a not-for-profit Ministerial Holding Corporation controlled by the Treasurer) on 16 December 2015:

- the statement of comprehensive income for the year ended 30 June 2016 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 is prepared on a not-for-profit basis
- all comparative information is presented consistent with the for-profit classification of the former TransGrid.

The Secretary of the Treasury's Responsibility for the Financial Statements

The Secretary is responsible for preparing financial statements that give a true and fair view 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 of financial statements that give a true and fair view and 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's operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and 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 further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx.

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

17 October 2016
SYDNEY

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2016

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 2016 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, 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.

Rob Whitfield
Secretary

14 October 2016

Electricity Transmission Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2016

	Notes	30 June 2016 $'000	30 June 2015 $'000
Continuing Operations			
Income	4	5,635	-
Expenses excluding Finance Costs	5	(5,490)	(8,042)
Finance Costs	5	(94)	(200)
Profit/(Loss) before Income Tax Expense from Continuing Operations		**50**	**(8,242)**
Income Tax Expenses Relating to Continuing Operations	7(i)	-	2,473
Profit/(Loss) for the Period from Continuing Operations		**50**	**(5,769)**
Discontinued Operations			
Profit after Tax for the Period from Discontinued Operations	6(i)	3,768,249	208,744
Profit for the Period		**3,768,299**	**202,975**
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 Losses	19(ii)	(129,969)	(35,240)
Income tax relating to items that will not be reclassified	7(ii)	(91,638)	10,573
Total items that will not be reclassified subsequently to profit or loss		**263,540**	**(24,667)**
Items that may be reclassified subsequently to profit or loss:			
Cash Flow Hedge Reserve: Net increase	22	53	203
Income tax relating to items that may be reclassified	7(ii)	(36)	(61)
Total items that may be reclassified subsequently to profit or loss		**17**	**142**
Other Comprehensive Income for the Period, Net of Tax		**263,557**	**(24,525)**
Total Comprehensive Income for the Period		**4,031,856**	**178,450**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2016

	Notes	30 June 2016 $'000	30 June 2015 $'000
Current Assets			
Cash and cash equivalents	8	139,123	706
Trade and other receivables	9	6,001	112,911
Inventories	10	-	28,827
Derivatives	11	-	126
Other	12	574	5,509
Total Current Assets		**145,698**	**148,079**
Non-Current Assets			
Deferred tax assets	7(v)	-	144,023
Property, plant and equipment	13	-	5,675,617
Intangibles	14	-	604,903
Investment Property	15	-	58,711
Other	16	34,263	15,333
Total Non-Current Assets		**34,263**	**6,498,587**
Total Assets		**179,961**	**6,646,666**
Current Liabilities			
Borrowings		-	561,454
Trade and other payables	17	775	121,968
Current tax liabilities		-	19,649
Provisions	18	793	363,620
Derivatives	11	-	52
Other	20	54	4,369
Total Current Liabilities		**1,622**	**1,071,112**
Non-Current Liabilities			
Borrowings		-	2,313,664
Deferred tax liabilities	7(v)	-	855,486
Provisions	18	248,269	313,473
Total Non-Current Liabilities		**248,269**	**3,482,623**
Total Liabilities		**249,891**	**4,553,735**
Net Assets /(Liability)		**(69,930)**	**2,092,931**
Equity			
Capital	21	-	651,967
Reserves	22	-	1,389,699
Retained Earnings	23	(69,930)	51,265
Total Equity		**(69,930)**	**2,092,931**

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 2016

	Capital $'000	Retained Earnings $'000	Cash Flow Hedge Reserve $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2014	**651,967**	**165,476**	**(159)**	**1,391,177**	**2,208,461**
Comprehensive Income For The Year:					
Profit for the year	-	202,975	-	-	202,975
Other comprehensive income for the year before related tax effects	-	(35,240)	203	-	(35,037)
Income tax relating to components of other comprehensive income	-	10,573	(61)	-	10,512
	-	178,308	142	-	178,450
Total Comprehensive Income For The Year					
Transfers In Reserves:					
Transfers from Asset Revaluation Surplus	-	2,088	-	(2,088)	-
Income tax relating to Transfers from Asset Revaluation Surplus	-	-	-	627	627
Total Transfers In Reserves	-	2,088	-	(1,461)	627
Owner Related Equity Transactions:					
Dividend	-	(294,607)	-	-	(294,607)
Total Owner Related Equity Transactions	-	(294,607)	-	-	(294,607)
Balance at 30 June 2015	**651,967**	**51,265**	**(17)**	**1,389,716**	**2,092,931**

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 2016

	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 Period Ended 30 June 2016					
Profit for the period	-	3,768,299	-	-	3,768,299
Other comprehensive income for the period 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 Period	-	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 2016

	Notes	30 June 2016 $'000	30 June 2015 $'000
Cash Flows from Operating Activities			
Cash Receipts from Customers		567,473	968,840
Cash Paid to Suppliers and Employees		(223,083)	(302,252)
Finance Costs Paid		(141,062)	(159,400)
Rental Income from Investment Property		2,378	2,045
Interest Received		251	163
Income Tax Received/(Paid)		(57,883)	(128,031)
Net Cash Inflows from Operating Activities	32	148,074	381,365
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment, Intangibles and Investment Property		(183,651)	(338,732)
Proceeds from the Sale of Property, Plant and Equipment		79,691	5,379
Net Cash Outflows from Investing Activities		(103,960)	(333,353)
Cash Flows from Financing Activities			
Proceeds from Borrowings		524,259	1,132,363
Repayments of Borrowings		(282,653)	(1,002,072)
Dividends Paid	32	(147,304)	(178,500)
Net Cash Outflows from Financing Activities		94,302	(48,209)
Net Increase / (Decrease) in Cash and cash equivalents		138,416	(197)
Cash and cash equivalents at Beginning of the Period		706	903
Cash and cash equivalents at the End of the Period	8	**139,123**	**706**

The accompanying notes form part of these financial statements.

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. Comparative figures in the Statement of Comprehensive Income and related notes have been restated accordingly (as per final TransGrid 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 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 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 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 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 TransGrid SOC.

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. Many of the policies are only relevant to information prior to the long-term lease transaction, and are not relevant to ETMHC balances reported at 30 June 2016. 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 ETMHC have been grouped under the heading "Significant policies of the former TransGrid 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 ETMHC in preparing the financial statements in accordance with NSW Treasury Circular NSW TC 16-02 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 2016.

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 1057 Application of Australian Accounting Standards (operative date 1 July 2016)
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 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (operative date 1 July 2016)
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (operative date 1 July 2016)
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (operative date 1 July 2016)

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities (operative date 1 July 2016)
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)

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 16/02.

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 TransGrid SOC.

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. The first payment is due on 16 December 2016.

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 on hand, 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. 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 19 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, 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 ETMHC'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.

Going Concern

ETMHC is in a net liability position at 30 June 2016. The Treasurer has 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. As a result, the financial statements are prepared on a going concern basis.

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 30 June 2015). Transtelco Pty Ltd was established on 7 August 2015. Transtelco Pty Ltd holds share capital of $1 at 30 June 2015 and is not a trading entity.

All subsidiaries have a June financial year-end and are accounted for in the Parent entity financial statements at cost.

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

Estimation of useful lives of former SOC assets

The estimation of the useful lives of assets is based on historical experience, industry comparisons, as well as expected usage, physical wear and tear, and the rate of technical and commercial obsolescence.

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.

The key assumptions and inputs used to determine the fair value and sensitivity analyses are provided in Note 34.

Long Service Leave Provision

The liability for long service leave 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 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.

Inventories

Inventories of Stores and Materials held by the former TransGrid SOC are valued at the lower of cost and net realisable value. Cost is determined by the former TransGrid SOC to be the weighted average cost of items in store. Inventories relate mostly to specialist equipment. As there is no active market in respect of the majority of these inventories, the former TransGrid SOC recognises the weighted average cost of items as a proxy for lower of cost and net realisable value.

Property, plant and equipment

As at 30 June 2016 ETMHC has no property, plant and equipment. The policies outlined below relate to the property, plant and equipment held by the former TransGrid SOC at 30 June 2015 and derecognised as part of the 16 December 2015 lease transaction.

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled. Cost is the amount of cash or cash equivalents paid at the time of acquisition or construction, adjusted for any gains or losses on qualifying cash flow hedges in respect of the purchases of relevant assets. Cost also includes interest on borrowings related to Qualifying Assets.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

After initial recognition as an asset, items of property, plant and equipment are measured at fair value.

(ii) Revaluations

Property, plant and equipment is measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and NSW Treasury Policy TPP 14-1 *Valuation of Physical Non-Current Assets at Fair Value*. The valuation of property, plant and equipment is determined in a two-step process. First, fair value is determined in accordance with AASB 116 *Property, Plant and Equipment*. Second, the fair value is subject to a separate impairment test in accordance with AASB 136 *Impairment of Assets.*

Fair value

Fair value is best represented as current market price, however where this cannot be observed, an asset’s fair value is measured at either depreciated replacement cost or an income approach in accordance with AASB 116. NSW Treasury Policy TPP 14-1 also allows the option in AASB 116 to measure specialised assets using either depreciated replacement cost or an income approach. TransGrid has elected to adopt the option to measure the fair value of its assets using the income approach which reflects a discounted cash flow methodology.

Management assesses at the end of the reporting period whether there is any indication that an asset's carrying amount differs materially from fair value. If any indication exists, the asset is revalued.

Where an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in Other Comprehensive Income and accumulated in Equity under the heading of Asset Revaluation Surplus. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss.

Where an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in Other Comprehensive Income to the extent of any credit balance existing in the Asset Revaluation Surplus in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in Equity under the heading of Asset Revaluation Surplus.

The accumulated depreciation for the revalued asset is restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount, in line with NSW Treasury Policy.

Impairment assessment

Each year, the former TransGrid SOC's specialised plant and infrastructure assets, land and buildings, and easements are tested for impairment. Should there be any indication that the cash-generating unit may be impaired; management makes an estimate of the recoverable amount. The former TransGrid SOC business as a whole, excluding investment property, represents a cash generating unit (CGU).

The recoverable amount is based on the value in use for the business as a whole. In assessing value in use, the estimated future cash flows for the business are discounted to their present value using a discount rate that reflects the risks specific to the business and relevant market assessments.

If the carrying amount of the CGU exceeds the recoverable amount of the business, the assets comprising the business as a whole are considered to be impaired. The assets are written down proportionately by the amount of the excess and a corresponding impairment loss is firstly recognised in Other Comprehensive Income to the extent of the revaluation surplus recognised in prior periods with the residual impairment loss being recognised in profit or loss.

At the end of each year, an assessment is made as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, management estimates the recoverable amount of that asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is allocated proportionately to the assets to ensure their carrying amounts reflect the recoverable amount. A corresponding amount is recognised as a revaluation increase.

(iii) Retirements or disposals

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

Upon retirement or disposal, any revaluation surplus relating to the particular asset is transferred to Retained Earnings.

(iv) Categories

Property, plant and equipment of the former TransGrid SOC comprise the following types of assets:

Prescribed Assets

Prescribed Assets comprise property, plant and equipment formerly used by the former TransGrid SOC to provide electricity transmission services that are regulated by the Australian Energy Regulator (AER). Prescribed assets as disclosed in Note 13 are:

• Network Asset; and

• Other Assets.

Network Asset is a complex infrastructure asset that works together as an integrated whole to provide regulated electricity transmission services. It includes the following major parts:

• Land;

• Buildings;

• System Plant and Equipment; and

• Communication Equipment.

Negotiated Transmission Assets

Negotiated Transmission Assets include those assets relating to some connection services between the former TransGrid SOC and:

• Generators; and

• Large load customers.

Non-regulated Assets

Non-regulated Assets comprise property, plant and equipment used to provide services other than prescribed and negotiated electricity transmission services. Non-regulated assets as disclosed in Note 13 are:

• Network Asset; and

• Other Assets.

(v) Capitalisation

Capital expenditure is defined as expenditure in relation to:

• Acquisition of a new unit of plant;

• Installation of a new unit of plant;

• Work performed on a unit of plant, where the need for the work existed at the time the unit was acquired and the work was carried out prior to it being put into operation;

• Replacement of a unit of plant, or of a substantial part of a unit of plant;

• An addition or alteration to a unit of plant, which results in an increase in economic benefits.

Interest on borrowings is capitalised against Qualifying Assets in accordance with AASB *123 Borrowing Costs*. Qualifying Assets are assets which take more than 12 months to be ready for their intended use.

Expenditure is not capitalised below a minimum threshold of $3,000.

(vi) Depreciation

Property, plant and equipment, excluding land, are depreciated over their estimated useful lives. The straight-line depreciation method is used. Assets are depreciated from the month of acquisition or in respect of constructed assets, from the time the asset reaches practical completion and is ready for use.

Asset lives are reviewed annually in accordance with AASB 116 *Property, Plant and Equipment*, and where required, adjustments have been made to the remaining useful lives of separately identifiable parts of assets having regard to factors such as asset usage and the rate of technical and commercial obsolescence.

Within the Prescribed, Non-regulated and Negotiated Transmission Asset base the following sub-categories have been established. The useful lives presently assigned to these assets are:

Prescribed & Non-regulated Assets	Network Asset	Buildings	40 years
		System Plant and Equipment	20 – 50 years
		Communication Equipment	7 – 35 years
	Other Assets		2 – 10 years
Negotiated Transmission Assets	Network Asset	System Plant and Equipment	20 – 40 years

Intangible Assets

Intangible assets are measured at cost and comprise Easements and Computer Software as disclosed in Note 14.

Capital expenditure on intangible assets is defined as expenditure in relation to: a) acquisition of computer software or easements; b) installation of computer software; and c) an addition or alteration to computer software, which results in an increase in economic benefits. Expenditures below a minimum threshold of $3,000 is expensed and recognised directly in profit or loss.

Easements are a component of infrastructure assets that provide electricity transmission services that are regulated by the Australian Energy Regulator. Easements are assessed for impairment on an annual basis and are not amortised as they are granted for an unlimited time, and thus have an indefinite useful life.

Computer software is amortised over a period of 4 - 6 years using the straight-line amortisation method. Amortisation expense is included in the "Expenses excluding Finance Costs" line item of the Statement of Comprehensive Income. The useful life for software is reviewed annually, and adjustments where applicable, are made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Investment Property

The investment property is measured initially at cost. Subsequent to initial recognition, the investment property is stated at fair value. A market approach is used to assess the fair value of the investment property. The market approach uses prices and other relevant information generated by market transactions involving identical or similar assets. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Fair value of the investment property is reviewed at each reporting period and is subject to a comprehensive revaluation approach at least every three years which is performed by an accredited external independent valuer.

The investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an owner-occupied property becomes an investment property, management accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Borrowings

As at 30 June 2016 ETMHC has no borrowings. The policies outlined below relate to the borrowings held by the former TransGrid SOC at 30 June 2015 and repaid as part of the 16 December 2015 lease transaction.

All borrowings are measured at amortised cost using the effective interest method. Furthermore, the former TransGrid SOC's overall debt portfolio includes a number of Consumer Price Index (CPI) linked bonds which are subject to a quarterly CPI adjustment.

Interest on borrowings is recognised as an expense in the period in which it is incurred unless it relates to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use. Where funds are borrowed generally, interest on the borrowings is capitalised to qualifying assets in accordance with AASB 123 *Borrowing Costs.*

The amount of interest attributed to qualifying assets during the period to 30 June 2016 was $1.86 million (30 June 2015 - $4.95 million) at a weighted average rate of 5.53% (30 June 2015 – 6.0%).

Loans are classified as current when they have a maturity of less than one year from the end of the reporting period.

Dividends

The former TransGrid SOC, paid dividends to the State of NSW prior to its conversion to a General Government entity on 17 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 2016 (30 June 2015 - $294.6 million).

Employee Benefits of former TransGrid SOC employees

A calculation in accordance with AASB 119 *Employee Benefits* and NSW Treasury Circular NSW TC 14-04 *Accounting for Long Service Leave and Annual Leave* is made each year in respect of the former TransGrid SOC's liability at the end of the reporting period for employee benefits relating to long service leave, annual leave and short term incentive schemes. An annual contribution is made to adjust the provision to an amount which is considered adequate to meet that liability.

Annual Leave

The provision for employee benefits relating to annual leave represents the amount which the former TransGrid SOC has a present obligation to pay resulting from employees' services provided up to the end of the reporting period and includes related on-costs.

The provision has been calculated at nominal amounts based on the remuneration rates that are expected to be paid when the leave is taken, rather than discounted amounts, as management deems the difference between the calculation methods to be immaterial.

Long Service Leave

The liability for employee benefits relating to long service leave has been calculated on the basis of current salary rates to be paid resulting from employees' services provided up to the end of the reporting period and includes related on-costs. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Derivative Financial Instruments and Hedge Accounting

The former TransGrid SOC used derivative financial instruments such as forward foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purposes of hedge accounting, the former TransGrid SOC classified its hedges as cash flow hedges. The hedges are undertaken to address exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges to hedge firm commitments which meet the specific conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in Other Comprehensive Income and the ineffective portion, subject to a materiality threshold, is recognised in profit or loss.

The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged items is more than 12 months. Relevant asset or liability is classified as a current asset or liability when the remaining maturity of the hedged items is less than 12 months.

Once the anticipated underlying transaction occurs, gains or losses accumulated in Other Comprehensive Income are recognised as part of the initial acquisition cost or carrying cost of the asset to which it relates.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in Sundry Income or Expenses Excluding Finance Costs.

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 2016 $'000	30 Jun 2015 $'000
Investment revenue		
Interest income	2,088	-
	2,088	**-**
Other revenue		
Finance income[(i)]	940	
Insurance and other recoveries	2,607	
	3,547	**-**
Total Income from continuing operations	**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 2016 $'000	30 Jun 2015 $'000
Expenses excluding Finance Costs		
Self-insured workers compensation	(507)	76
Defined benefit expense	5,722	7,966
Other	276	-
Total Expenses excluding Finance Costs	**5,490**	**8,042**
Finance Costs	94	200
Total Expenses from continuing operations	**5,584**	**8,242**

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 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 the beginning of the period until the date of disposal on 16 December 2015.

	30 Jun 2016 $'000	30 Jun 2015 $'000
Revenue	418,556	887,069
Expenses	(191,573)	(418,433)
Finance Costs	(76,387)	(168,068)
Results from operating activities	**150,596**	**300,568**
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**	**300,568**
Income tax equivalent benefit / (charge)	284,288	(91,824)
Profit after Tax for the Period from Discontinued	**3,768,249**	**208,744**

(ii) Cash flows from discontinued operations

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

	30 Jun 2016 $'000	30 Jun 2015 $'000
Operating	226,085	372,641
Investing	(103,960)	(333,353)
Financing	94,302	(48,209)
Net cash (outflow) / inflow	**216,427**	**(8,921)**

(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 noncurrent 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. Refer to Note 34 for fair value measurement basis consistent with prior year.

(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	30 Jun 2015 $'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	30 Jun 2015 $'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 years ended 30 June 2015 and 30 June 2016 are:

(i) Profit or Loss

Continuing operations

	30 Jun 2016 $'000	30 Jun 2015 $'000
Current Income Tax		
Current income tax charge	15	(2,669)
Deferred Income Tax		
Relating to origination and reversal of temporary differences	(15)	196
Income tax expense relating to Continuing Operations	**-**	**(2,473)**

Discontinued Operations

	30 Jun 2016 $'000	30 Jun 2015 $'000
Current Income Tax		
Current income tax charge	34,942	95,429
Adjustments in respect of current income tax of previous years	1,705	(2,251)
Total Current Income Tax	**36,647**	**93,178**
Deferred Income Tax		
Relating to origination and reversal of temporary differences	(320,935)	(1,354)
Income tax expense relating to Discontinued Operations	**(284,288)**	**91,824**

(ii) Other Comprehensive Income

	30 Jun 2016 $'000	30 Jun 2015 $'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	(10,573)
Net tax (gain)/loss on cash flow hedges	36	61
Income tax on items taken directly to equity during the year	**(393,473)**	**(10,512)**

(iii) Statement of Changes in Equity

	30 Jun 2016 $000	30 Jun 2015 $000
Deferred Income Tax		
Net tax (gain)/loss on transfers from asset revaluation surplus	4,532	(627)
Income tax on items taken directly to equity during the year	**4,532**	**(627)**

(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 2016 $'000	30 Jun 2015 $'000
Profit/(Loss) Before Income Tax Expense	50	(8,242)
Income tax expense/(benefit) calculated at statutory income tax rate of 30%	15	(2,473)
Expenditure not allowed for income tax purposes*	(15)	-
Income tax expense recognised in profit or loss of continued operations	**-**	**(2,473)**

*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 2016 $'000	30 Jun 2015 $'000
Profit/(Loss) Before Income Tax Expense	3,483,961	300,568
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	90,170
Non-assessable gain on Lease and Sale transaction and related expenditure	(991,183)	-
Expenditure not allowed for income tax purposes	(1,376)	23
Origination and reversal of temporary differences recognised in relation to previous years	(330,043)	3,881
Adjustments in respect of current income tax of previous years	1,705	(2,251)
Income tax expense/benefit recognised in profit or loss of discontinued operations	**(284,288)**	**91,823**

(v) Components of Deferred Income Tax

Deferred Income Tax at 30 June 2016 and 30 June 2015 relates to the following:

	Recognised in Statement of Financial Position		Recognised in Profit or Loss	
	30 Jun 2016 $'000	30 Jun 2015 $000	30 Jun 2016 $000	30 Jun 2015 $'000
Deferred Tax Assets				
Provisions	-	23,580	23,580	1,447
Superannuation Liability	-	88,893	(12,218)	(736)
Property, plant and equipment and Intangibles	-	19,009	19,009	(2,739)
Other	-	12,541	12,541	(7,619)
Gross Deferred Tax Assets	**-**	**144,023**	**42,912**	**(9,647)**
Deferred Tax Liabilities				
Property, plant and equipment and Intangibles	-	(830,694)	(350,079)	(6,368)
Other	-	(24,792)	(24,826)	14,857
Gross Deferred Tax Liabilities	**-**	**(855,486)**	**(374,905)**	**8,489**

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

8. CASH AND CASH EQUIVALENTS

	30 Jun 2016 $'000	30 Jun 2015 $'000
Cash on Hand	-	4
Cash at Bank	139,123	702
Total	**139,123**	**706**

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. Refer to note 33 regarding credit risk, liquidity and market risk arising from financial instruments.

9. TRADE AND OTHER RECEIVABLES

	30 Jun 2016 $'000	30 Jun 2015 $'000
Debtors	4,057	112,908
Other		
Accrued Interest Revenue	1,944	-
GST Receivable	-	-
Prepaid Railway Travel Passes	-	3
Total	**6,001**	**112,911**

Details regarding credit risk, liquidity risk and market risk, including the financial assets that are either past due or impaired, are disclosed in note 33.

10. INVENTORIES

	30 Jun 2016 $'000	30 Jun 2015 $'000
Transmission Plant Spares	-	28,827
Total	**-**	**28,827**

11. DERIVATIVE ASSETS AND LIABILITIES

	30 Jun 2016 $'000	30 Jun 2015 $'000
Derivative Assets - Current		
Forward Foreign Currency Contracts - unhedged	-	126
Total	**-**	**126**
Derivative Liabilities - Current		
Forward Foreign Currency Contracts - hedged	-	(52)
Total	**-**	**(52)**

Derivative contracts were novated to NSWENO on completion of the long-term lease.

12. OTHER CURRENT ASSETS

	30 Jun 2016 $'000	30 Jun 2015 $'000
Insurance Recovery Asset	574	688
Prepayments	-	3,510
Lease Incentive Asset	-	1,311
Total	**574**	**5,509**

13. PROPERTY, PLANT AND EQUIPMENT

Valuation and accumulated depreciation for each class of property, plant and equipment

	30 Jun 2016 $'000	30 Jun 2015 $'000
Prescribed Assets		
Network Assets	10,906,777	10,490,935
Accumulated Depreciation	(5,615,374)	(5,573,377)
Work in Progress	204,805	526,020
Disposal from lease transaction	(5,496,208)	-
	-	5,443,578
Other Assets	121,610	135,168
Accumulated Depreciation	(69,145)	(82,764)
Work in Progress	6,172	12,356
Disposal from lease transaction	(58,637)	-
	-	64,760
Total Prescribed Assets	**-**	**5,508,338**

Negotiated Transmission Assets		
Network Assets	147,746	142,364
Accumulated Depreciation	(23,264)	(20,964)
Work in Progress	11	3,086
Disposal from lease transaction	(124,493)	-
Total Negotiated Transmission Assets	**-**	**124,486**
Total Negotiated Assets	**-**	**124,486**
Non-regulated Assets		
Network Assets	51,772	38,683
Accumulated Depreciation	(9,487)	(8,880)
Work in Progress	1,928	11,640
Disposal from lease transaction	(44,213)	-
	-	41,443
Other Assets	1,153	1,205
Accumulated Depreciation	(227)	(184)
Work in Progress	-	329
Disposal from lease transaction	(926)	-
	-	1,350
Total Non-regulated Assets	**-**	**42,793**
Total Property, Plant and Equipment	**-**	**5,675,617**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year

Property, Plant and Equipment is treated in accordance with the various explanations set out in Note 2. Property, Plant and Equipment are valued in accordance with NSW Treasury Policy TPP 14-1 Valuation of Physical Non-Current Assets at Fair Value.

30 June 2016	Carrying Amount at Beginning of year	Movements	Disposals	Depreciation	Disposals from 99 year lease	Carrying Amount at End of Period
	$000	$000	$000	$000	$000	$000
Prescribed Assets:						
Network Assets	5,443,578	145,856	(2,098)	(91,128)	**(5,496,208)**	-
Other Assets	64,760	1,075	(1,574)	(5,624)	**(58,637)**	-
Total Prescribed Assets	**5,508,338**	**146,931**	**(3,672)**	**(96,752)**	**(5,554,845)**	-
Negotiated Transmission Assets:						
Network Assets	124,486	2,306	-	(2,299)	**(124,493)**	-
Total Negotiated Transmission Assets	**124,486**	**2,306**	**-**	**(2,299)**	**(124,493)**	-
Non regulated Assets:						
Network Assets	41,442	3,380	-	(609)	**(44,213)**	-
Other Assets	1,351	(230)	(95)	(100)	**(926)**	-
Total Non-regulated Assets	**42,793**	**3,150**	**(95)**	**(709)**	**(45,139)**	-
Total	**5,675,617**	**152,387**	**(3,767)**	**(99,760)**	**(5,724,477)**	-

30 June 2015	Carrying Amount at Beginning of year	Movements	Disposals	Depreciation	Carrying Amount at End of Period
	$'000	$'000	$'000	$'000	$'000
Prescribed Assets:					
Network Assets	5,423,864	232,265	(1,814)	(210,737)	5,443,578
Other Assets	57,801	22,386	(3,000)	(12,427)	64,760
Total Prescribed Assets	**5,481,665**	**254,651**	**(4,814)**	**223,154**	**5,508,338**
Negotiated Transmission Assets:					
Network Assets	100,141	28,895	-	(4,550)	124,486
Total Negotiated Transmission Assets	**100,141**	**28,895**	**-**	**(4,550)**	**124,486**
Non regulated Assets:					
Network Assets	35,804	7,009	-	(1,370)	41,443
Other Assets	719	1,049	(268)	(150)	1,350
Total Non-regulated Assets	**36,523**	**8,058**	**(268)**	**(1,520)**	**42,793**
Total	**5,618,329**	**291,604**	**(5,082)**	**(229,234)**	**5,675,617**

Cost Model

30 June 2016	Cost	Accumulated Depreciation	Net Book Value
	$'000	$'000	$'000
Prescribed Assets:			
Network Asset	-	-	-

30 June 2015	Cost	Accumulated Depreciation	Net Book Value
	$'000	$'000	$'000
Prescribed Assets:			
Network Asset	5,384,842	(1,601,988)	3,782,854

Details regarding fair value measurement of property, plant and equipment are disclosed in Note 34.

14. INTANGIBLES

Valuation and accumulated amortisation of intangibles

	30 Jun 2016 $'000	30 Jun 2015 $'000
Easements	565,604	537,661
Work in Progress	3,726	25,683
Disposals from 99 year finance lease	(569,330)	-
	-	563,344
Computer software	81,403	88,144
Accumulated Amortisation	(50,565)	(63,472)
Work in Progress	7,418	16,887
Disposals from 99 year finance lease	(38,256)	-
	-	**41,559**
Total Intangibles	**-**	**604,903**

Reconciliation of the carrying amounts of intangibles at the beginning and end of the financial year

30 June 2016	Carrying Amount at Beginning of Year	Movements	Disposals	Amortisation	Disposals from 99 year finance lease	Carrying Amount at End of Year
	$'000	$'000	$'000	$'000	$'000	$'000
Intangible Assets						
Easements	563,344	6,061	(75)	-	(569,330)	-
Computer software	41,559	4,638	-	(7,941)	(38,256)	-
Total	**604,903**	**10,699**	**(75)**	**(7,941)**	**(607,586)**	-

30 June 2015	Carrying Amount at Beginning of Year	Movements	Disposals	Amortisation	Carrying Amount at End of Year
	$'000	$'000	$'000	$'000	$'000
Intangible Assets					
Easements	563,628	609	(893)	-	563,344
Computer software	50,293	6,199	-	(14,933)	41,559
Total	**613,921**	**6,808**	**(893)**	**(14,933)**	**604,903**

15. INVESTMENT PROPERTY

Reconciliation of the carrying amount

	30 Jun 2016 $'000	30 Jun 2015 $'000
Carrying amount at the beginning of the year	58,711	43,508
Acquisitions	-	-
Additions (subsequent expenditure)	4	226
Change in Fair Value	8,499	14,977
Derecognised under 99 year finance lease	(67,214)	-
Carrying amount at the end of the year	**-**	**58,711**

Investment property of the former TransGrid SOC refers to the TransGrid headquarter building at 180 Thomas Street, Ultimo of which Levels 4 to 9 were held primarily for earning rental income or capital appreciation.

Measurement of Fair Value

The fair value measurement for the investment property is categorised as a Level 2 fair value based on the inputs to the valuation technique used (refer Note 34 for fair value measurement).

16. OTHER NON-CURRENT ASSETS

	30 Jun 2016 $'000	30 Jun 2015 $'000
Insurance Recovery Asset	6,343	6,723
Lease Incentive Asset	-	8,610
Finance Lease Receivable	27,920	-
Total	**34,263**	**15,333**

17. TRADE AND OTHER PAYABLES

	30 Jun 2016 $'000	30 Jun 2015 $'000
Current		
Creditors and Accruals	553	45,426
Accrued Finance Costs	-	66,988
GST Payable	222	9,554
Total	**775**	**121,968**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 33.

18. PROVISIONS

	30 Jun 2016 $'000	30 Jun 2015 $'000
Current		
Insurance	793	966
Dividend	-	294,607
Employees' Accrued Benefits	-	68,047
	793	363,620
Non-Current		
Insurance	8,870	9,722
Superannuation Liability (Note 19(ii))	239,399	296,310
Employees' Accrued Benefits	-	7,441
	248,269	313,473
Total	**249,062**	**677,093**

Workers' Compensation Provision Movements

	30 Jun 2016 $'000	30 Jun 2015 $'000
Opening balance	10,688	10,244
Additions	790	1,467
Payments	(592)	(561)
Actuarial (gain)/loss/Unwinding of discounts	(1,223)	(462)
Closing balance	**9,663**	**10,688**

Dividends

The following table details the movements in the Dividend Provision during the year:

Class	Opening Balance	Contributions	Payments	Closing Balance
	$000	**$000**	**$000**	**$000**
Dividends	294,607	-	(294,607)	-
	294,607	**-**	**(294,607)**	**-**

See Note 32.

Employees' Accrued Benefits

The following table shows a breakdown of the Current Portion of the Employees' Accrued Benefits Provision at the end of the reporting period, split into the period of time the benefits are expected to be settled:

	30 Jun 2016 $000	30 Jun 2015 $000
Within one year	-	23,516
Later than one year	-	44,531
Total	**-**	68,047

19. 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.

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.

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.

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-16
Member Numbers	
Contributors	0
Deferred benefits	18
Pensioners	374

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

Continuing Operations	**30 Jun 2016 $'000**	**30 Jun 2015 $'000**
Current service cost	(184)	(2,358)
Net interest	(5,538)	(5,608)
Total net expense - Continuing Operations	**(5,722)**	**(7,966)**
Discontinued Operations		
Current service cost	(2,517)	(5,591)
Net interest	(1,380)	(2,052)
Total net expense - Discontinued Operations	**(3,897)**	**(7,643)**
Total net expense	**(9,619)**	**(15,609)**

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

Continuing Operations	**30 Jun 2016 $'000**	**30 Jun 2015 $'000**
Actuarial losses on liabilities	(92,263)	(25,991)
Actuarial gains/(losses) on assets	(30,457)	12,698
Total actuarial losses - Continuing Operations	**(122,720)**	**(13,293)**
Discontinued Operations		
Actuarial losses on liabilities	(27,101)	(26,563)
Actuarial gains/losses on assets	19,852	4,615
Total actuarial gains/(losses) - Discontinued Operations	**(7,249)**	**(21,948)**
Total actuarial losses	**(129,969)**	**(35,241)**

Reconciliation of the Superannuation Net Asset/(Liability)

	30 Jun 2016 $'000	**30 Jun 2015 $'000**
Net Asset/(Liability) at the beginning of the year	(296,310)	(258,618)
Current service cost- continuing operations	(184)	(2,358)
Current service cost- discontinued operations	(2,517)	(5,591)
Net Interest on the net defined benefit asset/(liability)- continuing operations	(5,538)	(5,608)
Net Interest on the net defined benefit asset/(liability)- discontinued operations	(1,380)	(2,052)
Actuarial gains/(losses) on assets- continuing operations	(30,457)	12,698
Actuarial gains/(losses) on assets- discontinued operations	19,852	4,615
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	(71,214)	(36,004)
Actuarial gains/(losses) arising from changes in financial	(5,786)	(22,426)
Actuarial gains/(losses) arising from liability experience- continuing operations	(40,990)	10,013

Actuarial gains/(losses) arising from liability experience-discontinued operations	2,369	(4,136)
Employer Contributions	87,289	13,157
Employees transferred	109,209	
Net Asset/(Liability) at the end of the year	**(239,399)**	**(296,310)**

Reconciliation of the present value of the defined benefit obligation

	30 Jun 2016 $'000	30 Jun 2015 $'000
Present value of defined benefit obligations at the beginning of the year	(782,784)	(737,344)
Current service cost- continuing operations	(184)	(2,358)
Current service cost- discontinued operations	(2,517)	(5,591)
Interest cost- continuing operations	(14,033)	(16,617)
Interest cost- discontinued operations	(3,859)	(7,867)
Contributions by Fund participants	(1,192)	(2,639)
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	(71,216)	(36,004)
Actuarial (gains)/losses arising from changes in financial assumptions- discontinued operations	(5,786)	(22,426)
Actuarial (gains)/losses arising from liability experience-continued operations	(40,990)	10,013
Actuarial (gains)/losses arising from liability experience-discontinued operations	2,369	(4,136)
Benefits Paid	32,506	39,160
Taxes, premiums & expenses paid	14,330	3,025
Employees transferred	313,505	-
Present value of defined benefit obligations at the end of the year	**(563,591)**	**(782,784)**

Notes to the financial statements for the year ended 30 June 2016

Reconciliation of the fair value of fund assets

	30 Jun 2016 $'000	30 Jun 2015 $'000
Fair value of Fund assets at the beginning of the year	486,474	478,726
Interest income- continuing operations	8,496	11,010
Interest income- discontinued operations	2,479	5,814
Actuarial gains/(losses) on assets- continuing operations	(30,457)	12,698
Actuarial gains/(losses) on assets- discontinued operations	19,852	4,615
Employer Contributions	87,289	13,157
Contributions by Fund participants	1,192	2,639
Benefits Paid	(32,506)	(39,160)
Taxes, premiums & expenses paid	(14,330)	(3,025)
Employees transferred	(204,296)	-
Fair value of Fund assets at the end of the year	**324,192**	**486,474**

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 13.5 years (30 June 2015 – 13.1 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 2016 $'000	30 Jun 2015 $'000
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	2,013,085	2,351,159
Level 3 - Unobservable inputs	-	-
Total	**2,013,085**	**2,351,159**

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 2016**	**30 June 2015**
Alternatives	28%	32%
International Equities	23%	36%
Australian Equities	17%	12%
Infrastructure	8%	7%
Property	10%	4%
Private Equity	2%	2%
Cash	12%	7%
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 2016	**30 June 2015**
Discount rate	1.99% pa	3.03% p.a.
Salary increase rate (excluding promotional increases)	N/A	2.5% p.a.
Rate of CPI Increase	2.5% pa	2.5% p.a
Contributions tax rate	15% p.a.	15% p.a.
Pensioner mortality	As per 30 June 2015 triennial report	As per 30 June 2012 triennial report
Assumed Rate of Retrenchment	NIL	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 2016

	Base case	Scenario A - 1.0% discount	Scenario B +1.0% discount rate
Discount rate	1.99% pa	0.99% pa	2.99% pa
Rate of CPI increase	2.5% pa	2.5% pa	2.5% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	563,591	655,127	489,031

	Base case	Scenario C +0.5% rate of CPI	Scenario D -0.5% rate of CPI
Discount rate	1.99% pa	1.99% pa	1.99% pa
Rate of CPI increase	2.5% pa	3.00% pa	2.00% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	563,591	607,162	523,869

	Base case	Scenario E +0.5% Salary	Scenario F -0.5% Salary
Discount rate	1.99% pa	1.99% pa	1.99% pa
Rate of CPI increase	2.5% pa	2.5% pa	2.5% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	563,591	563,591	563,591

	Base case	Scenario G Lower pensioner mortality rates*	Scenario H Higher pensioner mortality rates**
Defined benefit obligation ($000)	563,591	574,983	555,077

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

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

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 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 2016 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

	30 Jun 2016 $'000	30 Jun 2015 $'000
Net market value of Fund assets - Continuing	324,192	308,463
Net market value of Fund assets - Discontinued		178,011
Accrued benefits - Continuing	(321,953)	(310,394)
Accrued benefits - Discontinued		(178,011)
Net Surplus/(Deficit)	**2,239**	**(1,931)**

Please note that the AAS25 results are produced based on different salary increase and retrenchment assumptions from the actuarial funding basis used by the Trustee in setting employer contributions. These assumptions lead to lower AAS25 liabilities when compared to the actuarial funding basis.

Contribution Recommendations

Recommended contribution rates for the entity are:

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	-

As at 30 June 2015

Division B	Division C	Division D	Additional Contributions
Multiple of member contributions	% of member salary	Multiple of member contributions	$000
1.9	2.5%	1.64	7,171

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 2016	30 June 2015
Expected rate of return on Fund Assets	6.3% p.a.	7.0% p.a.
Expected salary increase rate	N/A	3.5% pa until 30/06/2018; 4% pa thereafter
Expected rate of CPI Increase	2.5% p.a.	2.5% p.a.

Expected contributions

	$000
Expected employer contributions to be paid in the period 1 July 2016 to 30 June 2017	-

The defined benefit superannuation liability has been fully funded under AAS25. No further contributions from ETMHC are required.

20. OTHER CURRENT LIABILITIES

	30 Jun 2016 $'000	30 Jun 2015 $'000
Unearned Revenue	-	4,315
Security Deposits	54	54
Total	**54**	**4,369**

21. CAPITAL

The former TransGrid SOC commenced operations on 1 February 1995 on separation from Pacific Power under the *Electricity Transmission Authority Act 1994* at which time a series of assets and liabilities were transferred.

TransGrid was corporatised as a SOC on 14 December 1998, with share capital of two $1.00 shares. These shares were issued to the Treasurer and the Minister for Finance, Services and Property, as Voting Shareholders on behalf of the NSW Government, as at the end of the reporting period. The $2.00 is reported as part of Capital at 30 June 2015.

TransGrid SOC was converted into ETMHC, a General Government Entity, as part of the long-term lease transaction on 16 December 2015. At this point in time all capital was transferred to retained earnings.

	30 Jun 2016 $'000	30 Jun 2015 $'000
Opening Balance	651,967	651,967
Transfer of Capital to Retained Earnings	(651,967)	-
Closing Balance	**-**	**651,967**

22. RESERVES

	Asset Revaluation Surplus $'000	Cash Flow Hedge Reserve $'000	Total $000
30 June 2014	**1,391,177**	**(159)**	**1,391,018**
Transfers to Retained Earnings - Revaluation Surplus for assets disposed (Note 23)	(2,088)	-	(2,088)
Tax effect of Transfers to Retained Earnings (Note 7(iii))	627	-	627
Revaluation of Cash Flow Hedges	-	20	20
Realised (Gains)/Losses on Cash Flow Hedges removed from equity and included in profit or loss	-	(37)	(37)
Realised (Gains)/Losses on Cash Flow Hedges removed from equity and included in assets	-	220	220
Tax effect of Cash Flow Hedge Equity Movements (Note 7(ii))	-	(61)	(61)
30 June 2015	**1,389,716**	**(17)**	**1,389,699**
Transfers to Retained Earnings - Revaluation Surplus for assets disposed (Note 23)	(437)	-	(437)
Tax effect of Transfers to Retained Earnings (Note 7(ii & iii))	480,615	-	480,615
Revaluation of Cash Flow Hedges	-	73	73
Realised (Gains)/Losses on Cash Flow Hedges removed from equity and included in profit or loss	-	(32)	(32)
Realised (Gains)/Losses on Cash Flow Hedges removed from equity and included in assets	-	12	12
Tax effect of Cash Flow Hedge Equity Movements (Note 7(ii))	-	(36)	(36)
Transfer to retained earnings following the 99 year lease transaction	(1,869,894)	-	(1,869,894)
30 June 2016	**-**	**-**	**-**

The net movement in equity, excluding tax effects, in respect of the Cash Flow Hedge Reserve during the year was $53 thousand (30 June 2015 – $203 thousand).

Asset Revaluation Surplus

This reserve is used to record increases in the fair value of property, plant and equipment, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity. Assets are revalued in accordance with NSW Treasury Policy TPP 14-1 *Valuation of Physical Non-Current Assets at Fair Value.*

Cash Flow Hedge Reserve

This reserve records the effective portion of the unrealised gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows.

23. RETAINED EARNINGS

	30 Jun 2016 $'000	30 Jun 2015 $'000
Opening Balance	51,265	165,476
Net Profit Before Dividend	3,768,299	202,975
Superannuation Actuarial Losses	(129,969)	(35,240)
Income Tax Benefit/(Expense) on Superannuation Actuarial Gains/(Losses)	(91,638)	10,573
Dividend	-	(294,607)
Transfers from Capital to retained earnings	651,967	
Transfers from Reserves to retained earnings	1,870,331	2,088
Owner related equity transaction	(6,190,184)	-
Closing Balance	**(69,930)**	**51,265**

24. CAPITAL EXPENDITURE COMMITMENTS CONTINUING OPERATIONS

As at reporting date 30 June 2016 there are no capital expenditure commitments (Year ended 30 June 2015: $197.6 million).

25. DIVIDEND AND CONTRIBUTIONS TO SHAREHOLDERS CONTINUING OPERATIONS

No dividend was provided for the year ended 30 June 2016 (Year ended 30 June 2015: $294.6 million).

26. SECURED LIABILITIES CONTINUING OPERATIONS

As at 30 June 2016, there was no loan liability of ETMHC secured by a charge over ETMHC's assets.

27. CONTINGENCIES

No contingencies exist as at 30 June 2016.

28. AUDIT FEES CONTINUING OPERATIONS

	30 Jun 2016 $'000	30 Jun 2015 $'000
Audit services		
Auditing the financial statements	272	203
Other assurance services		
Due diligence services in relation to the long-term lease of TransGrid	-	6
Total auditor's remuneration	**272**	**209**

29. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	30 Jun 2016 $'000	30 Jun 2015 $'000
Short-term employee benefits	1,433	3,843
Post-employment benefits	185	463
Other long-term benefits	169	582
Termination benefits	-	424
Total	**1,787**	**5,312**

Fees Paid to Directors

Fees, including superannuation benefits paid to Directors, other than salaries paid to full-time Directors, were $0.2 million (30 June 2015 - $0.4 million).

Operating lease with a company controlled by key management personnel

The former TransGrid SOC entered into a commercial operating lease for commercial office and car park (the facilities) with High Pass Holdings Pty Ltd on a three-year term commencing 2 February 2015. High Pass Holdings Pty Ltd is a company controlled by Mr C. Darvall, Chairman of the Board. Monthly rent for the facilities is $1,714 (including GST) for the first 12 months and is subject to a 3.5% annual increase. The lease can be terminated by either party by giving no less than 30 days' notice in writing should Mr Darvall ceases to be Chairman of the Board of TransGrid. There is no bank guarantee or security deposit required under the lease.

The monthly rent reflects what would have been charged should the facilities have been leased to a third party, assuming 50% of time is related to non-TransGrid business. The lease arrangements are considered to be on an arm's length basis.

During the year ended 30 June 2016, total rent income from the lease contract amounted to $9 thousand (30 June 2015 – $8 thousand).

Mr C. Darvall's role as Chairman of the Board of TransGrid ceased on 17 December 2015 and his lease for commercial office and car park terminated on 31 December 2015. The amount outstanding under the lease at 16 December 2016 was $nil (30 June 2015: $4 thousand).

30. 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 2016 is $537 thousand (30 June 2015 $1.2 million).

31. LEASES

Operating leases

Lessor

The Investment property of the former TransGrid SOC (refer Note 15) is a commercial property that was leased to third parties. Under the lease terms, the former TransGrid SOC retained all the significant risks and rewards of ownership of the property. These lease contracts are accounted for as operating leases and have terms between 3 and 10 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to a fixed rate. There is no contingent rent.

Under the operation lease agreements with two tenants, the former TransGrid SOC was liable for any non-statutory outgoing expenses incurred in the financial period above a certain outgoing cap. There were no outgoing expenses paid to tenants during the period ended 30 June 2016 (Year ended 30 June 2015: $0.2 million). These commercial property leases were novated to NSWENO on 16 December 2015 as part of the 99 year lease transaction (refer Note 2). No rental income will be received by ETMHC post 16 December 2015.

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 16 December 2015 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.

32. NOTES TO THE STATEMENT OF CASH FLOWS

Dividends and Taxes

No dividends were received during the year ended 30 June 2016. Dividend and Tax equivalents paid during the year amounted to $205.7 million (30 June 2015 - $306.5 million). As at 16 December 2015, $147.3 million dividend payment relating to the financial year 2014/2015 was still outstanding. The proceeds from the long-term lease transaction were used to make the dividend payment such that there is no outstanding dividend provision at 30 June 2016.

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

	30 Jun 2016 $'000	30 Jun 2015 $'000
Profit/(Loss) after Income Tax Equivalent Expense	3,768,299	202,975
Add/(Less): Items Classified as Financing/Investing Activities		
Net Loss/(Gain) on Disposal of Property, Plant and equipment	2,938	596
Net gain on cash flow hedges — ineffective (Note 22)	(32)	(37)
Add/(Less) Non-Cash Items		
Depreciation and Amortisation	107,701	244,167
Amortisation of Lease Incentive Assets	567	484
Fair Value Movement of Investment Property	(8,499)	(14,977)
Amortisation of (Premium)/Discount on Loans	(1,745)	(5,855)
Borrowings Indexation	4,058	12,238
Gain on disposal of discontinued operations	(3,635,210)	-
Loss on early settlement of borrowings	301,845	-
Finance Lease Income	(940)	-
Net Cash Provided by Operating Activities Before Change in Assets and Liabilities	**538,982**	**439,591**
Net Changes in Assets and Liabilities during the financial year		
(Increase)/Decrease in Trade Debtors & Other Receivables	105,396	(2,425)
(Increase)/Decrease in Inventories	475	(11)
(Increase)/Decrease in Other Current Assets	(5,166)	(386)
(Increase)/Decrease in Other Non-Current Assets	380	(142)
Increase/(Decrease) in Trade Creditors & Other Payables	(71,351)	(12,151)
Increase/(Decrease) in Provisions	(84,340)	(1,259)
Increase/(Decrease) in Income Tax & Deferred Taxes	(342,171)	(38,680)
Increase/(Decrease) in Other Current Liabilities	5,869	(3,172)
Net Cash Provided by Operating Activities	**148,074**	**381,365**

33. 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 2016 $'000	30 Jun 2015 $'000
Carrying Amount	**Note**		
Financial Assets			
Cash and cash equivalents	8	139,123	706
Trade and other receivables	9	6,001	112,911
Forward exchange contracts (Assets)	11	-	126
Financial Liabilities			
Trade and other payables	17	553	112,414
Borrowings		-	2,875,118
Forward exchange contracts (Liabilities)	11	-	52

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 2016 ETMHC has exposure to the following risks:

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

Throughout the period to 16 December 2015, operating as the former TransGrid SOC, ETMHC was also exposed to the following risks:

- Foreign exchange risk;
- Commodity risk; and
- Operational 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 2016 $'000	Impairment Losses 30 June 2016 $'000	Gross Receivables 30 June 2015 $'000	Impairment Losses 30 June 2015 $'000
Not past due	6,001	-	112,751	-
Past due 1-30 days	-	-	160	-
Past due 31-60 days	-	-	-	-
More than 60 days	-	-	-	-
	6,001	**-**	**112,911**	**-**

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.

The following are the contractual maturities of financial liabilities, including estimated interest payments as at 30 June 2015:

30 June 2015	Carrying Amount	Contractual Cash Flows	Less than 1 year	1 year to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities					
Borrowings	2,875,118	3,696,550	681,292	1,416,392	1,598,866
Trade and other payables	112,414	112,414	112,414	-	-
Total non-derivative financial liabilities	**2,987,532**	**3,808,964**	**793,706**	**1,416,392**	**1,598,866**
Derivative financial liabilities/(assets)					
Forward exchange contracts used for hedging: Gross outflow	52	2,360	2,360	-	-
Other unhedged forward foreign exchange contracts: Gross outflow	(126)	3,791	3,791	-	-
Total derivative financial liabilities/(assets)	**(74)**	**6,151**	**6,151**	**-**	**-**
Grand Total	**2,987,458**	**3,815,115**	**799,857**	**1,416,392**	**1,598,866**

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.

Due to the 99 year finance lease transaction (Note 2) the former TransGrid SOC's borrowings were all extinguished therefore exposure to interest rate risk is limited to cash at bank at 30 June 2016.

30 June 2016

Variable Rate Instruments	Impact	
	$'000	$'000
	-1%	1%
Cash and cash equivalents	(1,391)	1,391
Cash flow sensitivity (net)	**(1391)**	**1391**

30 June 2015

Variable Rate Instruments	Impact	
	$'000	$'000
	-1%	1%
Cash and cash equivalents	(7)	7
Borrowings	3,607	(3,607)
Borrowings: CPI Linked Bonds	7,413	(7,530)
Cash flow sensitivity (net)	**11,013**	**(11,130)**

Foreign Exchange Risk

Foreign Exchange risk is the risk that an entity suffers financial loss due to a change in foreign exchange rates.

The former TransGrid SOC's policy was to hedge all foreign currency exposures in excess of AUD 0.5 million equivalent. Due to the 99 year finance lease transaction (Note 2) the former TransGrid SOC's main business operations have been discontinued therefore ETMHC is not subject to any foreign exchange risk going forward.

Cash flow hedge equity movements

The cash flows arising from cash flow hedges are not expected to materially affect profit or loss.

	Carrying Amount at beginning of period	Amount recognised in equity during the period	Amount removed from equity and included in profit or loss	Amount removed from equity and included in assets	Disposals from 99 year finance lease	Carrying Amount at end of period
	$000	$000	$000	$000	$000	$000
Equity 01/07/15— 30/06/2016	(52)	73	-	12	(33)	-
Equity 01/07/14— 30/06/15	(255)	20	(37)	220	-	(52)

Sensitivity analysis of cash flow hedge movements

The former TransGrid SOC employed cash flow hedges to remove currency risk associated with the purchase of overseas equipment.

A 10 percent strengthening and weakening of the Australian dollar against the following currencies would have increased/(decreased) equity, or profit or loss, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

30 June 2015

Foreign Currency	Impact on Equity in AUD		Impact on Profit or Loss in AUD	
	$'000	$'000	$'000	$'000
	+10%	-10%	+10%	-10%
EUR	(208)	254	-	-

Unhedged forward contracts

For the year ended 30 June 2015, unhedged forward contracts are also entered as currency protection for contingent exposures arising from bidding of non-regulated projects. A 10 percent strengthening and weakening of the Australian dollar against the following currencies would have increased/(decreased) equity, or profit or loss, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Foreign Currency	Impact on Equity in AUD		Impact on Profit or Loss in AUD	
	$000	$000	$000	$000
	+10%	-10%	+10%	-10%
USD	-	-	(355)	434

Commodity Risk

The former TransGrid SOC may have been exposed to commodity price risk typically in relation to adverse and unexpected increases in costs for infrastructure related capital expenditure. Former management's preferred position in relation to commodity risk was to negotiate fixed price contracts with its suppliers. In addition, appropriate policies were in place to monitor movements in commodity prices with hedging strategies to mitigate risk. ETMHC is not subject to commodity risk going forward.

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.

34. FAIR VALUE MEASUREMENT

ETMHC holds no financial assets or liabilities that are fair valued as at 30 June 2016. Therefore only the comparative period fair value measurement information is disclosed below.

Financial and non-financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined in AASB 13 *Fair Value Measurement* as follows:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

• Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

• Level 3: unobservable inputs for the asset or liability.

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred. No transfers between the levels occurred during the year.

Fair Value Measurement of Financial Instruments

Borrowings

All borrowings were measured at amortised cost using the effective interest method. In comparison, the net fair value of borrowings is based on market values derived by Barrington Treasury Services using market interest rates current at the end of the reporting period and is categorised as Level 2 in the fair value hierarchy.

All borrowings were repaid at 16 December 2015. The carrying amounts and net fair values of borrowings at the end of the comparative period are:

	30 June, 2015	
	Carrying Amount	Fair Value
	$'000	$'000
Borrowings	2,875,118	3,184,387

Derivatives

The fair values of derivatives are based on market valuations as at the end of the reporting period. Independent foreign exchange spot rates and forward points are obtained to recalculate the forward rates. These current forward rates are then discounted to calculate the current market value.

The following table shows the levels within the fair value hierarchy of derivatives measured at fair value on a recurring basis as at 30 June 2015:

30 June 2015	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Derivatives	-	126	-	126
Total Financial Assets	**-**	**126**	**-**	**126**
Financial Liabilities				
Derivatives	-	(52)	-	(52)
Total Financial Liabilities	**-**	**(52)**	**-**	**(52)**
Net Fair Value	**-**	**74**	**-**	**74**

Fair Value Measurement of Non-Financial Assets

The following table shows the Levels within the fair value hierarchy of non-financial assets and liabilities measured at fair value on a recurring basis at the end of the comparative period:

30 June, 2015	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Non-financial assets				
Property, Plant & Equipment	-	-	5,675,617	5,675,617
Investment Property	-	58,711	-	58,711
Net Fair Value	**-**	**58,711**	**5,675,617**	**5,734,328**

Investment property (Level 2)

As at 30 June 2015, the fair value of the property is based on valuations performed by Jones Lang LaSalle, an accredited independent valuer who has the appropriate recognised professional qualifications and recent experience in the location and category of the property valued. The below table summarises the valuation technique and observable inputs for 2015.

Valuation Technique	Significant Observable Inputs	Range Weighted Average
DCF method	Estimated rental value per sqm per month	**$41.25 per sqm per month**
	Rent growth p.a.	**3.87%**
	Long-term vacancy rate	**0%**
	Discount rate	**8.25%**
	Terminal yield	**8%**

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset’s life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewals and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and discount rate (and terminal yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and terminal yield), and an opposite change in the long term vacancy rate.

Property, Plant and Equipment (Level 3)

The fair value of property, plant and equipment is estimated using the income approach which is a valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The most significant inputs, all of which are unobservable, are the:

- Forecast cash flows – which are an estimate of the future cash flows expected from the CGU; and
- Discount rate.

The estimated fair value increases if forecast cash flows increase or the discount rate decreases and vice versa. The overall valuation is sensitive to both assumptions. Management considers that there is an interrelationship between these inputs.

The rate used to discount forecast cash flows to a present value at 30 June 2015 was 5.88%.

Sensitivity Analysis

For the fair value of property, plant and equipment, reasonably possible changes as at the end of the comparative to the discount rate, holding other inputs constant, would have the following effects:

Description	Fair Value as at 30 June 2015 $'000	Unobservable Inputs	Range Of Inputs	Impact on Equity		Impact on Profit or Loss	
				$'000	$'000	$'000	$'000
				+0.5%	-0.5%	+0.5%	-0.5%
Property, Plant and Equipment	5,675,617	Discount Rate	5.38% - 6.38% (5.88%)	(499,349)	586,547	-	-

The forecast cash flows are dependent on a number of variables, among which WACC is the most significant one. Holding other inputs constant, the increase of WACC by 0.5% may lead to an increase in fair value by $48.3 million while the decrease of WACC by 0.5% may lead to a decrease in fair value by $48.3 million.

The reconciliation of the carrying amounts of Property, Plant and Equipment classified within Level 3 of the fair value hierarchy for the comparative period is as follows:

Property, Plant and Equipment	Carrying Amount at Beginning of year	Movements	Disposals*	Depreciation*	Revaluation Increments/ (Decrements) **	Carrying Amount at End of year
	$'000	$'000	$'000	$'000	$'000	$'000
2015	5,618,329	291,604	(5,082)	(229,234)	-	5,675,617

* Disposals and Depreciation expense are recognised in profit or loss and included in the line item “Expenses excluding Finance Costs” of the Statement of Comprehensive Income.

** Revaluation increments/decrements are recognised in other comprehensive and included in the line item “Asset Revaluation Surplus: Net increase/(decrease) in revaluations” of the Statement of Comprehensive Income.

35. 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 2015–16 Financial Year for the State Rail Authority Residual Holding Corporation (SRARHC)

I, Robert Whitfield 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* (TPP15-03), 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, extended in March 2015 to 17 April 2017
- 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 expires June 2017
- Independent member, Patricia Azarias, appointed November 2015, first term expires November 2018
- Independent member, Caroline Burlew, appointed October 2009, term expired in October 2015

Robert Whitfield, Secretary
Date: 23 August 2016

Virginia Tinson, Director of Risk
Telephone: 02 9228 3783

Aman Chand, Chief Audit Executive
Telephone: 02 9228 3621

Internal Audit and Risk Management Statement for the 2015–16 Financial Year for the Liability Management Ministerial Corporation (LMMC)

I, Robert Whitfield 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* (TPP15-03), 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**

Membership

The chair and members of the Audit and Risk Committee are:

- Independent Chair, Peter Lucas, appointed April 2012, extended in March 2015 to 17 April 2017
- 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 expires June 2017
- Independent member, Patricia Azarias, appointed November 2015, first term expires November 2018
- Independent member, Caroline Burlew, appointed October 2009, term expired in October 2015

Robert Whitfield, Secretary
Date: 23 August 2016

Virginia Tinson, Director of Risk
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Aman Chand, Chief Audit Executive
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The Treasury

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