2018-2019

Crown Related Entities' Annual Report

Alpha Distribution Ministerial Holding Corporation
Electricity Assets Ministerial Holding Corporation
Epsilon Distribution Ministerial Holding Corporation
Electricity Transmission Ministerial Holding Corporation
Liability Management Ministerial Corporation
Ports Assets Ministerial Holding Corporation
State Rail Authority Residual Holding Corporation
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NSW GOVERNMENT | Treasury

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for the year ended 30 June 2019

Alpha Distribution Ministerial Holding Corporation

CHARTER

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

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

OBJECTIVES

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

STAFFING

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

INDEPENDENT AUDITOR'S REPORT

Alpha Distribution Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Alpha Distribution Ministerial Holding Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by Department Head.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Corporation’s operations will cease as a result of an administrative restructure.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Renee Meimaroglou
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

Alpha Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2019

STATEMENT BY DEPARTMENT HEAD

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

(a) The accompanying financial statements exhibit a true and fair view of the Alpha Distribution Ministerial Holding Corporation's financial position as at 30 June 2019 and the financial performance for the year then ended; and

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015*, Treasurer's Directions and applicable Australian Accounting Standards.

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

Michael Pratt AM
Secretary

30/IX September 2019

Alpha Distribution Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	Actual 2019 $M	Budget 2019 $M	Actual 2018 $M
Expenses excluding losses				
Operating expenses	4	(10.2)	(0.6)	(10.1)
Total expenses excluding losses		**(10.2)**	**(0.6)**	**(10.1)**
Revenue				
Investment revenue	5(a)	0.4	0.4	0.4
Other operating revenue	5(b)	18.5	9.7	17.7
Total Revenue		**18.9**	**10.1**	**18.1**
Gain / (losses) on disposal	6	(0.5)	-	-
Net result		**8.2**	**9.5**	**8.0**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Superannuation actuarial gains/(losses)	12(ii)	(13.8)	-	5.3
Total items that will not be reclassified subsequently to profit or loss		**(13.8)**	**-**	**5.3**
Total other comprehensive income		**(13.8)**	**-**	**5.3**
Total comprehensive income		**(5.6)**	**9.5**	**13.3**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2019

	Notes	Actual 2019 $M	Budget 2019 $M	Actual 2018 $M
Current assets				
Cash and cash equivalents	7	26.2	26.3	26.7
Trade and other receivables	8	0.1	-	0.2
Total current assets		**26.3**	**26.3**	**26.9**
Non-current assets				
Other non-current assets	9	147.5	148.2	138.9
Total non-current assets		**147.5**	**148.2**	**138.9**
Total assets		**173.8**	**174.5**	**165.8**
Current liabilities				
Trade and other payables	10	-	0.1	0.7
Other current liabilities	13	0.2	0.2	0.2
Total current liabilities		**0.2**	**0.3**	**0.9**
Non-current liabilities				
Provisions	11	31.3	21.5	17.0
Total non-current liabilities		**31.3**	**21.5**	**17.0**
Total liabilities		**31.5**	**21.8**	**17.9**
Net assets /(liability)		**142.3**	**152.7**	**147.9**
Equity				
Retained earnings		142.3	152.7	147.9
Total equity		**142.3**	**152.7**	**147.9**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings $M	Total $M
Balance at 1 July 2018	**147.9**	**147.9**
Net result for the year	8.2	8.2
Other comprehensive income		
Superannuation actuarial gains/(losses)	(13.8)	(13.8)
Total other comprehensive income	(13.8)	(13.8)
Total comprehensive income for the year	**(5.6)**	**(5.6)**
Balance at 30 June 2019	**142.3**	**142.3**

	Retained earnings $M	Total $M
Balance at 1 July 2017	**134.6**	**134.6**
Net result for the year	8.0	8.0
Other comprehensive income		
Superannuation actuarial gains/(losses)	5.3	5.3
Total other comprehensive income	5.3	5.3
Total comprehensive income for the year	**13.3**	**13.3**
Balance at 30 June 2018	**147.9**	**147.9**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	Actual 2019 $M	Budget 2019 $M	Actual 2018 $M
Cash flows from operating activities				
Cash receipts from customers		1.5	0.6	3.9
Cash paid to suppliers and employees		(2.4)	(0.1)	(2.1)
Interest received		0.4	0.4	0.7
Net cash flows from operating activities	17	**(0.5)**	**0.9**	**2.5**
Net cash flows from investing activities		**-**	**-**	**-**
Net cash flows from financing activities		**-**	**-**	**-**
Net increase / (decrease) in cash and cash equivalents		**(0.5)**	**0.9**	**2.5**
Cash and cash equivalents at beginning of the period		26.7	25.4	24.2
Cash and cash equivalents at the end of the period	7	**26.2**	**26.3**	**26.7**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

NOTES INDEX

1. INFORMATION ON THE ALPHA DISTRIBUTION MINISTERIAL HOLDING CORPORATION

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

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

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

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

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

2. LONG-TERM LEASE OF THE AUSGRID NETWORK ASSETS

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

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

On 30 November 2016, a number of statutory vesting orders under the *Electricity Network Assets (Authorised Transactions) Bill 2015* were received from the Treasurer of NSW. The vesting orders became effective on 1 December 2016 and on the same date, the Ausgrid's network assets were leased under a 99-year finance lease to the successful buyer. The State retained a 49.6 per cent interest in the lease. This interest is reported in the Electricity Retained Interest Corporation - Augrid.

Ausgrid as a SOC was converted to ADMHC, a General Government Entity. A Ministerial Order was signed transferring existing employees of Ausgrid to Ausgrid Management Pty Ltd as part of the long-term lease agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are general-purpose financial statements which have been prepared in accordance with the requirements of:

- Applicable Australian Accounting Standards (including Australian Accounting Interpretations)
- *Public Finance and Audit Act 1983*
- *Public Finance and Audit Regulation 2015*
- the Financial Reporting Directions issued by the Treasurer

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

The financial statements have been prepared on a going concern basis using historical cost except for the revaluation of superannuation liabilities measured at fair value through other comprehensive income.

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

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

Statement of compliance

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

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

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

The ADMHC has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures*. ADMHC applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement*. There have been no material differences arising from the adoption of AASB 9 during the year and no changes in the classification of financial assets.

New standards and interpretations not yet effective

As mandated by Treasury Circular TC19-04, ADMHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers-Not-for-profits only* (operative date 1 July 2019)
- AASB 16 *Leases* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (operative date 1 July 2020)
- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* (operative date 1 July 2019)

Management have assessed the impact of new accounting standards issued but not yet effective and concluded there is no material impact to the ADMHC.

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.

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.

Judgements - in the process of applying the ADMHC's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Electricity network land lease classification – ADMHC as lessor

The ADMHC has entered into a 99-year lease of the electricity network. At the end of the lease the land will revert back to ADMHC. The ADMHC has determined, based on an evaluation of the terms and conditions of the arrangements that it does not retain all the significant risks and rewards of ownership of the land, and accounted for the contract as a finance lease.

Estimates and assumptions - the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets, are described below.

The ADMHC based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the ADMHC. Such changes are reflected in the assumptions when they occur.

Valuation of lease receivable – unguaranteed residual value

The ADMHC carries its lease receivable which mainly comprise of the unguaranteed residual value at amortised cost less any impairment. The initial value of the unguaranteed residual value was measured using the discounted cash flow model. The inputs include observable markets as well as internal data where a degree of judgement was applied to determine the fair value. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported value of the residual assets. Details regarding indexation and discount rate used are disclosed in Note 9.

At the end of the reporting period, management reviews whether there are any indicators of impairment. These factors include the level of improvements undertaken by the lessee, volatility of land values, the rate of technological change and competitive conditions.

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Superannuation liabilities

The superannuation valuation is actuarially determined. It is measured as the best estimate of the expected future payments required to settle the present superannuation obligation at the reporting date less the fair value of the superannuation fund assets at the end of the reporting period.

The expected future payments are estimated on the basis of the ultimate cost to settle the superannuation obligations, which includes actuarial assumptions such as risk-free interest rate (discount rate), CPI, salary growth and pensioner mortality rates. Changes in assumptions relating to these factors could affect the superannuation valuation reported.

In calculating the superannuation funding requirements under the AASB 1056 *Superannuation Entities*, economic assumptions about the investment return on the superannuation fund assets and the expected CPI increment were made. These assumptions are generally subject to a degree of uncertainty. The actual results may differ from these estimate as the above factors are largely driven by financial market and subject to economic cycles.

Details regarding assumptions and superannuation fund assets allocation are disclosed in Note 12.

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 ADMHC and the amount is reliably measurable.

Investment revenue

Investment revenue relates to interest revenue and is recognised using the effective interest method as set out in AASB 9 *Financial Instruments: Recognition and Measurement*.

Finance Income

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

Recoupment of administrative costs

ADMHC recoups administrative costs from the lessee and recognises this as other operating revenue.

Expenses

Expenses are recognised when incurred.

Finance officers of the NSW Treasury provide administrative services, including the preparation of ADMHC financial statements. The cost of these services is shown as an administrative charge in Note 4.

Cash and cash equivalents

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Under AASB 9, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics.

Financial assets are measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Subsequent measurement and disclosure

ADMHC holds receivables with an objective to collect contractual cash flows and therefore measures them at amortised cost using the effective interest method less any impairment. Changes are recognised in the net result of the year when impaired, derecognised or through the amortisation process.

Classification and Measurement under AASB 139 (comparative period only)

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognised initially at fair value, based on transaction cost, or face value. Subsequent measurement is at amortised cost using effective interest method, less allowance for impairment.

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.

Allowance for impairment loss on trade and other receivables under AASB 139 (comparative period)

An allowance for impairment loss on trade and other receivables is raised when there is objective evidence that ADMHC will not be able to collect the debt. 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. Impairment loss is recognised in the net result.

Impairment under AASB 9 (from 1 July 2018)

The ADMHC recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that ADMHC expects to receive, discounted at the original effective interest rate. For trade receivables, applies a simplified approach in calculating ECLs. The ADMHC recognises a loss allowance based on lifetime ECLs at each reporting date. There is no material impact to the entity on adopting the new impairment model.

Other assets

The other non-current asset represents the emerging asset, being the present value of the network assets to be returned to the State on the expiry of the 99-year lease term.

Finance Leases – ADMHC as Lessor

A lease is classified at the inception date as a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A receivable is recognised at amortised cost and recognised at the amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Gross investment in the lease is the aggregate of the minimum lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the lessor.

In accordance with TPP 11-01 Lessor classification of long-term land leases, a prepaid lease classified as a finance lease under this policy will effectively be accounted for as a sale. At the inception of the lease, the lessor will derecognise the land and recognise the associated gain or loss on disposal.

Subsequently, finance income is based on a pattern reflecting a constant periodic rate of return on the ADMHC's net investment in the finance lease. The estimated unguaranteed residual values used in computing the gross investment in the lease are subject to an impairment test which takes into consideration factors such as the volatility of land values, the rate of technological change and competitive conditions.

Payables

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

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

Superannuation

The superannuation valuation is actuarially determined. The net superannuation defined benefit liabilities or assets are recognised as present value of the defined benefit obligation less the fair value of plan assets, adjusted for an asset ceiling. Asset ceiling refers to present value of economic benefits available as refunds from the fund or reduction in future contributions to the fund.

In accordance with AASB 119 Employee Benefits, the defined benefit superannuation schemes current and pass service costs and net interest cost reflecting passage of time on the net defined benefit liabilities or assets are recognised as profit and loss item in the Statement of Comprehensive Income. Remeasurements of the net defined benefit liabilities or assets that comprises of actuarial gain or losses, the return in plan assets and any change in the effect of asset ceiling other than the net interest as other comprehensive income in the year in which they occur.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset is primarily derecognised when:

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

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

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

Goods and Services Tax

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

- Where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; and
- Receivables and payables are stated with the amount of GST included.

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

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

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 16.

Income tax

Following the sale of the discontinued operations and the ADMHC's conversion to be a General Government Entity, it is no longer subject to the National Tax Equivalent Regime. As an entity wholly owned by the NSW Government, the ADMHC is a tax exempt entity.

4. OPERATING EXPENSES

	30 Jun 2019 $M	30 Jun 2018 $M
Operating expenses		
Defined benefit expense	0.5	0.6
Lease outgoing expenditures	8.9	9.0
Administrative charge	0.5	0.5
Other expenses	0.3	-
Total	**10.2**	**10.1**

5. REVENUE

(a) Investment revenue		
Interest income	0.4	0.4
(b) Other operating revenue		
Finance income [(i)]	9.0	8.3
Lease outgoing recoupment [(ii)]	8.9	9.0
Other income	0.6	0.4
	18.5	**17.7**
Total revenue	**18.9**	**18.1**

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

(ii) This relates to council rates and water cost recouped from the lessees under the 99-year finance lease.

6. GAINS/ (LOSSES) ON DISPOSAL

Gains / (losses) on disposal	(0.5)	-
	(0.5)	**-**

During the year, ADMHC sold parcel of land to external purchaser. The land sale is permitted under long term lease agreement and constitutes a partial surrender of the lease in respect of the land sold. Under the lease agreement, sales proceeds were paid to the lessee by purchaser directly in recognition of the 99 years lease fee paid at inception for the relevant land. As a result, the net present value of the relevant land was derecognised from the value of finance lease receivable. As such, a gain on disposal of the assets of the lease arises as follows:

Proceeds received	*-*	*-*
Derecognision of residual interest in land	*(0.5)*	*-*
Gain on disposal	***(0.5)***	***-***

7. CASH AND CASH EQUIVALENTS

	2019 $M	2018 $M
Cash at Bank	26.2	26.7
Total	**26.2**	**26.7**

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank. Refer to note 18 regarding credit risk, liquidity and market risk arising from financial instruments.

8. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	-	0.2
GST receivable	0.1	-
Total	**0.1**	**0.2**

GST receivable and payable were net off for current and comparative period. Details regarding credit risk, liquidity risk and market risk, including the financial assets that are either past due or impaired, are disclosed in note 18.

9. OTHER ASSETS

Non-current		
Finance lease receivable (i)	147.5	138.9
Total	**147.5**	**138.9**

(i) **Finance lease receivable**

On completion of the long-term lease transaction, ADMHC acts as a lessor and Ausgrid Asset Partnership act as a lessee in a 99-year lease arrangement. ADMHC transferred substantially all risks and rewards incidental to ownership of the leased assets to Ausgrid Asset Partnership; as such the lease was classified as a finance lease.

Finance lease accounting requires ADMHC as the Lessor to recognise a finance lease receivable equal to the net investment in the lease, which is the discounted gross investment in the lease comprising the minimum lease payments and unguaranteed residual value. 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 Lessor on expiry of the leases.

The residual value in 99 years is estimated at $62.6 billion, using an annual indexation of 4 per cent. The present value at inception of the lease was $125.8 million, discounted at nominal pre-tax discount rate of 6.47 per cent. Finance income of $9.0 million (2018: $8.3 million) was recognised in the period (refer to Note 5(b)).

The results of the annual impairment procedures concluded that there are no indicators of impairment at the reporting date.

The lease contains two clauses:

1. any improvements made by the lessee to the existing land, or acquisition of additional land for network use are treated as transactions by the ADMHC. However, the State does not benefit from these improvements during the term of the lease as all risks and rewards are with the lessee, and

9. OTHER ASSETS (continued)

2. acquisitions or the lease of additional land by the lessee are subject to an option which allows the ADMHC 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.

10. TRADE AND OTHER PAYABLES

	30 Jun 2019 $M	30 Jun 2018 $M
Current		
Accruals	-	0.6
GST Payable	-	0.1
Total	**-**	**0.7**

GST receivable and payable were net off for current and comparative period. Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 18.

11. PROVISIONS

	30 Jun 2019 $M	30 Jun 2018 $M
Non-Current		
Superannuation Liability (Note 12(ii))	31.3	17.0
Total	**31.3**	**17.0**

12. UNFUNDED SUPERANNUATION

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

Significant events

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

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

12. UNFUNDED SUPERANNUATION (continued)

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 2018. The next actuarial valuation is due to be performed as at 30 June 2021.

Governance

Energy Industries Superannuation Scheme Pty Limited is the Superannuation Scheme Trustee. 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.

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

12. UNFUNDED SUPERANNUATION (continued)

The defined benefit fund assets are invested with various independent fund managers and have a diversified asset mix, as such effectively diversified and minimised investment risk and liquidity risk.

	As at 2019	As at 2018
Member Numbers		
Contributors	-	-
Deferred benefits	1	1
Pensioners	116	122

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

	30 Jun 2019 $M	30 Jun 2018 $M
Net Interest expense/(income)	0.5	0.6
Total net expense	**0.5**	**0.6**

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

Actuarial (gains)/losses on liabilities	19.9	(1.0)
Actuarial (gains)/losses on assets	(6.1)	(4.3)
Total actuarial (gains)/losses	**13.8**	**(5.3)**

Reconciliation of the Superannuation Net (Asset)/ Liability

Net (Asset)/Liability at the beginning of the year	17.0	21.7
Net interest expense/(income) on the net defined benefit (asset)/liability	0.5	0.6
Actuarial losses/(gains) on assets	(6.1)	(4.3)
Actuarial losses/(gains) arising from changes in demographic assumptions	0.6	-
Actuarial losses/(gains) arising from changes in financial assumptions	20.2	(3.0)
Actuarial losses/(gains) arising from liability experience	(0.9)	2.0
Net (Asset)/Liability at the end of the year	**31.3**	**17.0**

12. UNFUNDED SUPERANNUATION (continued)

Reconciliation of the present value of the defined benefit obligation

	30 Jun 2019 $M	30 Jun 2018 $M
Present value of defined benefit obligations at the beginning of the year	94.0	97.0
Interest expense/(income)	2.4	2.5
Actuarial losses/(gains) arising from changes in demographic assumptions	0.6	-
Actuarial losses/(gains) arising from changes in financial assumptions	20.2	(3.0)
Actuarial losses/(gains) arising from liability experience	(0.9)	2.0
Benefits paid	(4.3)	(4.3)
Taxes, premiums and expenses paid	(0.2)	(0.2)
Present value of defined benefit obligations at the end of the year	**111.8**	**94.0**

Reconciliation of the fair value of fund assets

Fair value of Fund assets at the beginning of the year	(77.0)	(75.3)
Interest expense/(income)	(2.0)	(1.9)
Actuarial losses/(gains) on assets	(6.1)	(4.3)
Benefits paid	4.4	4.3
Taxes, premiums and expenses paid	0.2	0.2
Fair value of Fund assets at the end of the year	**(80.5)**	**(77.0)**

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 12 years (2018: 11.4 years).

Fair value of fund assets

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

13. UNFUNDED SUPERANNUATION (continued)

Energy Investment Fund	**30 Jun 2019 $M**	**30 Jun 2018 $M**
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	2,058.1	1,976.3
Level 3 - Unobservable inputs	-	-
Total	**2,058.1**	**1,976.3**

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 2019**	**30 June 2018**
Alternatives	4%	5%
International equities	25%	28%
Australian equities	16%	18%
Infrastructure	6%	7%
Property	11%	8%
Private equity	2%	1%
Cash	5%	5%
Fixed income	31%	28%
Total	**100%**	**100%**

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

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

• any of ADMHC's financial instruments; and

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

12. UNFUNDED SUPERANNUATION (continued)

Significant actuarial assumptions at the end of the reporting period

	2019	2018
Discount rate	1.32% pa	2.65% pa
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	2.3% pa
Pensioner mortality	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2018 (the rates are disclosed in the triennial report available from the Trustee website). The pension mortality rates are based on experience of the NSW public sector.	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2015 (the rates are disclosed in the triennial report available from the Trustee website). The pension mortality rates are based on experience of the NSW public sector.

Sensitivity analysis

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

As at 30 June 2019

	Base case	Scenario A - 1.0% discount	Scenario B +1.0% discount rate
Discount rate	1.32% pa	0.32% pa	2.32% pa
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	111.9	128.1	98.4

12. UNFUNDED SUPERANNUATION (continued)

	Base case	Scenario C +0.5% rate of CPI	Scenario D -0.5% rate of CPI
Discount rate	1.32% pa	1.32% pa	1.32% pa
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	2.25% p.a. for 2018/19 and 2019/20, 2.50% for 2020/21, 2.75% p.a. for 2021/22 and 2022/23 then 3.0% p.a. thereafter	1.25% p.a. for 2018/19 and 2019/20, 1.50% for 2020/21, 1.75% p.a. for 2021/22 and 2022/23 then 2.0% p.a. thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	111.9	119.8	104.6

	Base case	Scenario E +0.5% Salary	Scenario F -0.5% Salary
Discount rate	1.32% pa	1.32% pa	1.32% pa
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	111.9	111.9	111.9

	Base case	Scenario G Lower pensioner mortality rates*	Scenario H Higher pensioner mortality rates**
Defined benefit obligation ($M)	111.9	113.9	110.4

* Assumes the short term pensioner mortality improvement factors for years 2018-2024 also apply for years after 2024.

** Assumes the long term pensioner mortality improvement factors for years post 2024 also apply for years 2018 to 2024.

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

12. UNFUNDED SUPERANNUATION (continued)

Sensitivity analysis

As at 30 June 2018

	Base case	Scenario A - 1.0% discount	Scenario B +1.0% discount rate
Discount rate	2.65% pa	1.65% pa	3.65% pa
Rate of CPI increase	2.3% pa	2.3% pa	2.3% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	94.0	107.6	82.7

	Base case	Scenario C +0.5% rate of CPI	Scenario D -0.5% rate of CPI
Discount rate	2.65% pa	2.65% pa	2.65% pa
Rate of CPI increase	2.3% pa	2.8% pa	1.8% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	94.0	100.7	87.9

	Base case	Scenario E +0.5% Salary	Scenario F -0.5% Salary
Discount rate	2.65% pa	2.65% pa	2.65% pa
Rate of CPI increase	2.3% pa	2.3% pa	2.3% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	94.0	94.0	94.0

	Base case	Scenario G Lower pensioner mortality rates*	Scenario H Higher pensioner mortality rates**
Defined benefit obligation ($M)	94.0	96.1	92.7

* 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.

12. UNFUNDED SUPERANNUATION (continued)

Asset/Liability matching strategies

The assets of the Scheme are managed using a Liability Driven Investment approach.

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 2018. 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 2019 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	2019 $M	2018 $M
Net market value of Fund assets	(80.6)	(77.0)
Accrued benefits	65.4	65.9
Net (Surplus)/Deficit	**(15.2)**	**(11.1)**

Please note that the AASB1056 results are based on the financial assumptions to be used for the 30 June 2019 actuarial valuation, with the exception of the retrenchment, which are based on the AASB 119 basis.

Contribution Recommendations

Recommended contribution rates for the ADMHC are:

At 30 June 2019

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

12. UNFUNDED SUPERANNUATION (continued)

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	2019	2018
Expected rate of return on Fund assets backing current pension liabilities	5.5% pa	5.5% pa
Expected rate of return on Fund assets backing other liabilities	5.5% pa	5.5% pa
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.3% pa	2.3% pa

Expected contributions

	$M
Expected employer contributions to be paid in the period 1 July 2019 to 30 June 2020	-

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

13. OTHER LIABILITIES

	2019 $M	2018 $M
Current		
Unearned revenue	0.2	0.2
Total	**0.2**	**0.2**

14. COMMITMENTS

ADMHC does not have capital expenditure commitments or operating lease commitments as at reporting date (2018: nil).

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

ADMHC does not have any contingent assets and contingent liabilities to report as at 30 June 2019.

16. BUDGET REVIEW

Net result

For the year ended 30 June 2019, ADMHC had a surplus of $8.7 million which is $0.8 million below the budget.

Operating expenses total $10.2 million which is $9.6 million higher than budget. This is due to $8.9 million lease outgoing expenditures incurred and administration fee of $0.5 million incurred but not budgeted for.

Total revenue for 2019 is $18.9 million, $8.8 million higher than budget mainly due to higher lease outgoings fully recouped from the lessee of $8.9 million which was not accounted for in the budget.

Assets and Liabilities

Net assets for the year were $142.8 million, $9.9 million lower than the budget.

Total assets were $174.5 million, as projected for in the budget.

Total liabilities were $31.7 million and $9.9 million higher than budget due to $9.8 million defined benefit superannuation liabilities transferred from Ausgrid not anticipated at budget.

Cash flows

The actual net cash flows from operating activities resulted in an outflow of $0.5 million, being $1.4 million lower than budget. This is mainly due to $1.1 million NSW Treasury administration fees paid this year in respect of 2018 and 2019 financial year and the settlement of $0.3 million voluntary redundancy disputes.

Cash and cash equivalents held at reporting date is $26.2 million in line with budget.

Being a residual entity, ADMHC's activities are shown as "Post Transaction Activities" program group and aggregated in the State Budget outcomes.

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

Cash as at the end of the financial year as shown in the Statement of Cash flows is reconciled to the related items in the Statement of Financial Position as follows:

	2019 $M	2018 $M
Cash and Cash Equivalents	26.2	26.7

Reconciliation of net result to net cash provided by operating activities

	2019	2018
Net result	8.2	8.0
Add/(less) non-cash items		
Superannuation actuarial gain/(loss)	(13.8)	5.3
Finance lease income	(9.0)	(8.3)
Net cash provided by operating activities before change in assets and liabilities	**(14.5)**	**5.0**
Net changes in assets and liabilities during the financial year		
(Increase)/decrease in trade and other receivables	-	3.4
Increase/(decrease) in trade and other payables	(0.8)	(1.4)
Increase/(decrease) in provisions	14.3	(4.7)
Increase/(decrease) in other liabilities	-	0.2
Net cash provided by operating activities	**(0.9)**	**2.5**

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

18. FINANCIAL INSTRUMENTS

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

Financial Instrument Categories

(i) As at 30 June 2019 under AASB 9

Class	Notes	Category	2019 $M
Financial Assets			
Cash and cash equivalents	7	N/A	26.2
Trade and other receivables	8	Amortised cost	-
Financial Liabilities			
Trade and other payables	10	Financial liabilities measured at amortised cost	-

(ii) As at 30 June 2018 under AASB 139

Class	Notes	Category	2018 $M
Financial Assets			
Cash and cash equivalents	7	N/A	26.7
Trade and other receivables	8	Amortised cost	0.2
Financial Liabilities			
Trade and other payables	10	Financial liabilities measured at amortised cost	0.6

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

Financial Risk Management Overview

Financial instruments comprise of cash, trade debtors and trade creditors. The main purpose of these financial instruments was to raise finance or invest surplus cash for the ADMHC's operations, and to manage exposure to price movements.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 of the financial statements.

18. FINANCIAL INSTRUMENTS (continued)

As at 30 June 2019, ADMHC has exposure to the following risks:

- Credit risk;
- Market risk; and
- Liquidity risk

Credit Risk

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

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

Cash

Cash comprises bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances.

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an on-going basis. Procedures, as established in the Treasurer's Directions, are followed to recover outstanding amounts, including letters of demand.

The ADMHC applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. The expected loss rates are based on historical observed loss rates. There are no receivables that are past due or considered impaired as at the reporting date. Receivables are written off when there is no reasonable expectation of recovery and no interest earned on trade debtors.

18. FINANCIAL INSTRUMENTS (continued)

Market risk

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

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

Exposure to interest rate risk is limited to cash at bank at 30 June 2019.

	Carrying amount	-1%		+1%	
		Net result	Equity	Net result	Equity
	$M	$M	$M	$M	$M
2019					
Cash and cash equivalents	26.2	(0.3)	(0.3)	0.3	0.3
2018					
Cash and cash equivalents	26.7	(0.3)	(0.3)	0.3	0.3

Liquidity risk

Liquidity risk is the risk that ADMHC will be unable to meet its payment obligations when they fall due. ADMHC continuously manages risk through monitoring future cash flows and commitment maturities.

Liabilities are recognised for amounts due to be paid in the future for goods or services received. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in TC11-12. If trade terms are not specified, payment is made no later than the end of the month in which an invoice or a statement is received.

There were no defaults on payables in the current year, and no assets have been pledged as collateral.

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

The following are the maturity profile of ADMHC'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
	%	$M	$M	$M	$M	$M	$M	$M
2019								
Payables	-	-	-	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2018								
Payables	-	0.6	-	-	0.6	0.6	-	-
Total financial liabilities	**-**	**0.6**	**-**	**-**	**0.6**	**0.6**	**-**	**-**

19. RELATED PARTIES

a) Ultimate parent

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

(b) Key management personnel remuneration

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

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

No loans were made to any of the KMP by the agency during the period.

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with other related entities

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

Finance officers of the NSW Treasury provide administrative services, including the preparation of the ADMHC financial statements. The cost of these services is shown as an administrative charge in ADMHC.

20. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2019

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 and 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 EAMHC has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

Electricity Assets Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Electricity Assets Ministerial Holding Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Treasury is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by Department Head.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary of the Treasury is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

R Meimaroglou.

Renee Meimaroglou
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2019

STATEMENT BY DEPARTMENT HEAD

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

(a) The accompanying financial statements exhibit a true and fair view of the Electricity Assets Ministerial Holding Corporation's financial position as at 30 June 2019 and the financial performance for the year ended; and

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, Treasurer's Directions and applicable Australian Accounting Standards.

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

Michael Pratt AM
Secretary

30 TH September 2019

Electricity Assets Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Expenses excluding losses				
Operating expenses	3	2,139	261	6,645
Grants and subsidies	4	4,800	9,518	10,000
Finance costs	10	1,061	1,709	2,070
Total expenses excluding losses		**8,000**	**11,488**	**18,715**
Revenue				
Investment revenue	5	2,375	2,625	2,501
Other revenue	6	603	375	3,345
Total revenue		**2,978**	**3,000**	**5,846**
Net result		**(5,022)**	**(8,488)**	**(12,869)**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**(5,022)**	**(8,488)**	**(12,869)**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
ASSETS				
Current assets				
Cash and cash equivalents	7	158,667	151,887	164,090
Receivables	8	264	571	831
Total current assets		**158,931**	**152,458**	**164,921**
Non-current assets				
Receivables	8	2,941	2,332	2,908
Total non-current assets		**2,941**	**2,332**	**2,908**
Total assets		**161,872**	**154,790**	**167,829**
LIABILITIES				
Current liabilities				
Payables	9	68	42	73
Provision for outstanding claims	10	4,394	4,434	5,249
Total current liabilities		**4,462**	**4,476**	**5,322**
Non-current liabilities				
Provision for outstanding claims	10	51,029	37,841	51,104
Total non-current liabilities		**51,029**	**37,841**	**51,104**
Total liabilities		**55,491**	**42,317**	**56,426**
Net assets		**106,381**	**112,473**	**111,403**
Equity				
Accumulated funds		106,381	112,473	111,403
Total equity		**106,381**	**112,473**	**111,403**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Changes in Equity
for the year ended 30 June 2019

	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2018	**111,403**	**111,403**
Net result for the year	(5,022)	(5,022)
Total comprehensive income for the year	**(5,022)**	**(5,022)**
Balance at 30 June 2019	**106,381**	**106,381**
Balance at 1 July 2017	**124,272**	**124,272**
Net result for the year	(12,869)	(12,869)
Total comprehensive income for the year	**(12,869)**	**(12,869)**
Balance at 30 June 2018	**111,403**	**111,403**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Cash flows from operating activities				
Payments				
Claim payments	10	(3,550)	(4,158)	(3,739)
Grants and subsidies	4	(4,800)	(9,518)	(10,000)
Other		(1,206)	(1,057)	(1,213)
Total payments		**(9,556)**	**(14,733)**	**(14,952)**
Receipts				
Interest received		2,375	2,625	3,812
Other		1,758	1,008	1,222
Total receipts		**4,133**	**3,633**	**5,034**
Net cash flows from operating activities	11	**(5,423)**	**(11,100)**	**(9,918)**
Net cash flows from investing activities		**-**	**-**	**-**
Net cash flows from financing activities		**-**	**-**	**-**
Net (decrease)/increase in cash		**(5,423)**	**(11,100)**	**(9,918)**
Opening cash and cash equivalents		164,090	162,987	174,008
Closing cash and cash equivalents	7	**158,667**	**151,887**	**164,090**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

NOTES INDEX

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

1. ELECTRICITY ASSETS MINISTERIAL HOLDING CORPORATION INFORMATION

The 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 the 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. 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*.

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 the EAMHC. The EAMHC appointed Insurance and Care NSW (icare) to undertake the claims management functions. From 2015, the residual assets, rights and liabilities of the Green State Power, Macquarie Generation and Delta Electricity Vales Point power station were vested in the EAMHC through various vesting orders. On 21 November 2016, the State dissolved Delta Electricity, established a general government sector transaction company in the name of Generator Property Management Pty Ltd (GPM) to carry out the demolition and remediation work of the Delta Electricity Munmorah power station. The residual assets, rights and liabilities of Delta Electricity were vested to the EAMHC and GPM. *Electricity Generator Assets (Authorised Transactions) Regulation 2016* provide the EAMHC with additional functions under the Act to provide funding to the GPM and carry out residual entity business transactions.

The 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 issued by the Treasurer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Use of judgements, estimates and assumptions

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

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

Provision for outstanding claims

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

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

The liability for claims includes:

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

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

Statement of compliance

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

Comparative information

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The accounting policies applied in the current year are consistent with those of the previous financial year except for the new standards adopted. The entity has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets.

AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB *7 Financial Instruments: Disclosures* (AASB 7). The entity applied AASB 9 retrospectively but has not restated the comparative information which is reported under *AASB 139 Financial Instruments: Recognition and Measurement*. There have been no material differences arising from the adoption of AASB 9 during the 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 2019.

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers-Not-for-profits only* (operative date 1 July 2019)
- AASB 16 *Leases* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
- AASB 1059 *Service Concession Arrangements: Grantors* (operative date 1 July 2020)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation* (operative date 1 July 2019)
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)
- AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors* (operative date 1 July 2019)
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (operative date 1 July 2020)
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* (operative date 1 July 2020)

Management have considered the impact of AASB 15, AASB 16 and AASB 1058 effective 1 July 2019 and no material impacts are expected. It is unlikely the adoption of the remaining new accounting standards issued but not yet effective will have material impact on the financial performance or position of the Corporation. The EAMHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular TC 19-04.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE

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

Investment revenue

Investment revenue relates to bank interest and is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. It is recognised using the effective interest method as set out in AASB 9 *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 the EAMHC on 30 January 2015. Under the royalty deeds, the 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 royalty revenue is recognised on an accrual basis and is measured in accordance with the royalty deeds by applying the agreed royalty rate to 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 the EAMHC financial statements. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and no charge is made to the entity for these services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and subsidies

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

Finance costs

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

ASSETS

Cash and cash equivalents

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

Receivables

(i) Trade and other receivables

Trade receivables comprise amounts due from claims recoverable and royalties earned in the ordinary course of business. Under AASB 9, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics.

The entity's receivables are measured at amortised cost given the following conditions are met:

- the financial asset is held within a business model with the objective to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The entity recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the company expects to receive, discounted at the original effective interest rate. For trade receivables, the company applies a simplified approach in calculating ECLs. The company recognises a loss allowance based on lifetime ECLs at each reporting date.

Classification and Measurement under AASB 139 (comparative period only)

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. The collection of trade receivables is reviewed on an ongoing basis.

An allowance for impairment of receivables is established when there is objective evidence that the EAMHC 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)

(ii) Claim recoveries receivable

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

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

The rates applied are consistent with those used in the valuation of provisions for outstanding claims (see Note 10). The liability for outstanding claims is measured in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as the best estimate (central estimate) of the present value of expected future payments against claims incurred at reporting date.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire or if the entity transfers 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:

- the entity has transferred substantially all the risks and rewards of the asset; or
- the entity has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

LIABILITIES

Payables

Payables represent liabilities for goods and services provided but not paid for at each reporting date. These payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at original invoiced amount where the effect of discounting is immaterial.

Provisions for outstanding claims

Provisions are recognised when:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract 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 net result.

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 are classified as operating cash flows.

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	2019 $'000	2018 $'000
Claims expenses			
Adjustment to existing outstanding claims[1]	10	1,559	6,039
		1,559	**6,039**
Management fees			
Management fees		213	178
		213	**178**
Other operating expenses			
Actuarial expenses		143	143
Audit fees - audit of financial statements		60	59
Data Warehouse		129	129
Contractors		7	9
Consultants		-	2
Storage costs		26	26
Other		2	60
		367	**428**
Total operating expenses		**2,139**	**6,645**

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

4. GRANTS AND SUBSIDIES

	2019	2018
Grants and subsidies		
Grants to GPM	4,800	10,000
	4,800	**10,000**

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

5. INVESTMENT REVENUE

	2019	2018
Bank interest	2,375	2,501
	2,375	**2,501**

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

6. OTHER REVENUE

	2019 $000	2018 $000
Petroleum exploration royalty	355	322
Recovery revenue	248	3,023
	603	**3,345**

7. CASH AND CASH EQUIVALENTS

Cash at bank	158,667	164,090
	158,667	**164,090**

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)	**158,667**	**164,090**
Closing cash and cash equivalents (per Statement of Cash Flows)	**158,667**	**164,090**

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

8. RECEIVABLES

Expected future recoveries (discounted)	3,142	3,169
Petroleum exploration royalty receivables	30	32
GST receivables	33	538
	3,205	**3,739**
Current	264	831
Non-current	2,941	2,908
	3,205	**3,739**

Details regarding credit risk of trade debtors that are neither past due or impaired, are disclosed in Note 12.

9. PAYABLES

Claims payable	15	15
Other	53	58
	68	**73**

Details regarding liquidity risk, including a maturity analysis are disclosed in Note 12.

10. PROVISIONS FOR OUTSTANDING CLAIMS

	Notes	Dust Disease $'000	Non Dust Disease $'000	2019 Total $'000	2018 Total $'000
Opening balance		49,017	7,336	56,353	51,983
Payments		(2,971)	(579)	(3,550)	(3,739)
Actuarial (gain)/loss		453	1,106	1,559	6,039
Unwinding of discounts		928	133	1,061	2,070
Closing balance		**47,427**	**7,996**	**55,423**	**56,353**
Current		3,455	939	4,394	5,249
Non-current		43,972	7,057	51,029	51,104
		47,427	**7,996**	**55,423**	**56,353**

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be between 6.67 to 10.6 years (2018: 6.58 - 10.3 years) for dust disease liabilities and 7.42 years (2018: 7.08 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	
	2019 %	2018 %	2019 %	2018 %
Not later than one year				
Inflation rate	2.32 - 2.88	2.2 - 2.70	2.33	2.39
Discount rate	0.92 - 1.09	1.95	1.00	1.95
Superimposed inflation	1.5 - 2.0	2.0 - 2.25	-	-
Later than one year				
Inflation rate	0.85 - 3.50	2.62 - 3.50	0.85 - 3.00	2.61 - 3.00
Discount rate	0.89 - 4.50	2.07 - 4.50	0.90 - 4.50	2.07 - 4.50
Superimposed inflation	1.5 - 2.0	2.0 - 2.25	-	-

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

Sensitivity Analysis

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

(a) Dust Disease as at 30 June 2019

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		44,370		
Discount rate	+1%	40,652	-3,718	-8.4%
	-1%	48,720	4,350	9.8%
Inflation rate	+1%	48,640	4,270	9.6%
	-1%	40,648	-3,722	-8.4%
Superimposed inflation rate	+1%	48,645	4,275	9.6%
	-1%	40,646	-3,724	-8.4%
Seed Reports[2]	+1 claim	50,495	6,125	13.8%
	-1 claim	38,244	-6,126	-13.8%
Incidence Curves[3]	+15% IBNR claims	51,036	6,666	15.0%
	-15% IBNR claims	38,625	-5,745	-12.9%
Average Claim Size	+10%	48,447	4,077	9.2%
	-10%	40,294	-4,076	-9.2%

1. The net central estimate is inflated and discounted, net of reinsurance and other recoveries and includes an allowance for claims handling expenses.
2. Seed reports are the expected number of dust disease claims expected in the first projection year.
3. Incidence curves reflect the expected emergence of dust disease claims in the future. The actuary has tested the sensitivity of the curves by increasing and decreasing the latency period which results in an increase or decrease in the number of future IBNR claims.

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

(b) Dust Disease as at 30 June 2018

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		45,924		
Discount rate	+1%	42,546	-3,378	-7.4%
	-1%	49,844	3,920	8.5%
Inflation rate	+1%	48,293	2,369	5.2%
	-1%	43,677	-2,247	-4.9%
Superimposed inflation rate	+1%	50,182	4,258	9.3%
	-1%	42,222	-3,702	-8.1%
Seed Reports[2]	+1 claim	51,970	6,046	13.2%
	-1 claim	39,878	-6,046	-13.2%
Incidence Curves[3]	+15% IBNR claims	52,595	6,671	14.5%
	-15% IBNR claims	40,172	-5,752	-12.5%
Average Claim Size	+10%	49,979	4,055	8.8%
	-10%	41,869	-4,055	-8.8%

1. The net central estimate is inflated and discounted, net of reinsurance and other recoveries and includes an allowance for claims handling expenses.
2. Seed reports are the expected number of dust disease claims expected in the first projection year.
3. Incidence curves reflect the expected emergence of dust disease claims in the future. The actuary has tested the sensitivity of the curves by increasing and decreasing the latency period which results in an increase/decrease in the number of future IBNR claims.

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

(c) Non Dust Disease as at 30 June 2019

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		7,911		
Discount rate	+1%	7,366	-545	-6.9%
	-1%	8,525	614	7.8%
Inflation rate	+1%	8,495	584	7.4%
	-1%	7,384	-527	-6.7%
Reactivation[2]	+20%	8,264	353	4.5%
	-20%	7,557	-353	-4.5%
Life expectancy[3]	+5	10,353	2,442	30.9%
	-5	5,369	-2,542	-32.1%
IBNR seed reports	+100%	10,419	2,508	31.7%
	-50%	6,657	-1,254	-15.9%

1. The net central estimate is inflated and discounted, net of reinsurance and other recoveries and includes an allowance for claims handling expenses.
Due to the changes in regulation in 2015, there were more claim reactivation for periodic medical hearing aids replacement for people who suffer from industrial deafness. The liability projection has allowed explicitly for this risk. Two key assumptions underlying the projection are:
2. Total number of claimants who are expected to make regular claims for reactivation of medical aids support over their lifetime.
3. The life expectancy of those claimants who are expected to make regular claims for reactivation of medical aids support over their lifetime.

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

(d) Non Dust Disease as at 30 June 2018

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		7,261		
Discount rate	+1%	6,915	-345	-4.8%
	-1%	7,632	371	5.1%
Inflation rate	+1%	7,548	287	4.0%
(not explicitly modelled)	-1%	6,988	-272	-3.8%
Superimposed inflation rate	+1%	7,591	330	4.5%
(not explicitly modelled)	-1%	6,930	-330	-4.5%
Reactivation[2]	+25%	8,955	1,694	23.3%
	-25%	5,458	-1,803	-24.8%
Life expectancy[3]	+5	9,144	1,883	25.9%
	-5	6,319	-942	-13.0%

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

Due to the changes in regulation in 2015, there were more claim reactivation for periodic medical hearing aids replacement for people who suffer from industrial deafness. The liability projection has allowed explicitly for this risk. Two key assumptions underlying the projection are:

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

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

Net cash flows from operating activities	**(5,423)**	**(9,918)**
Adjustments for:		
Decrease/(increase) in provisions	930	(4,370)
Decrease/(increase) in payables	5	(5)
(Decrease)/increase in receivables	(534)	1,424
Net result	**(5,022)**	**(12,869)**

12. FINANCIAL INSTRUMENTS

The EAMHC's principal financial instruments are cash deposits held with NSW Treasury Banking System at Westpac Banking Corporation, receivables and payables. These instruments expose the EAMHC to interest rate risk on cash balances held, liquidity risk and credit risk. These financial instruments arise from the EAMHC's operations and are required to finance those operations. The 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, and reviews and sets policies for managing each of these risks. Risk management policies are in place to establish frameworks and processes that identify and analyse the risks faced by the 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	Categories (AASB 139)	Categories (AASB 9)	Carrying amount	
				2019	2018
				$'000	$'000
Financial assets					
Cash and cash equivalents	7	N/A	N/A	158,667	164,090
Receivables[1]	8	Loans and receivables at amortised cost	Amortised cost	30	32
Financial liabilities					
Payables[2]	9	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	68	73

1. Excludes statutory receivables of $0.033 million (2018: $0.538 million) and expected recoveries receivable of $3.10 million (2018: $3.17 million) which are not within the scope of AASB7 *'Financial Instruments'.*
2. Excludes statutory payables of Nil (2018: Nil) which are not within the scope of AASB7 *'Financial Instruments'.*

12. FINANCIAL INSTRUMENTS (continued)

(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. The 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 the 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 the 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 2018. The analysis assumes that all other variables remain constant.

Interest rate risk

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

Exposure to interest rate risk arises primarily through the EAMHC's cash deposits held at financial institutions.

The following table provides the sensitivity analysis of interest rate risk affecting applicable financial assets on the operating result and equity of the 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% Net result	-1% Equity	+1% Net result	+1% Equity
2019					
Cash and cash equivalents	158,667	(1,587)	(1,587)	1,587	1,587
2018					
Cash and cash equivalents	164,090	(1,641)	(1,641)	1,641	1,641

Currency risk

The EAMHC has no exposure to foreign currency risk.

(b) Credit risk

The 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 balance date. Collectability 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.

12. FINANCIAL INSTRUMENTS (continued)

EAMHC applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates.

The EAMHC does not receive any collateral for receivables.

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

(c) Liquidity risk

Liquidity risk is the risk that the EAMHC 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. The EAMHC's exposure to liquidity risk is deemed insignificant based on prior period data and the current assessment of risk.

Payables are recognised at amounts due to be paid in the future for goods or services received. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate %	Nominal amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'000
2019								
Payables	-	68	-	-	68	68	-	-
Total financial liabilities	**-**	**68**	**-**	**-**	**68**	**68**	**-**	**-**
2018								
Payables	-	73	-	-	73	73	-	-
Total financial liabilities	**-**	**73**	**-**	**-**	**73**	**73**	**-**	**-**

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

(d) Fair value measurement

Management assessed that carrying amount of all financial instruments approximate their fair values, largely due to the short-term maturities of these instruments.

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The 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 the EAMHC. The assets, rights and liabilities vested in the EAMHC have exposures to various contingent assets and contingent liabilities.

Contingent Assets

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

Sale of Macquarie Generation

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

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

Sale of Green State Power

Under the Sale and Purchase Agreement and vesting order effective from 8 December 2014, the EAMHC is liable for all present and future Workers Compensation and dust diseases claims by any employee, former employee of Green State Power (GSP)or by any other Workers Compensation claimant in relation to their employment with or service provided to GSP 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, the EAMHC is able to recoup the cost of claims from a third-party insurer as the liabilities were insured by GSP and the insurance entitlement was also transferred to the EAMHC prior to the Sale.

GSP received an insurance payout in respect of fire at one of its plants prior to the sales transaction. At the time of the sales, Green State Power transferred all rights and obligations with the insurance matter to EAMHC. The insurer exercised subrogation rights to bring an action against a supplier that undertook electricity work which they alleged started the fire. Those proceedings are being run by the insurer. If the insurer recovers more money than the original payout made to GSP, EAMHC has a share in that additional payout. As at the reporting date. the proceedings are being defended by the supplier.

Contingent Liabilities

The 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 the EAMHC which expose the EAMHC to potential future claims.

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

Sale of Green State Power

The EAMHC is liable for any indemnities provided by GSP to its directors or officers that accrue or relate to the period prior to sale. There are no known claims at 30 June 2019. In the event any claim arises, the EAMHC is able to recoup the cost of claims from a third-party insurer through the director and officer insurance policies held with the third-party insurer.

The EAMHC is also liable for liabilities associated with any formal dispute resolution proceeding and the termination of employees to which Green State Power is a party. There are no known claims at 30 June 2019.

Sale of Macquarie Generation

The 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 2019.

Sale of Delta Electricity

There were no contingent assets and contingent liabilities to report as at 30 June 2019.

14. BUDGET REVIEW

Net result

The EAMHC's net result is a loss of $5.02 million in 2019 and $3.47 million better than the budget mainly contributed by lower grant funding requirement from GPM.

Total expenses were $3.49 million lower than budget, mainly due to the following reasons:

- $4.8 million recurrent funding to GPM for Munmorah power station demolition works which was $4.72 million lower than budget.
- Offset by claims expense which were $1.93 million higher than budget due to reduction in discount rate in 2019.

Total revenue was $2.98 million which was in line with the budget of $3 million. Interest income was $0.25 million lower, offsetting by $0.22 million higher claim recoveries revenue for the year.

Assets and Liabilities

Total assets for the year were $161.87 million which is $7.08 million higher than budget. This is mainly contributed by higher cash balance of $6.78 million due to lower recurrent funding made to GPM. Future recovery receivable being $0.8 million higher than budget offsetting by lower GST receivable of $0.5 million as GST refund anticipated were received in March 2019.

Total liabilities were $55.49 million and were $13.17 million higher than budget due to reduction in discount rate for the Dust Disease portfolio from 4.5% at budget to around 1% at 30 June 2019.

14. BUDGET REVIEW (continued)

Cash flows

The actual net cash flows used in operating activities were $5.42 million, $5.68 million lower than budget.

Cash payments were $9.56 million and were $5.18 million lower than budget largely due to lower funding required by GPM for demolition of Munmorah power station. Cash receipts were $4.13 million, which is $0.5 million higher than the cash receipts budget and primary contributed by an early receipt of GST refund in March 2019.

Closing cash and cash equivalents were $158.67 million, $6.78 million higher than budget of $151.89 million.

Being a residual entity, EAMHC's activities are shown as "Post Transaction Activities" program group and aggregated in the State Budget outcomes.

15. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The NSW Government is the ultimate parent of the EAMHC. The NSW Government is also the ultimate parent of NSW Treasury.

(b) Key management personnel remuneration

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the EAMHC. NSW Government is the ultimate controlling party of the EAMHC. The Treasurer, NSW Treasury Secretary, Deputy Secretaries and Executive Directors are considered as KMP. The NSW Cabinet are considered to be related parties of the EAMHC because of their role in directing overall government policy and making decisions regarding state issues.

The EAMHC does not have employees. Key management personnel services were provided by NSW Treasury. No remuneration was paid to any of the KMP by the EAMHC during the reporting period. No loans were made to any of the KMP during the reporting period.

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with other government related entities

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

The EAMHC has provided $4.8 million cash funding to GPM to cover operational, demolition and remediation costs in 2019. Both are government-related entities controlled by the NSW Government.

No other related party transaction occurred in this reporting period.

Notes to the financial statements
for the year ended 30 June 2019

16. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

NSW GOVERNMENT | Treasury

Epsilon Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2019

Epsilon Distribution Ministerial Holding Corporation

CHARTER

The Epsilon Distribution Ministerial Holding Corporation (EDMHC) was established on 14 June 2017. It is the continuing entity of the former Endeavour Energy 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"). Endeavour Energy was converted into the EDMHC immediately after the completion of the lease transaction under Schedule 7 of the Act, EDMHC is the same legal entity as the former Endeavour Energy SOC.

OBJECTIVES

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

STAFFING

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

INDEPENDENT AUDITOR'S REPORT

Epsilon Distribution Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Epsilon Distribution Ministerial Holding Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by Department Head.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Corporation's operations will cease as a result of an administrative restructure.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Renee Meimaroglou
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

Epsilon Distribution Ministerial Holding Corporation

Financial Statements
for the period ended 30 June 2019

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 Epsilon Distribution Ministerial Holding Corporation as at 30 June 2019 and the financial performance for the year then ended; and

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015*, Treasurer's Directions and applicable Australian Accounting Standards.

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

Michael Pratt AM

Secretary

30TH **September 2019**

Epsilon Distribution Ministerial Holding Corporation

Statement of Comprehensive Income
for the period ended 30 June 2019

	Notes	Actual 2019 $m	Budget 2019 $m	Actual 14 June 2017 - 30 June 2018 $m
Expenses excluding losses				
Operating expenses	4	3.1	0.1	3.0
Total expenses excluding losses		**3.1**	**0.1**	**3.0**
Revenue				
Investment revenue	5(a)	0.1	0.1	0.5
Other operating revenue	5(b)	4.9	2.3	9.0
Total Revenue		**5.0**	**2.4**	**9.5**
Net result		**1.9**	**2.3**	**6.5**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Superannuation actuarial gains/(losses)	14	(9.4)	-	(0.6)
Total other comprehensive income		**(9.4)**	**-**	**(0.6)**
Total comprehensive income for the period		**(7.5)**	**2.3**	**5.9**

The accompanying notes form part of these financial statements

Epsilon Distribution Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2019

	Notes	Actual 2019 $m	Budget 2019 $m	Actual 2018 $m
Current assets				
Cash and cash equivalents	6	9.2	9.2	9.2
Receivables	7	0.1	-	0.2
Total current assets		**9.3**	**9.2**	**9.4**
Non-current assets				
Other non-current assets	8	27.5	27.5	25.8
Total non-current assets		**27.5**	**27.5**	**25.8**
Total assets		**36.8**	**36.7**	**35.2**
Current liabilities				
Payables	9	0.2	0.1	0.8
Other current liabilities	10	0.5	-	0.5
Total current liabilities		**0.7**	**0.1**	**1.3**
Non-current liabilities				
Provisions	11	19.6	9.5	9.9
Total non-current liabilities		**19.6**	**9.5**	**9.9**
Total liabilities		**20.3**	**9.6**	**11.2**
Net assets		**16.5**	**27.1**	**24.0**
Equity				
Retained earnings		16.5	27.1	24.0
Total equity		**16.5**	**27.1**	**24.0**

The accompanying notes form part of these financial statements

Epsilon Distribution Ministerial Holding Corporation

Statement of Changes in Equity
for the period ended 30 June 2019

	Notes	Contributed equity $m	Retained earnings $m	Total $m
Balance at 1 July 2018		**-**	**24.0**	**24.0**
Net result		-	1.9	1.9
Other comprehensive income				
Superannuation actuarial gains/(losses)	14	-	(9.4)	(9.4)
Total other comprehensive income		**-**	**(9.4)**	**(9.4)**
Total comprehensive income for the period		**-**	**(7.5)**	**(7.5)**
Transactions recorded directly in equity				
Transfer of contributed equity to retained earnings		-	-	-
Total transactions recorded directly in equity		**-**	**-**	**-**
Balance at 30 June 2019		**-**	**16.5**	**16.5**
Balance at 14 June 2017		**335.0**	**(316.9)**	**18.1**
Net result		-	6.5	6.5
Other comprehensive income				
Superannuation actuarial gains/(losses)	14	-	(0.6)	(0.6)
Total other comprehensive income		**-**	**(0.6)**	**(0.6)**
Total comprehensive income for the period		**-**	**5.9**	**5.9**
Transactions recorded directly in equity				
Transfer of contributed equity to retained earnings		(335.0)	335.0	-
Total transactions recorded directly in equity		**(335.0)**	**335.0**	**-**
Balance at 30 June 2018		**-**	**24.0**	**24.0**

The accompanying notes form part of these financial statements

Epsilon Distribution Ministerial Holding Corporation

Statement of Cash Flows
for the period ended 30 June 2019

	Notes	Actual 30 June 2019 $m	Budget 30 June 2019 $m	Actual 14 June 2017 - 30 June 2018 $m
Cash flows from operating activities				
Receipts from customers		1.2	0.6	3.9
Payments to suppliers and employees		(1.3)	(0.1)	(5.6)
Interest received		0.1	0.1	0.5
Income tax received/(paid)		-	-	(33.4)
Net cash flows from operating activities	13	**-**	**0.6**	**(34.6)**
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		**-**	**0.6**	**(34.6)**
Cash and cash equivalents at the beginning of the period		9.2	8.6	43.8
Cash and cash equivalents at the end of the period	6	**9.2**	**9.2**	**9.2**

The accompanying notes form part of these financial statements

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the period ended 30 June 2019

Notes Index

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the period ended 30 June 2019

1. INFORMATION ON THE EPSILON DISTRIBUTION MINISTERIAL HOLDING CORPORATION (EDMHC) INFORMATION

The Epsilon Distribution Ministerial Holding Corporation (referred to as the “EDMHC”) is the continuing entity of the Endeavour Energy State Owned Corporation (SOC). Endeavour Energy’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, Endeavour Energy was converted into the EDMHC under Schedule 7 of the Act. The EDMHC is the same legal entity as the Endeavour Energy SOC.

The key functions of the EDMHC are:

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

The EDMHC is a NSW government entity and has been a not-for-profit entity from 14 June 2017. 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.

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

2. LONG-TERM PARTIAL LEASE OF ENDEAVOUR ENERGY NETWORK ASSETS

On 4 June 2015, the Act and the *Electricity Retained Interest Corporations Act 2015* (the ERIC Act) were enacted to allow the NSW Government to proceed with the long-term lease of the Endeavour Energy network assets in order to fund infrastructure projects across New South Wales (NSW) as part of the Government’s rebuilding NSW plan.

On 11 May 2017, the Premier and Treasurer of NSW entered into a binding agreement with an Australian-led consortium, Advance Energy, consisting of Macquarie Infrastructure & Real Assets, AMP Capital, British Columbia Investment Management Corporation and Qatar Investment Authority, for the 99-year lease of Endeavour Energy’s network assets. The completion date was 13 June 2017. The State retained a 49.6 per cent interest in the lease. This interest is reported in the Electricity Retained Interest Corporation – Endeavour Energy.

On completion date, a number of statutory vesting orders under the enabling legislation were received from the Treasurer of NSW and Endeavour Energy as a SOC was converted to the EDMHC, a General Government Entity, for nil consideration. A Ministerial Order was signed on 13 June 2017 transferring existing employees of Endeavour Energy to Endeavour Energy Management Pty Limited.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with the requirements of:

- applicable Australian Accounting Standards (including Australian Accounting Interpretations)
- *Public Finance and Audit Act 1983*
- *Public Finance and Audit Regulation 2015*
- the Financial Reporting Directions issued by the Treasurer

The financial statements have been prepared on the historical cost basis with exception that the provisions are stated at fair value.

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

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. The EDMHC was established on 14 June 2017 and classified as a not-for-profit General Government entity. The comparative Statement of Comprehensive Income and Statement of Cash Flows in these financial statements covers the period from 14 June 2017 to 30 June 2018. The comparative information for Statement of Financial Position is as at 30 June 2018.

New, revised or amending standards and interpretations

EDMHC has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB *7 Financial Instruments: Disclosures*. EDMHC applied AASB 9 retrospectively but has not restated the comparative information which is reported under *AASB 139 Financial Instruments: Recognition and Measurement*. There have been no material differences arising from the adoption of AASB 9 during the year.

New standards and interpretations not yet effective

As mandated by Treasury Circular TC19-04, the EDMHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

The following lists the new standards and interpretations that may be applicable to the EDMHC.

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers-Not-for-profits only* (operative date 1 July 2019)
- AASB 16 *Leases* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
- AASB 1059 *Service Concession Arrangements: Grantors* (operative date 1 July 2020)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)
- AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059* (operative date 1 July 2020)
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (operative date 1 July 2020)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* (operative date 1 July 2020)

Management have considered the impact of AASB 15, AASB 16 and AASB 1058 effective 1 July 2019 and no material impacts are expected. It is unlikely the adoption of the remaining new accounting standards issued but not yet effective will have material impact on the financial performance or position of the Corporation. The EDMHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular TC 19-04.

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.

Judgements - in the process of applying the EDMHC's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Electricity network land lease classification – EDMHC as lessor

On 13 June 2017, EDMHC has entered into a 99-year lease of the electricity network. At the end of the lease the land will revert back to EDMHC. The EDMHC has determined, based on an evaluation of the terms and conditions of the arrangements that it does not retain all the significant risks and rewards of ownership of the land, and accounted for the contract as a finance lease.

Estimates and assumptions - the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets, are described below.

The EDMHC based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the EDMHC. Such changes are reflected in the assumptions when they occur.

Valuation of lease receivable – unguaranteed residual value

The EDMHC carries its lease receivable which mainly comprise of the unguaranteed residual value at amortised cost less any impairment. The initial value of the unguaranteed residual value was measured using the discounted cash flow model. The inputs include observable markets as well as internal data where a degree of judgement was applied to determine the fair value. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported value of the residual assets and the income allocation over the lease will be revised. Details regarding the indexation and discount rate used are disclosed in Note 8.

At the end of the reporting period, management reviews whether there are any indicators of impairment. These factors include the level of improvements undertaken by the lessee, volatility of land values, the rate of technological change and competitive conditions.

Superannuation liabilities

The superannuation valuation is actuarially determined. It is measured as the best estimate of the expected future payments required to settle the present superannuation obligation at the reporting date less the fair value of the superannuation fund assets at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The expected future payments are estimated on the basis of the ultimate cost to settle the superannuation obligations, which includes actuarial assumptions such as risk-free interest rate (discount rate), CPI, salary growth and pensioner mortality rates. Changes in assumptions relating to these factors could affect the superannuation valuation reported.

In calculating the superannuation funding requirements under the AASB 1056 *Superannuation Entities*, economic assumptions about the investment return on the superannuation fund assets and the expected CPI increment were made. These assumptions are generally subject to a degree of uncertainty. The actual results may differ from these estimate as the above factors are largely driven by financial market and subject to economic cycles.

Details regarding assumptions and superannuation fund assets allocation are disclosed in Note 14.

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 the EDMHC 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 AASB 9 *Financial Instruments: Recognition and Measurement*.

Finance Income

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

Recoupment of administrative costs

EDMHC recoups administrative costs from the lessee and recognises this as other operating revenue.

EXPENSES

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

Employee arrangements

The EDMHC has no employees. Finance officers of the NSW Treasury provide administrative services, including the preparation of EDMHC financial statements. The cost of these services is shown as an administrative charge in Note 4.

ASSETS

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

Cash and cash equivalents

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Under AASB 9, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics.

The receivables are measured at amortised cost given the following conditions are met:

- the financial asset is held within a business model with the objective to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Subsequent measurement and disclosure

The EDMHC holds receivables with an objective to collect contractual cash flows and therefore measures them at amortised cost using the effective interest method less any impairment. Changes are recognised in the net result of the year when impaired, derecognised or through the amortisation process.

Impairment under AASB 9 (from 1 July 2018)

The EDMHC recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the company expects to receive, discounted at the original effective interest rate. For trade receivables, the company applies a simplified approach in calculating ECLs. The company recognises a loss allowance based on lifetime ECLs at each reporting date. There is no material impact to the entity on adopting the new impairment model.

Classification and Measurement under AASB 139 (comparative period only)

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.

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.

Allowance for impairment loss on trade and other receivables under AASB 139 (comparative period)

An allowance for impairment of receivables is established when there is objective evidence that the EDMHC 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. Impairment loss is recognised in the net result.

Other assets

The other non-current asset represents the emerging asset, being the present value of the network assets to be returned to the State on the expiry of the 99-year lease term.

Finance leases – EDMHC as Lessor

A lease is classified at the inception date as a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A receivable is recognised at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Gross investment in the lease is the aggregate of the minimum lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the lessor.

In accordance with TPP 11-01 Lessor classification of long-term land leases, a prepaid lease classified as a finance lease under this policy will effectively be accounted for as a sale. At the inception of the lease, the lessor will derecognise the land and recognise the associated gain or loss on disposal.

Subsequently, finance income is based on a pattern reflecting a constant periodic rate of return on EDMHC's net investment in the finance lease. The estimated unguaranteed residual values used in computing the gross investment in the lease are subject to an impairment test which takes into consideration factors such as the volatility of land values, the rate of technological change and competitive conditions.

Derecognition of financial assets

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- EDMHC 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) EDMHC has transferred substantially all the risks and rewards of the asset, or (b) EDMHC has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When EDMHC 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, EDMHC continues to recognise the transferred asset to the extent of its continuing involvement. In that case, EDMHC also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that EDMHC 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 EDMHC could be required to repay.

LIABILITIES

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

Payables

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

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

Superannuation

The superannuation valuation is actuarially determined. The net superannuation defined benefit liabilities or assets are recognised as present value of the defined benefit obligation less the fair value of plan assets, adjusted for an asset ceiling. Asset ceiling refers to present value of economic benefits available as refunds from the fund or reduction in future contributions to the fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with AASB 119 Employee Benefits, the defined benefit superannuation schemes current and past service costs and net interest cost reflecting passage of time on the net defined benefit liabilities or assets are recognised as profit and loss item in the Statement of Comprehensive Income. Remeasurements of the net defined benefit liabilities or assets that comprises of actuarial gain or losses, the return in plan assets and any change in the effect of asset ceiling other than the net interest as other comprehensive income in the year in which they occur.

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

Derecognition of financial liabilities

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

Goods and Services Tax

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

- 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 which are recognised as including GST

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.

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 16.

Income tax

Following the sale of the discontinued operations and the entity's conversion to be a General Government Entity, it is no longer subject to the National Tax Equivalent Regime. As an entity wholly owned by the NSW Government, the EDMHC is a tax exempt entity.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the period ended 30 June 2019

4. OPERATING EXPENSES

	2019 $m	14 June 2017 - 30 June 2018 $m
Superannuation - defined benefits plan	0.2	0.2
Lease outgoing expenditure	2.3	2.2
Administrative charge	0.5	0.5
Other operating expense	0.1	0.1
Total	**3.1**	**3.0**

5. REVENUE

(a) Investment revenue		
Interest income	0.1	0.5
	0.1	**0.5**
(b) Other operating revenue		
Finance income[1]	1.7	1.7
Endeavour Energy sales income	-	4.7
Lease outgoing recoupment[2]	2.3	2.2
Other income	0.9	0.4
	4.9	**9.0**
Total revenue	**5.0**	**9.5**

[1] At the date of execution of the 99-year finance lease, the EDMHC recognised a finance lease receivable representing its net investment in the lease. As the lease payments were received upfront, no further payments will be received by the EDMHC and the residual asset will be accreted over the term of the lease as finance income.

[2] This relates to council rates and other lease outgoings recouped from the lessees under the 99-year finance lease.

6. CASH AND CASH EQUIVALENTS

Cash and bank	9.2	9.2
Total	**9.2**	**9.2**

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank. Refer to Note 12 regarding credit risk, liquidity and market risk arising from financial instruments.

7. RECEIVABLES

Current		
Debtors	0.1	0.2
Total	**0.1**	**0.2**

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

Notes to the financial statements for the period ended 30 June 2019

8. OTHER ASSETS

	2019 $m	2018 $m
Non-current		
Finance lease receivable [(i)]	27.5	25.8
	27.5	**25.8**
Total other assets	**27.5**	**25.8**

(i) Finance lease receivable

On completion of the long-term lease transaction, EDMHC acts as a lessor and Endeavour Energy Asset Partnership act as a lessee in a 99-year lease arrangement. EDMHC transferred substantially all risks and rewards incidental to ownership of the leased assets to Endeavour Energy Asset Partnership; as such the lease is classified as a finance lease.

Finance lease accounting requires EDMHC as the Lessor to recognise a finance lease receivable equal to the net investment in the lease, which is the discounted gross investment in the lease comprising the minimum lease payments and unguaranteed residual value. 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 Lessor on expiry of the leases.

The residual value in 99 years is estimated at $12.7 billion, using an annual indexation of 3.61 per cent. The present value at inception of the lease was $24.1 million, discounted at nominal pre-tax discount rate of 6.54 per cent. Finance income of $1.7 million (2018: $1.7 million) was recognised in the period (refer to Note 5(b)).

The results of the annual impairment procedures concluded that there are no indicators of impairment at the reporting date.

The lease contains two clauses:

1. any improvements made by the lessee to the existing land, or acquisition of additional land for network use are treated as transactions by the EDMHC. However, the State does not benefit from these improvements during the term of the lease as all risks and rewards are with the lessee, and

2. acquisitions or the lease of additional land by the lessee are subject to an option which allows the EDMHC 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. PAYABLES

	2019 $m	2018 $m
Current		
Accruals	0.1	0.6
GST payable	0.1	0.2
Total	**0.2**	**0.8**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis, in relation to the above payables are disclosed in Note 12.

10. OTHER LIABILITIES

Current		
Unearned revenue	0.5	0.5
Total	**0.5**	**0.5**

11. PROVISIONS

Non-Current		
Superannuation Liability (Note 14)	19.6	9.9
Total	**19.6**	**9.9**

On completion of the Transaction on 13 June 2017, all provisions with the exception of the defined benefit superannuation balance relating to retired employees, were disposed and transferred to the Endeavour Energy partnerships.

12. FINANCIAL INSTRUMENTS

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

	Note	Categories (AASB 139)	Categories (AASB 9)	Carrying Amount 2019 $m	Carrying Amount 2018 $m
Financial assets					
Cash and cash equivalents	6	N/A	N/A	9.2	9.2
Receivables[1]	7	Loan and receivables at amortised cost	Amortised cost	0.1	0.2
Financial liabilities					
Payables	9	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	0.1	0.6

[1] Excludes statutory receivables/payables, prepayments, unearned revenue and finance lease receivable which are not within the scope of *AASB 7 Financial Instruments: Disclosures,* and therefore differs from the amounts shown in the Statement of Financial Position.

Financial risk management overview

Financial instruments comprise cash, receivables and payables. The activities of the EDMHC expose it to a variety of financial risks. These are:

- Credit risk
- Market rate risk
- Liquidity risk

Credit risk

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

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

Cash

Cash comprises bank balances with Treasury Banking System (TBS). Interest is earned on daily bank balances.

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability 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.

The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates.

There are no receivables that are past due or considered impaired as at reporting date. Receivables are written off when there is no reasonable expectation of recovery and no interest earned on trade debtors.

12. FINANCIAL INSTRUMENTS (continued)

Market 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 the EDMHC's net result and equity due to a reasonably possible change in risk variable is outlined below. 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 EDMHC's exposure to interest rate risk is limited to cash at bank.

		-1%		+1%	
	Carrying Amount $m	**Net result $m**	**Equity $m**	**Net result $m**	**Equity $m**
2019					
Financial assets					
Cash and cash equivalents	9.2	(0.1)	(0.1)	0.1	0.1
2018					
Financial assets					
Cash and cash equivalents	9.2	(0.1)	(0.1)	0.1	0.1

Liquidity risk

Liquidity risk is the risk that the EDMHC will be unable to meet its payment obligations when they fall due. The EDMHC continuously manages risk through monitoring future cash flows and commitment maturities.

Liabilities are recognised for amounts due to be paid in the future for goods or services received. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in TC11-12. If trade terms are not specified, payment is made no later than the end of the month in which an invoice or a statement is received.

There were no defaults on payables in the current year, and no assets have been pledged as collateral.

The EDMHC's exposure is limited to the value of payables. All payables are expected to be settled within the next 12 months.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the period ended 30 June 2019

13. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash and cash equivalents

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

	30 June 2019 $m	30 June 2018 $m
Cash at bank	9.2	9.2
Cash and cash equivalents per Statement of Cash Flows	**9.2**	**9.2**

Reconciliation of net result for the reporting period to net cash from operating activities

Net result	1.9	6.5
Add/(less) non-cash items		
Actuarial gain/(loss) on Superannuaiton	(9.4)	(0.6)
Finance Income	(1.7)	(1.7)
Changes in assets and liabltiies		
Decrease in trade and other receivables	0.1	11.8
(Decrease) in trade and other payables	(0.6)	(16.7)
Increase/(decrease) in provisions	9.7	0.4
Increase/(decrease) in current tax liabilities	-	(34.8)
(Decrease)/increase in other liabilities	-	0.5
Net cash from operating activities	**-**	**(34.6)**

14. SUPERANNUATION – DEFINED BENEFITS PLAN

The following narrative and tables summarise the components of movement in the EDMHC'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 EDMHC's Energy Industries Superannuation Scheme Defined Benefit Funds are provided by the Fund's Actuary, Mercer Consulting (Australia) Pty Ltd.

On completion of the 99-year lease transaction, all current employees and their respective defined benefit plans were transferred to Endeavour Energy Management Pty Limited. The defined benefit plan balance remaining with the EDMHC relates to retired employees.

Nature of the benefits provided by the Fund

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

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

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 valuation and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2018. The next actuarial valuation is due to be performed as at 30 June 2021.

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
- Compliance with the Trust Deed.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the period ended 30 June 2019

14. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Risk exposure

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 the 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 that legislative changes could be made, increasing the cost of providing 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

Member numbers	30 June 2019	13 June 2018
Contributions	0	0
Deferred benefits	2	2
Pensioners	91	93

Movements in superannuation net asset/(liability) recognised in profit or loss

	30 Jun 2019 $m	30 Jun 2018 $m
Current service cost	-	(0.4)
Net interest	0.2	0.2
Total net expense	**0.2**	**(0.2)**

Movements in superannuation net asset/(liability) recognised in Other Comprehensive Income

Actuarial (gains)/losses on liabilities	14.0	4.0
Actuarial (gains)/losses on assets	(4.6)	(3.4)
Net actuarial (gains)/losses	**9.4**	**0.6**

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the period ended 30 June 2019

14. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Reconciliation of the net defined benefit obligation

	30 Jun 2019 $m	30 Jun 2018 $m
Net Asset/(Liability) at the beginning of the period	**(9.9)**	**(9.5)**
Contributions by employers	-	0.4
Interest (expense)/income	(0.2)	(0.2)
Return on plan assets, excluding amounts included in interest expense/(income)	4.6	3.4
Gain/(loss) arising from changes in demographic assumptions	(0.5)	-
Gain/(loss) arising from liability experience	0.6	(6.1)
Gain/(loss) arising from changes in financial assumptions	(14.2)	2.1
Net Asset/(Liability) at the end of the period	**(19.6)**	**(9.9)**

Reconciliation of the defined benefit obligation

Present value at the beginning of the period	**(68.0)**	**(68.9)**
Benefits paid	3.1	6.4
Taxes, premiums and expenses paid	0.2	0.2
Interest (expense)/income	(1.7)	(1.7)
Gain/(loss) arising from changes in demographic assumptions	(0.4)	-
Gain/(loss) arising from liability experience	0.6	(6.1)
Gain/(loss) arising from changes in financial assumptions	(14.2)	2.1
Present value at the end of the period	**(80.4)**	**(68.0)**

Reconciliation of the fund assets

Fair value at the beginning of the period	**58.0**	**59.4**
Contributions by employers	-	0.4
Benefits paid	(3.1)	(6.5)
Taxes, premiums and expenses paid	(0.2)	(0.2)
Interest (expense)/income	1.5	1.5
Return on plan assets, excluding amounts included in interest expense/(income)	4.6	3.4
Fair value at the end of the period	**60.8**	**58.0**

Fair value of fund assets

All Division B, C and D assets are held in Pool B of the Scheme. 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. Disclosures below relate to total assets of Pool B of the Fund.

Energy Investment Fund

Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	2,058.1	1,976.3
Level 3 - Unobservable inputs	-	-
Total	**2,058.1**	**1,976.3**

14. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

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 member investment choice, the percentage invested in each asset class at the reporting date is:

Asset Category	30 Jun 2019	30 Jun 2018
	%	%
Australian Equities	16	18
International Equities	25	28
Property	11	8
Private Equity	2	1
Infrastructure	6	7
Alternatives	4	5
Fixed Income	31	28
Cash	5	5
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 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 derivative positions are (a) fully cash covered; (b) are offset to existing assets; or (c) are used to alter exposures in underlying asset classes. Compliance with policies and exposure limits are reviewed by the Trustee on a continual basis. As such, investment managers make limited use of derivatives.

Fair value of the Fund assets

The fair value of the Fund assets includes no amounts relating to any of the EDMHC's own financial instruments, or any property occupied by, or other assets used by the EDMHC.

Significant actuarial assumptions at reporting date

	30 June 2019	30 June 2018
Expected salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	2.3%
Discount rate	1.32% pa	2.7%
Pensioner mortality	Based on triennial valuation of the Fund as at 30 June 2018	Based on triennial valuation of the Fund as at 30 June 2015

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the period ended 30 June 2019

14. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Sensitivity analysis

The Corporation's total defined benefit obligation as at 30 June 2019 under several scenarios is presented below. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, while scenarios G and H relate to sensitivity to demographic assumptions.

30 June 2019

	Base case	Scenario A - 1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	1.32% pa	0.32% pa	2.32% pa
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	80.4	91.8	70.9

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	1.32% pa	1.32% pa	1.32% pa
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	2.25% p.a. for 2018/19 and 2019/20, 2.50% for 2020/21, 2.75% p.a. for 2021/22 and 2022/23 then 3.0% p.a. thereafter	1.25% p.a. for 2018/19 and 2019/20, 1.50% for 2020/21, 1.75% p.a. for 2021/22 and 2022/23 then 2.0% p.a. thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	80.4	86.0	75.3

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	1.32% pa	1.32% pa	1.32% pa
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	80.4	80.4	80.4

	Base Case	Scenario G Lower pensioner mortality rates*	Scenario H Higher pensioner mortality rates**
Defined benefit obligation ($M)	**80.4**	**81.9**	**79.4**

* Assumes short-term pensioner mortality improvement factors for the years 2018 to 2024 also apply for the years after 2024.

** Assumes long-term pensioner mortality improvement factors for the years post 2024 also apply for the years 2018 to 2024.

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

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the period ended 30 June 2019

14. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Sensitivity analysis

30 June 2018

	Base case	Scenario A - 1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	2.65% pa	1.65% pa	3.65% pa
Rate of CPI increase	2.3% pa	2.3% pa	2.3% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	68.0	77.6	60.0
	Base case	**Scenario C +0.5% rate of CPI increase increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	2.65% pa	2.65% pa	2.65% pa
Rate of CPI increase	2.3% pa	2.8% pa	1.8% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	68.0	72.8	63.7
	Base case	**Scenario E +0.5% salary increase rate**	**Scenario F -0.5% salary increase rate**
Discount rate	2.65% pa	2.65% pa	2.65% pa
Rate of CPI increase	2.3% pa	2.3% pa	2.3% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($M)	68.0	68.0	68.0
	Base Case	**Scenario G Lower pensioner mortality rates***	**Scenario H Higher pensioner mortality rates****
Defined benefit obligation ($M)	68.0	69.5	67.1

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

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

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

14. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Asset – liability matching strategies

The assets of the Scheme are managed using a Liability Driven Investment approach.

Funding arrangements

Funding arrangements are reviewed at least every three years following release of the triennial actuarial review, and were last reviewed following completion of the triennial review as at 30 June 2019. Contribution rates are set following discussions between the employer and the Trustee. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Surplus/deficit

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

	30 June 2019 $m	30 June 2018 $m
Accrued benefits	(47.9)	48.3
Net market value of Fund assets	60.8	(58.0)
Net surplus/(deficit)	**12.9**	**(9.7)**

Contribution recommendations

Recommended contribution rates for the EDMHC are:	30 June 2019	30 June 2018
Division B - multiple of member contributions	N/A	N/A
Division C - % member salary	N/A	N/A
Division D - multiple of member contributions	N/A	N/A
Additional lump sum $p.a.	Nil	Nil
Significant economic assumptions:		
Expected rate of return on fund assets backing current pension liabilities	5.5% p.a.	5.5% p.a.
Expected rate of return on fund assets backing other liabilities	5.5% p.a.	5.5% p.a.
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.3% p.a.	2.3% p.a.

Expected contributions

Expected employer contributions for the period to 30 June 2020 is $Nil (to 30 June 2019: Nil).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12 years (2018: 11.4 years).

Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary. Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

EDMHC does not have any contingent assets and contingent liabilities to report as at 30 June 2019 (2018: nil).

16. BUDGET REVIEW

Net result

For the year ended 30 June 2019, EDMHC made a profit of $1.9 million which is $0.4 million below the budget.

Total expenses were $3.1 million which is $3 million higher than budget primarily due to higher council rate cost of $2.3 million, NSW Treasury admin fee $0.5 million and superannuation interest cost of $0.26 million incurred.

Total revenue for 2019 was $5 million, $2.6 million higher than budget mainly contributed by higher council rate recoupment received from lessee of $2.3 million and $0.33 million FBT refund received during the year.

Other comprehensive income is $9.4 million lower than budget attributed by the actuarial loss on superannuation liabilities upon reduction in the discount rate from 2.65 percent to 1.32 percent in the valuation of outstanding superannuation liabilities.

Assets and Liabilities

Net Asset for the year were $16.5 million, $10.6 million below the budget mainly due to $9.4 million of actuarial loss on superannuation.

Total assets were $36.8 million and in line with the budget.

Total liabilities were $20.3 million and were $10.7 million higher than budget due to increase in defined benefit superannuation liabilities of $10.1 million to reflect the reduction in discount rate. Unearned income of $0.53m at year end also contributed to the variance.

Cash flows

Cash receipts were $1.2 million, $0.6 million higher than budget contributed by $0.33 million FBT refund received and $0.28 million net GST reimbursement received from the lessee.

Cash payment were $1.3 million and $1.2 million higher than budget due to $1.1 million administration fees paid to NSW Treasury in respect of 2018 and 2019 financial year.

The actual net cash flows from operating activities were nil.

Closing cash and cash equivalents were $9.2 million and were in line with budget.

17. RELATED PARTIES

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

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

No loans were made to any of the KMP by the agency during the period.

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with other related entities

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

Finance officers of the NSW Treasury provide administrative services, including the preparation of the EDMHC financial statements. The cost of these services is shown as an administrative charge in EDMHC.

18. EVENTS AFTER THE REPORTING DATE

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

End of audited Financial Statements

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2019

Electricity Transmission Ministerial Holding Corporation

CHARTER

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

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

OBJECTIVES

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

STAFFING

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

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 Electricity Transmission Ministerial Holding Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation’s annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor’s Report thereon. The Secretary of the Treasury is responsible for the other information. At the date of this Independent Auditor’s Report, the other information I have received comprise the Statement by Department Head.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary of the Treasury is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Renee Meimaroglou
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2019

STATEMENT BY DEPARTMENT HEAD

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

(a) The accompanying financial statements exhibit a true and fair view of the Electricity Transmission Ministerial Holding Corporation's financial position as at 30 June 2019 and the financial performance for the year then ended; and

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015*, Treasurer's Directions and applicable Australian Accounting Standards.

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

Michael Pratt
Secretary

30TH September 2019

Electricity Transmission Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Expenses excluding losses				
Employee related expenses	6	3,675	2,980	4,218
Operating expenses	7(i)	2,532	(400)	4,043
Finance costs	7(ii)	186	900	190
Total expenses excluding losses		**6,393**	**3,480**	**8,451**
Revenue				
Investment revenue	4	2,227	2,335	2,206
Other revenue	5	5,487	2,847	4,019
Total revenue		**7,714**	**5,182**	**6,225**
Net result		**1,321**	**1,702**	**(2,226)**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent period				
Superannuation actuarial gains/(losses)	13(ii)	(66,664)	-	26,546
Items that may be reclassified to net result in subsequent period		-	-	-
Total other comprehensive income		**(66,664)**	**-**	**26,546**
Total comprehensive income		**(65,343)**	**1,702**	**24,320**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Current Assets				
Cash and cash equivalents	8	151,412	145,911	148,996
Receivables	9	1,375	582	1,942
Total Current Assets		**152,787**	**146,493**	**150,938**
Non-Current Assets				
Receivables	9	2,592	6,619	2,683
Other assets	10	33,780	33,780	31,700
Total Non-Current Assets		**36,372**	**40,399**	**34,383**
Total Assets		**189,159**	**186,892**	**185,321**
Current Liabilities				
Payables	11	39	52	600
Provisions	12	1,477	769	1,155
Other	14	315	287	310
Total Current Liabilities		**1,831**	**1,108**	**2,065**
Non-Current Liabilities				
Provisions	12	217,178	171,212	147,763
Total Non-Current Liabilities		**217,178**	**171,212**	**147,763**
Total Liabilities		**219,009**	**172,320**	**149,828**
Net Assets /(Liabilities)		**(29,850)**	**14,572**	**35,493**
Equity				
Accumulated funds		(29,850)	14,572	35,493
Total Equity		**(29,850)**	**14,572**	**35,493**

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 2019

	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2018	**35,493**	**35,493**
Net result for the year	1,321	1,321
Other comprehensive income	(66,664)	(66,664)
Total comprehensive income for the year	**(65,343)**	**(65,343)**
Transactions with owners in their capacity as owners	-	-
Balance at 30 June 2019	**(29,850)**	**(29,850)**
Balance at 1 July 2017	**11,173**	**11,173**
Net result for the year	(2,226)	(2,226)
Other comprehensive income	26,546	26,546
Total comprehensive income for the year	**24,320**	**24,320**
Transactions with owners in their capacity as owners	-	-
Balance at 30 June 2018	**35,493**	**35,493**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Cash flows from operating activities				
Cash receipts from customers		2,923	974	871
Cash paid to suppliers and employees		(2,734)	(3,709)	(911)
Interest received		2,227	2,335	3,286
Net cash flows from operating activities	17	2,416	(400)	3,246
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase in cash and cash equivalents		2,416	(400)	3,246
Opening cash and cash equivalents		148,996	146,311	145,750
Closing cash and cash equivalents	8	**151,412**	**145,911**	**148,996**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

NOTES INDEX

1. INFORMATION ON THE ELECTRICITY TRANSMISSION MINISTERIAL HOLDING CORPORATION

The Electricity Transmission Ministerial Holding Corporation (referred to as “ETMHC”) is a continuing entity of the TransGrid State Owned Corporation (SOC). TransGrid’s electricity network assets were 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 TransGrid SOC. The functions of ETMHC are:

- to hold on behalf of the Crown, assets, rights and liabilities acquired by it or transferred to it under an authorised transaction Act;
- to carry out any activities or business that relate to any 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 to NSWENO.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the requirements of:

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

The financial statements are presented consistent with the not-for-profit classification of the General Government entity.

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

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

Statement of compliance

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

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

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

The accounting policies applied in the current year are consistent with those of the previous financial year except as follows. The ETMHC has adopted AASB 9 *Financial Instruments* (AASB 9) for the first time, which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures*. The ETMHC applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement*. There was no material differences arising from the adoption of AASB 9 during the year and no changes to the classification of financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet effective

As mandated by Treasury Circular TC19-04, the ETMHC has not early adopted any new accounting standards, amendments and interpretations that have been issued or amended but are not yet effective for the current reporting period.

The following lists the new standards and interpretations that may be applicable to the ETMHC.

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers-Not-for-profits only* (operative date 1 July 2019)
- AASB 16 *Leases* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (operative date 1 July 2020)
- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* (operative date 1 July 2020)

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Judgements - in the process of applying the ETMHC's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Electricity network land lease classification – ETMHC as lessor

The ETMHC has entered into a 99-year lease of its electricity network. At the end of the lease, land will revert back to ETMHC. The ETMHC has determined, based on an evaluation of the terms and conditions of the arrangements that it does not retain all the significant risks and rewards of ownership of the land, and accounted for the contract as a finance lease. As the above lease was prepaid, the transaction was accounted for as a sale.

Estimates and assumptions - the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets, are described below.

The ETMHC based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the ETMHC. Such changes are reflected in the assumptions when they occur.

Valuation of lease receivable – unguaranteed residual value

The ETMHC carries its lease receivable which mainly comprise of the unguaranteed residual value at amortised cost less any impairment. The initial value of the unguaranteed residual value was measured using the discounted cash flow model. The inputs include observable markets data as well as internal data where a degree of judgement was applied to determine the fair value. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported value of the residual assets. Details regarding indexation and discount rate used are disclosed in Note 10.

At the end of the reporting period, management reviews whether there are any indicators of impairment. These factors include the level of improvements undertaken by the lessee, volatility of land values, the rate of technological change and competitive conditions.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The liability for claims includes:

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

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

Judgements, key assumptions and estimations management has made are disclosed in Note 12 Provision for Outstanding Claims.

Superannuation liabilities

The superannuation valuation is actuarially determined. It is measured as the best estimate of the expected future payments required to settle the present superannuation obligation at the reporting date less the fair value of the superannuation fund assets at the end of the reporting period.

The expected future payments are estimated on the basis of ultimate cost to settle the superannuation obligations, which includes actuarial assumptions such as risk-free interest rate (discount rate), CPI, salary growth and pensioner mortality rates. Changes in assumptions relating to these factors could affect the superannuation valuation reported.

In calculating the superannuation funding requirements under the AASB 1056 *Superannuation Entities*, economic assumptions about the investment return on the superannuation fund assets and the expected CPI increment were made. These assumptions are generally subject to a degree of uncertainty. The actual results may differ from these estimate as the above factors are largely driven by financial market and subject to economic cycles.

Details regarding assumptions and superannuation fund assets allocation are disclosed in Note 13.

3. 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 ETMHC and the amount is reliably measurable.

Interest Income

Interest income relates to interest earned on deposits with the bank and is recognised as accrued.

Finance Income

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

Recoup of administrative costs

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

Expenses

Expenses are recognised when incurred.

The ETMHC has no employees. Finance officers of the NSW Treasury provide administrative services, including the preparation of ETMHC financial statements. The cost of these services is shown as an administrative charge in Note 7.

Self-insured workers compensation

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

Cash and cash equivalents

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

Receivables

(i) Trade and other receivables

Trade receivables comprise amounts due from claims recoverable and customers in the ordinary course of business. Under AASB 9, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics.

The entity's receivables are measured at amortised cost given the following conditions are met:

- the financial asset is held within a business model with the objective to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The entity recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the company expects to receive, discounted at the original effective interest rate. For trade receivables, the company applies a simplified approach in calculating ECLs. The company recognises a loss allowance based on lifetime ECLs at each reporting date.

Classification and Measurement under AASB 139 (comparative period only)

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. The collection of trade receivables is reviewed on an ongoing basis.

An allowance for impairment of receivables is established when there is objective evidence that the ETMHC 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.

Leases

Finance Leases – ETMHC as Lessor

A lease is classified at the inception date as a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A receivable is recognised at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease if this is practicable to determine; if not, the lessee’s incremental borrowing rate shall be used. Gross investment in the lease is the aggregate of the minimum lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the lessor.

In accordance with TPP 11-01 Lessor classification of long-term land leases, prepaid lease classified as a finance lease under this policy will effectively be accounted for as a sale. At the inception of the lease, the lessor will derecognise the land and recognise the associated gain or loss on disposal.

Subsequently, finance income is based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease. The estimated unguaranteed residual values used in computing the gross investment in the lease are subject to an impairment test which takes into consideration factors such as the volatility of land values, the rate of technological change and competitive conditions.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Superannuation

The superannuation valuation is actuarially determined. The net superannuation defined benefit liabilities or assets are recognised as present value of the defined benefit obligation less the fair value of plan assets, adjusted for an asset ceiling. Asset ceiling refers to present value of economic benefits available as refunds from the fund or reduction in future contributions to the fund.

In accordance with AASB 119 Employee Benefits, the defined benefit superannuation schemes current and pass service costs and net interest cost reflecting passage of time on the net defined benefit liabilities or assets are recognised as profit and loss item in the Statement of Comprehensive Income. Remeasurements of the net defined benefit liabilities or assets that comprises of actuarial gain or losses, the return in plan assets and any change in the effect of asset ceiling other than the net interest as other comprehensive income in the year in which they occur.

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, TransGrid 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 former WorkCover Authority's guidelines to self-insurers. From 1 July 2012, TransGrid'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 at the risk free rate 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 manager.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 20.

4. INVESTMENT REVENUE

	2019 $'000	2018 $'000
Interest income	2,227	2,206
	2,227	**2,206**

5. OTHER REVENUE

	2019 $'000	2018 $'000
Finance income[(i)]	2,080	1,950
Insurance and other recoveries	650	1,276
Council rate recoupment[(ii)]	1,527	197
Adminstrative income	567	533
Hindsight refund	662	-
Other income	1	63
	5,487	**4,019**

(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.

(ii) This relates to council rates recouped from the lessees under the 99-year finance lease.

6. EMPLOYEE RELATED EXPENSES

	2019 $'000	2018 $'000
Superannuation - defined benefit expense	3,675	4,218
	3,675	**4,218**

7. OPERATING EXPENSES

(i) Operating Expenses

	2019 $'000	2018 $'000
Audit fees - audit of financial statements	63	51
Self-insured workers compensation	102	3,258
Admininistrative charge	500	500
Management fees	174	-
Claims handling expense	89	-
Council rates administrative charge	1,527	197
Other	77	37
	2,532	**4,043**

(ii) Finance Costs

	2019 $'000	2018 $'000
Unwinding of discount rate	**186**	**190**

Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

8. CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank	151,412	148,996
	151,412	**148,996**

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank. Refer to note 18 regarding credit risk, liquidity and market risk arising from financial instruments.

9. RECEIVABLES

Current		
Debtors	658	1,276
GST receivable	59	59
Claim recovery receivables	658	607
	1,375	**1,942**
Non-Current		
Claim recovery receivables	2,592	2,683
	2,592	**2,683**

Details regarding credit risk, liquidity risk and market risk, including the financial assets that are either past due or impaired, are disclosed in Note 18.

10. OTHER NON-CURRENT ASSETS

Finance lease receivable[(i)]	33,780	31,700
	33,780	**31,700**

(i) 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. Transgrid 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.

Finance lease accounting requires ETMHC as the Lessor to recognise a finance lease receivable equal to the net investment in the lease, which is the discounted gross investment in the lease comprising the minimum lease payments and unguaranteed residual value. 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 Lessor on expiry of the leases.

The residual value in 99 years is estimated at $14.55 billion, using an annual indexation of 4 percent. The present value at inception of the lease was $26.98 million, discounted at nominal pre-tax discount rate of 6.57 percent. Finance income of $2.08 million (2018: $1.95 million) was recognised in the period (refer to Note 5). The results of the annual impairment procedures concluded that there are no indicators of impairment at the reporting date.

10. OTHER NON-CURRENT ASSETS (continued)

The lease contains two clauses:

1. *any improvements made by the lessee to the existing land, or acquisition of additional land for the electricity network use are treated as transactions by the ETMHC. However, the State does not benefit from these improvements during the term of the lease as all risks and rewards are with the lessee, and*
2. *acquisitions or the lease of additional land by the lessee are subject to an option which allows the ETMHC 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.*

11. PAYABLES

	2019 $'000	2018 $'000
Current		
Creditors and accruals	39	600
	39	**600**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 18**.**

12. PROVISIONS

	2019	2018
Current		
Outstanding claims[(i)]	1,477	1,155
	1,477	1,155
Non-Current		
Outstanding claims[(i)]	8,169	9,093
Superannuation liability (note 13)	209,009	138,670
	217,178	147,763
Total	**218,655**	**148,918**

12. PROVISIONS (CONTINUED)

(i) Workers' Compensation outstanding claims provision movements

	30 Jun 2019 $'000	30 Jun 2018 $'000
Opening balance	10,248	12,590
Additions	-	-
Payments	(802)	(637)
Actuarial (gain)/loss	14	(1,895)
Unwinding of discounts	186	190
Closing balance	**9,646**	**10,248**

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be between 7.33 years (2018: 8.67 years).

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

	Workers' Compensation	
	2019 %	2018 %
Not later than one year		
Inflation rate	2.33	2.39
Discount rate	1.00	1.95
Later than one year		
Inflation rate	0.85 - 3.0	1.83 - 3.21
Discount rate	0.9 - 4.5	2.07 - 4.50

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 Workers' Compensation liabilities and their impact are shown in the following tables:

12. PROVISIONS (CONTINUED)

(a) as at 30 June 2019

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		6,396		
Discount rate	+1%	5,832	-564	-8.8%
	-1%	7,054	658	10.3%
Inflation rate	+1%	6,981	585	9.1%
	-1%	5,887	-509	-8.0%
Industrial deafness claims				
Life expectancy of reactivation[2]	+5 years	6,689	293	4.6%
	-5 years	6,084	-312	-4.9%
Reactivation Seed[3]	+10%	6,411	15	0.2%
	-10%	6,382	-14	-0.2%
Maximum entitlement	+10%	6,824	428	6.7%
	-10%	5,968	-428	-6.7%
Proportion reactivate	+1%	6,508	112	1.8%
	-1%	6,285	-111	-1.7%
Dust disease claims				
Seed Reports[3]	+50%	6,891	495	7.7%
	-50%	5,901	-495	-7.7%
Incidence curves[4]	+15% IBNR claims	6,545	149	2.3%
	-15% IBNR claims	6,248	-148	-2.3%
Average claim size[5]	+10%	6,376	-20	-0.3%
	-10%	6,417	21	0.3%

1. The net central estimate is inflated and discounted, net of reinsurance and other recoveries and includes an allowance for claims handling expenses.
2. The life expectancy is used to estimate the expected remaining time that IBNR claims will receive benefits for.
3. Seed reports are the expected number of dust disease claims expected in the first projection year. Reactivation seed reports are the expected number of industrial deafness IBNR claims expected in the first projection year.
4. Incidence curves reflect the expected emergence of dust disease claims in the future. The actuary has tested the sensitivity of the curves by increasing and decreasing the latency period which results in an increase or decrease in the number of future IBNR claims.
5. This includes testing the sensitivity to the average claim size for reported claims (excluding industrial deafness)

12. PROVISIONS (CONTINUED)

(b) as at 30 June 2018

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		6,958		
Discount rate	+1%	6,255	-703	-10.1%
	-1%	7,800	842	12.1%
Inflation rate	+1%	7,436	478	6.9%
	-1%	6,512	-446	-6.4%
Life expectancy of reactivation	+5 years	7,187	229	3.3%
	-5 years	6,712	-246	-3.5%
Maximum entitlement	+10%	7,341	383	5.5%
	-10%	6,575	-383	-5.5%
Proportion reactivate	+1%	7,050	92	1.3%
	-1%	6,866	-92	-1.3%
Seed Reports[2]	+50%	7,339	381	5.5%
	-50%	6,576	-382	-5.5%
Incidence curves[3]	+15% IBNR claims	7,072	114	1.6%
	-15% IBNR claims	6,843	-114	-1.6%
Average claim size[4]	+10%	7,036	78	1.1%
	-10%	6,880	-78	-1.1%

1. The net central estimate is inflated and discounted, net of reinsurance and other recoveries and excludes expenses.
2. Seed reports are the expected number of dust disease claims expected in the first projection year.
3. Incidence curves reflect the expected emergence of dust disease claims in the future. The actuary has tested the sensitivity of the curves by increasing and decreasing the latency period which results in an increase or decrease in the number of future IBNR claims.
4. This includes testing the sensitivity to the average claim size for both dust disease and non-dust disease claims.

13. UNFUNDED SUPERANNUATION

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

Nature of the benefits provided by the fund

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

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

Description of the regulatory framework

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

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

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

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

The Scheme has received an exemption from annual actuarial valuations and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2018. The next actuarial valuation is due to be performed as at 30 June 2021.

Governance

Energy Industries Superannuation Scheme Pty Limited is the Superannuation Scheme Trustee. 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.

13. UNFUNDED SUPERANNUATION (continued)

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 various independent fund managers and have a diversified asset mix, as such effectively diversified and minimised investment risk and liquidity risk.

	As at 30-Jun-19	**As at** 30-Jun-18
Member Numbers		
Contributors	-	-
Deferred benefits	16	16
Pensioners	377	378

13. UNFUNDED SUPERANNUATION (continued)

Description of significant events

On completion of the 99-year lease transaction, all current employees and their respective defined benefit plans were transferred to NSWENO. The defined benefit plan remaining with ETMHC relate to the retired employees. There were no significant events that occurred during the year. .

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

	2019 $'000	2018 $'000
Current service cost	-	-
Net interest	(3,675)	(4,218)
Total net expense	**(3,675)**	**(4,218)**

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

	2019 $'000	2018 $'000
Actuarial gains/(losses) on liabilities	(92,886)	7,978
Actuarial gains/(losses) on assets	26,222	18,568
Total actuarial gains/(losses)	**(66,664)**	**26,546**

Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

13. UNFUNDED SUPERANNUATION (continued)

Reconciliation of the Superannuation Net (Asset)/ Liability

	2019 $'000	2018 $'000
Net Asset/(Liability) at the beginning of the year	(138,670)	(160,998)
Current service cost	-	-
Net Interest on the net defined benefit asset/(liability)	(3,675)	(4,218)
Actual return on fund assets less interest income	26,222	18,568
Actuarial gains/(losses) arising from changes in demographic assumptions	(2,951)	-
Actuarial gains/(losses) arising from changes in financial assumptions	(92,111)	13,600
Actuarial gains/(losses) arising from liability experience	2,176	(5,622)
Employer contributions	-	-
Net Asset/(Liability) at the end of the year	**(209,009)**	**(138,670)**

Reconciliation of the defined benefit obligation

Present value of defined benefit obligations at the beginning of the year	(470,749)	(488,605)
Current service cost	-	-
Interest cost	(12,157)	(12,508)
Contributions by fund participants	-	-
Actuarial gains/(losses) arising from changes in demographic assumptions	(2,951)	-
Actuarial gains/(losses) arising from changes in financial assumptions	(92,111)	13,600
Actuarial gains/(losses) arising from liability experience	2,176	(5,622)
Benefits paid	22,976	21,436
Taxes, premiums & expenses paid	962	950
Present value of defined benefit obligations at the end of the year	**(551,854)**	**(470,749)**

13. UNFUNDED SUPERANNUATION (continued)

Reconciliation of the fair value of fund assets

	2019 $'000	2018 $'000
Fair value at the beginning of the year	332,079	327,607
Interest income	8,482	8,290
Actual return on fund assets less interest income	26,222	18,568
Employer contributions	-	-
Contributions by fund participants	-	-
Benefits paid	(22,976)	(21,436)
Taxes, premiums & expenses paid	(962)	(950)
Fair value at the end of the year	**342,845**	**332,079**

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 12 years (30 June 2018 - 11.4 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.

Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	2,058,058	1,976,259
Level 3 - Unobservable inputs	-	-
Total	**2,058,058**	**1,976,259**

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.

13. UNFUNDED SUPERANNUATION (continued)

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 2019	30 June 2018
Alternatives	4%	5%
International equities	25%	28%
Australian equities	16%	18%
Infrastructure	6%	7%
Property	11%	8%
Private equity	2%	1%
Cash	5%	5%
Fixed income	31%	28%
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.

13. UNFUNDED SUPERANNUATION (continued)

Significant actuarial assumptions at the end of the reporting period

	2019	2018
Discount rate	1.32% pa	2.65% pa
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	2.3% pa
Contributions tax rate	15% p.a.	15% p.a.
Pensioner mortality	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2018 (the rates are disclosed in the triennial report available from the Trustee website). The pension mortality rates are based on experience of the NSW public sector.	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2015 (the rates are disclosed in the triennial report available from the Trustee website). The pension mortality rates are based on experience of the NSW public sector.

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 2019

	Base case	Scenario A - 1.0% discount	Scenario B +1.0% discount rate
Discount rate	1.32% pa	0.32% pa	2.32% pa
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	551,854	625,436	490,277

13. UNFUNDED SUPERANNUATION (continued)

Sensitivity analysis

	Base case	Scenario C +0.5% rate of CPI	Scenario D -0.5% rate of CPI
Discount rate	1.32% pa	1.32% pa	1.32% pa
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	2.25% p.a. for 2018/19 and 2019/20, 2.50% for 2020/21, 2.75% p.a. for 2021/22 and 2022/23 then 3.0% p.a. thereafter	1.25% p.a. for 2018/19 and 2019/20, 1.50% for 2020/21, 1.75% p.a. for 2021/22 and 2022/23 then 2.0% p.a. thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	551,854	587,824	518,663

	Base case	Scenario E +0.5% Salary increase rate	Scenario F -0.5% Salary increase rate
Discount rate	1.32% pa	1.32% pa	1.32% pa
Rate of CPI increase	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter	1.75% pa for 2018/19 and 2019/20, 2.00% for 2020/21, 2.25% pa for 2021/22 and 2022/23 then 2.5% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	551,854	551,854	551,854

	Base case	Scenario G Lower pensioner mortality rates *	Scenario H Higher pensioner mortality rates **
Defined benefit obligation ($000)	551,854	559,442	544,568

* Assumes the short term pensioner mortality improvement factors for years 2018-2024 also apply for years after 2024.

** Assumes the long term pensioner mortality improvement factors for years post 2024 also apply for years 2018 to 2024.

13. UNFUNDED SUPERANNUATION (continued)

Sensitivity analysis

As at 30 June 2018

	Base case	Scenario A - 1.0% discount	Scenario B +1.0% discount rate
Discount rate	2.65% pa	1.65% pa	3.65% pa
Rate of CPI increase	2.3% pa	2.3% pa	2.3% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	470,749	532,977	418,552

	Base case	Scenario C +0.5% rate of CPI	Scenario D -0.5% rate of CPI
Discount rate	2.65% pa	2.65% pa	2.65% pa
Rate of CPI increase	2.3% pa	2.8% pa	1.8% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	470,749	501,412	442,440

	Base case	Scenario E +0.5% Salary	Scenario F -0.5% Salary
Discount rate	2.65% pa	2.65% pa	2.65% pa
Rate of CPI increase	2.3% pa	2.3% pa	2.3% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	470,749	470,749	470,749

13. UNFUNDED SUPERANNUATION (continued)

Sensitivity analysis

As at 30 June 2018

	Base case	Scenario G Lower pensioner mortality rates *	Scenario H Higher pensioner mortality rates **
Defined benefit obligation ($000)	470,749	479,032	464,057

* Assumes the short term pensioner mortality improvement factors for years 2017-2022 also apply for years after 2022.

** Assumes the long term pensioner mortality improvement factors for years post 2022 also apply for years 2017 to 2022.

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

Asset/Liability matching strategies

The assets of the Scheme are managed using a Liability Driven Investment approach.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at December 2018. 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 after each annual review.

Net Surplus / (Deficit)

The following is a summary of the 30 June 2019 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	2019 $'000	2018 $'000
Net market value of Fund assets	342,846	332,079
Accrued benefits	(327,020)	(330,403)
Net Surplus/(Deficit)	**15,826**	**1,676**

Please note that the above AASB 1056 results are based on the financial assumptions to be used for the 30 June 2019 actuarial valuation, with the exception of the retrenchment assumptions, which are based on the AASB 119 basis.

13. UNFUNDED SUPERANNUATION (continued)

Contribution Recommendations

Recommended contribution rates for the entity are:

At 30 June 2019

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

At 30 June 2018

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

Economic Assumptions

The economic assumptions adopted for 30 June 2019 AASB1056 calculations above are:

Weighted Average Assumptions	2019	2018
Expected rate of return on Fund Assets	5.5% pa	5.5% pa
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.3% pa	2.3% pa

Expected contributions

	$'000
Expected employer contributions to be paid in the period 1 July 2019 to 30 June 2020	-

Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2019

14. OTHER CURRENT LIABILITIES

	2019 $'000	2018 $'000
Unearned revenue	261	256
Security deposits	54	54
Total	**315**	**310**

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

ETMHC does not have any contingent assets and contingent liabilities to report as at 30 June 2019 (year ended 30 June 2018: nil).

16. FAIR COMPENSATION TRUST ACCOUNT

In accordance with the *Land Acquisition (Just Terms Compensation) Act 1999*, 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 ETMHC's own objectives, these funds are not recognised in the financial statements. The following is a summary of the transactions in the trust account:

	2019 $'000	2018 $'000
Cash balance at the beginning of the financial year	474	531
Add: Receipts	7	10
Less: Expenditure	-	(67)
Cash balance at the end of the financial year	**481**	**474**

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of net result to net cash provided by operating activities

	2019 $'000	2018 $'000
Net cash from operating activities	2,416	3,246
Add/(less) non-cash items		
Superannuation actuarial (gain)/loss	66,664	(26,546)
Finance lease income	2,080	1,950
Net changes in assets and liabilities during the financial year		
Decrease in receivables	(658)	(4,960)
(Increase)/decrease in payables	561	(559)
(Increase)/decrease in provisions	(69,737)	24,671
Increase in other current liabilities	(5)	(28)
Net result	**1,321**	**(2,226)**

18. 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

Carrying Amount	Note	Categories (AASB 139)	Categories (AASB 9)	2019 $'000	2018 $'000
Financial Assets					
Cash and cash equivalents	8	N/A	N/A	151,412	148,996
Receivables	9	Loan and recievables at amortised cost	Amortised cost	658	1,276
Financial Liabilities					
Payables	11	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	39	600

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

Financial risk management overview

As at 30 June 2019 ETMHC has exposure to the following risks:

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

Credit risk

Credit risk arises when there is the possibility that ETMHC's debtors will 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. Collectability 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.

The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates.

18. FINANCIAL INSTRUMENTS (continued)

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

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) TransGrid's main business operations were discontinued therefore ETMHC's exposure is limited to the value of trade payables.

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

Interest rate risk

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

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

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

	$'000				
Variable Rate Instruments	**Carrying amount**	**-1%**		**1%**	
		Net result	**Equity**	**Net result**	**Equity**
2019					
Cash and cash equivalents	151,412	(1,514)	(1,514)	1,514	1,514
2018					
Cash and cash equivalents	148,996	(1,490)	(1,490)	1,490	1,490

Operational risk

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

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

19. RELATED PARTIES

a) Ultimate parent

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

(b) Key management personnel remuneration

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

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

No loans were made to any of the KMP by the agency during the period.

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with other related entities

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

Finance officers of the NSW Treasury provide administrative services, including the preparation of the ETMHC financial statements. The cost of these services is shown as an administrative charge in ETMHC’s financial statements.

20. BUDGET REVIEW

Net result

For the year ended 30 June 2019, ETMHC made a profit of $1.32 million which is $0.38 million below the budget.

Total expenses were $6.39 million which is $2.91 million higher than budget. This is primarily due to increases in operating expense of $2.93 million caused by higher workers compensation claim costs and $1.19 million council rate incurred in 2019. Higher interest cost on superannuation ($0.70 million) underline the increase in employee-related expenses. This was offset by a reduction in finance costs of $0.71 million due to ultra-low inflation and interest rate.

Total revenue for 2019 was $7.71 million, $2.53 million higher than budget mainly contributed by higher council rate recoupment from lessee of $1.33 million and TMF hindsight refund of $0.66 million.

Other comprehensive income is $66.66 million lower than budget attributed by the actuarial loss on superannuation liabilities upon reduction in discount rate from 2.65 percent to 1.32 percent assessed by actuary.

Assets and Liabilities

Net Liabilities for the year were $29.85 million compare to a net asset budget of $14.57 million.

Total assets were $189.16 million, and $2.27 million higher than budget, mainly contributed by higher cash and cash equivalents ($5.5 million) offset by reduction in claim recovery receivable ($3.29 million) due to revision of reinsurance recovery receivable upon updated claims estimate.

Total liabilities were $219.01 million and were $46.69 million higher than budget due to increase in defined benefit superannuation liabilities of $48.01 million to reflect the reduction in discount rate. That was partly offset by lower outstanding claims liabilities of $1.34 million as claims were paid in 2019.

Cash flows

The actual net cash flows from operating activities were $2.42 million, $2.82 million higher than budget. This is mainly due to reinsurance recovery of $1.28 million received from Liberty International Underwriters and $0.66 million TMF hindsight refund received.

Closing cash and cash equivalents were $151.41 million, $5.5 million higher budget.

Being a residual entity, ETMHC's activities are shown as "Post Transaction Activities" program group and aggregated in the State Budget outcomes.

21. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

NSW GOVERNMENT | Treasury

Liability Management Ministerial Corporation

Financial Statements for the year ended 30 June 2019

Liability Management Ministerial Holding 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.

OBJECTIVES

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 LMMC has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

Liability Management Ministerial Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Liability Management Ministerial Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of Treasury is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary of Treasury is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Corporation will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 September 2019
SYDNEY

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2019

STATEMENT BY THE SECRETARY

Pursuant to Section 41C (1B) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

(a) The accompanying financial statements exhibit a true and fair view of the financial position of the Liability Management Ministerial Corporation as at 30 June 2019 and the financial performance for the year then ended; and

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, Treasurer's Directions and applicable Australian Accounting Standards.

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

Michael Pratt AM
Secretary

19TH September 2019

Liability Management Ministerial Corporation

Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Expenses excluding losses				
Operating expenses	3	21	20	21
Total expenses excluding losses		**21**	**20**	**21**
Revenue				
Investment revenue	4	16,521	11,541	13,924
Grants and contributions	5	21,008	21,008	20,330
Total revenue		**37,529**	**32,549**	**34,254**
Net result		**37,508**	**32,529**	**34,233**
Other comprehensive income		-	-	-
Total comprehensive income		**37,508**	**32,529**	**34,233**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Financial Position
as at 30 June 2019

	Note	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Assets				
Current assets				
Cash and cash equivalents	6	12	10	10
Receivables	7	-	2	2
Total current assets		**12**	**12**	**12**
Non-current assets				
Financial assets at fair value	8	207,171	199,259	169,668
Total non-current assets		**207,171**	**199,259**	**169,668**
Total assets		**207,183**	**199,271**	**169,680**
Liabilities				
Current liabilities				
Payables	9	15	20	20
Total current liabilities		**15**	**20**	**20**
Total liabilities		**15**	**20**	**20**
Net assets		**207,168**	**199,251**	**169,660**
Equity				
Accumulated funds		207,168	199,251	169,660
Total equity		**207,168**	**199,251**	**169,660**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Changes in Equity
for the year ended 30 June 2019

	Accumulated Funds $'000	Total Equity $'000
Balance at 1 July 2018	**169,660**	**169,660**
Net result for the year	37,508	37,508
Other comprehensive income	-	-
Total comprehensive income for the year	**37,508**	**37,508**
Balance at 30 June 2019	**207,168**	**207,168**
Balance at 1 July 2017	**135,427**	**135,427**
Net result for the year	34,233	34,233
Other comprehensive income	-	-
Total comprehensive income for the year	**34,233**	**34,233**
Balance at 30 June 2018	**169,660**	**169,660**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Cash Flows
for the year ended 30 June 2019

	Note	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Cash flows from operating activities				
Payments				
Other		(28)	(22)	(20)
Total payments		**(28)**	**(22)**	**(20)**
Receipts				
Grants and contributions		21,008	21,008	20,330
Interest received		3	1	2
Other		4	1	2
Total receipts		**21,015**	**21,010**	**20,334**
Net cash flows from operating activities	6	**20,987**	**20,988**	**20,314**
Cash flows from investing activities				
Purchase of investments		(20,985)	(20,988)	(20,314)
Net cash flows from investing activities		**(20,985)**	**(20,988)**	**(20,314)**
Net cash flows from financing activities		**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**2**	**-**	**-**
Opening cash and cash equivalents		10	10	10
Closing cash and cash equivalents	6	**12**	**10**	**10**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Notes to the financial statements
for the year ended 30 June 2019

1. LIABILITY MANAGEMENT MINISTERIAL CORPORATION INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

The LMMC's financial assets are measured at fair value through profit or loss. 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 made the following judgement in relation to the LMMC's classification and valuation of its investments:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The LMMC's investments are classified and measured as fair value through profit or loss in accordance with the new AASB 9 *Financial Instruments* (AASB 9) and were similarly designated as fair value through profit or loss under AASB 139 *Financial instruments: Recognition and Measurement* (AASB 139) in the prior year.

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

Statement of compliance

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

New, revised or amending standards and interpretations

The accounting policies applied in the year are consistent with those of the previous financial year.

Effective for the first time in 2018-19, the LMMC has adopted AASB 9, which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets.

The standard has been applied retrospectively but comparatives have not been restated. The impacts on the accounting policies of financial assets from the adoption of AASB 9 are disclosed in the relevant sections of this note.

New standards and interpretations not yet effective

As mandated by Treasury Circular TC19-04, the LMMC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

AASB 15 *Revenue from Contracts with Customers* (operative date 1 July 2019)
AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (operative date 1 July 2020)

Management have considered the impact of AASB 15, AASB 16 and AASB 1058 effective 1 July 2019 and no material impacts are expected. It is unlikely the adoption of the remaining new accounting standards issued but not effective will have a material impact to the Company.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions 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 revenue

Interest revenue is recognised using effective interest method as set out in AASB 9 replacing AASB 139. Investment revenue includes interest income and net realised and unrealised gains or losses from changes in the fair value of investments. Distribution income is recognised when the price of units held goes ex-distribution. 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.

Financial assets

Financial assets comprise investments in the TCorpIM Long Term Growth Fund (LTGF) investment facility. The investments in TCorpIM LTGF are managed on a fair value basis and were designated at fair value through profit and loss under AASB 139 as at 30 June 2018. Under the new AASB 9, these are now mandatorily required at transition date of 1 July 2018 and going forward to be classified and measured as fair value through profit or loss.

The classification and measurement requirements of AASB 9 did not have a significant impact to the LMMC with the LMMC continuing to measure its financial assets at fair value, all financial assets are previously held at fair value under AASB 139.

The movement in the fair value of the TCorpIM LTGF incorporates distributions received and unrealised movements in fair value and is reported as investment revenue in the Statement of Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement and hierarchy

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

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

- Level 1 – derived from quoted prices in active markets for identical assets/liabilities
- Level 2 – derived from inputs other than quoted prices that are observable directly or indirectly
- Level 3 – derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire or if the entity transfers 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:

- the entity has transferred substantially all the risks and rewards of the asset; or
- the entity has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

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.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract 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 net result.

Liability Management Ministerial Corporation

Notes to the financial statements
for the year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EQUITY

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.

	2019 $'000	2018 $'000
3. OPERATING EXPENSES		
Audit fees	21	21
4. INVESTMENT REVENUE		
Interest income from TCorpIM LTGF - measured at fair value through profit or loss		
Distribution income	8,891	-
Net valuation gain/(loss)	7,627	-
designated at fair value through profit or loss		
Distribution income	-	11,469
Net valuation gain/(loss)	-	2,453
Bank interest	3	2
	16,521	**13,924**
5. GRANTS AND CONTRIBUTIONS		
Contributions from the Crown Entity	21,008	20,330

Liability Management Ministerial Corporation

Notes to the financial statements
for the year ended 30 June 2019

	2019 $'000	2018 $'000
6. CASH AND CASH EQUIVALENTS		
Cash held at financial institutions	12	10

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

	2019 $'000	2018 $'000
Cash and cash equivalents (per Statement of Financial Position)	12	10
Bank overdraft	-	-
Cash and cash equivalents (per Statement of Cash Flows)	12	10

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

	2019 $'000	2018 $'000
Net cash flows from operating activities	**20,987**	**20,314**
Distribution reinvested and gains/(losses) on investments	16,518	13,922
Increase/(Decrease) in assets	(2)	
Decrease/(Increase) in liabilities	5	(3)
Net result for the year	**37,508**	**34,233**

7. CURRENT RECEIVABLES

	2019 $'000	2018 $'000
GST receivable	-	2

8. NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE

	2019 $'000	2018 $'000
TCorpIM LTGF	207,171	169,668

From 1 July 2018, the TCorpIM LTGF is mandatorily required to be classified and measured as fair value through profit or loss in accordance with the new AASB 9. During the comparative period ended 30 June 2018, the TCorpIM LTGF was designated as fair value through profit or loss under AASB 139 as its financial assets were managed and their performance was evaluated on a fair value basis, in accordance with a documented risk management strategy.

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

	2019 $'000	2018 $'000
9. PAYABLES		
Other accruals	15	20

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 –
the classification is the same as prior year under AASB 139 and AASB 9**

	Note	Category	Carrying amount 2019 $'000	Carrying amount 2018 $'000
Financial assets				
Cash and cash equivalents	6	N/A	12	10
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	207,171	169,668
Financial liabilities				
Payables	9	Payables (measured at amortised cost)	15	20
Total			**207,168**	**169,658**

Risk management

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.

The assets of the LMMC are invested in the TCorpIM LTGF investment facility in accordance with the investment strategy as per the Memorandum of Understanding between the LMMC and TCorp.

The actual rate of return on the LMMC's assets during the year was 8.88 per cent (2018: 9.62 per cent).

(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 TCorpIM LTGF.

10. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

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

The LMMC's exposure to interest rate risk on its holding of cash and cash equivalents is derived from historically based data. The basis is reviewed annually and amended where required. The LMMC's interest rate risk is immaterial given the low level of cash holding at the reporting date.

Other price risk

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

The LMMC holds units in the following:

	Investment Sectors	**Investment Horizon**	**2019 $'000**	**2018 $'000**
TCorpIM LTGF	Cash, money market instruments, Australian bonds, listed property, Australian & International shares	7 years and over	207,171	169,668

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 as advised by TCorp. The basis is reviewed annually and amended where required.

Other price risk sensitivity analysis

	Change in unit price		**Impact on net result**	
	2019 %	**2018 %**	**2019 $'000**	**2018 $'000**
TCorpIM LTGF	+/- 13.0	+/- 15.0	+/-26,932	+/- 25,450

Currency risk

The LMMC has indirect foreign currency exposure within its investment in the TCorpIM LTGF. The TCorpIM LTGF has approximately 40% foreign currency exposure (28% of TCorpIM LTGF is allocated to unhedged international shares, 7% to unhedged emerging market shares and 5% in Emerging Markets Debt).

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

10. FINANCIAL INSTRUMENTS (continued)

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

Cash and cash equivalents

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

Financial assets at fair value

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

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

(c) Liquidity risk

Liquidity risk is the risk that the LMMC will be unable to meet its payment obligations when they fall due. The LMMC continuously manages risk through monitoring future cash flows.

During the current year there were no defaults of payable. The LMMC's exposure to liquidity risk is deemed insignificant based on prior years' data and current assessment of risk.

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

Fair value

The financial assets and liabilities of the LMMC at the reporting date comprise mainly monetary financial assets and their carrying values approximate to their fair values. The value of the investments in the TCorpIM LTGF is based on the LMMC's share of the fund, based on the redemption value.

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).

The LMMC's financial assets at fair value of $207.17 million as at the reporting date (2018: $169.67 million) are classified under level 2 fair value hierarchy.

11. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or contingent liabilities as at the reporting date (2018: Nil).

12. BUDGET REVIEW

The TCorpIM LTGF full year investment revenue of $16.52 million reflected an investment return of 8.88% pa which is higher than the budgeted return rate of 6.30%pa.

13. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The NSW Government is the parent of the LMMC.

(b) Key management personnel remuneration

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

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

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

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with other related entities

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

14. EVENTS AFTER THE REPORTING DATE

There are no material events after reporting date requiring disclosure.

End of audited financial statements

Ports Assets Ministerial Corporation

Financial Statements
for the year ended 30 June 2019

Ports Assets Ministerial Corporation

CHARTER

The Ports Assets Ministerial 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 activity 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 PAMHC has no staff of its own.

INDEPENDENT AUDITOR'S REPORT

Ports Assets Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Ports Assets Ministerial Holding Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement 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 2019, 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 the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

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

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

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

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

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

Other Information

The Corporation’s annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor’s Report thereon. The Secretary of the Corporation is responsible for the other information. At the date of this Independent Auditor’s Report, the other information I have received comprise the Statement by the Corporation Head.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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’s Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor’s report.

My opinion does not provide assurance:

- that the Corporation or the consolidated entity carried out 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
- about any other information which may have been hyperlinked to/from the financial statements.

Renee Meimaroglou
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 September 2019
SYDNEY

Ports Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2019

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 2019 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 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.

Michael Pratt AM
Secretary

19TH September 2019

Ports Assets Ministerial Holding Corporation

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	Actual Consolidated 2019 $'000	Budget Consolidated 2019 $'000	Actual Consolidated 2018 $'000	Actual Parent 2019 $'000	Actual Parent 2018 $'000
Expenses excluding losses						
Operating expenses	3	37,617	37,562	34,967	190	210
Total expenses excluding losses		**37,617**	**37,562**	**34,967**	**190**	**210**
Revenue						
Investment revenue	4	60	43	48	31	24
Grants and Contributions	5	600	600	600	-	600
Other operating revenue	6	52,582	52,405	48,976	-	-
Total Revenue		**53,242**	**53,048**	**49,624**	**31**	**624**
Gains / (losses) on disposal	7	256	-	-	-	-
Net result		**15,881**	**15,486**	**14,657**	**(159)**	**414**
Other comprehensive income		-	-	-	-	-
Total comprehensive income		**15,881**	**15,486**	**14,657**	**(159)**	**414**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Consolidated Statement of Financial Position
as at 30 June 2019

	Notes	Actual Consolidated 2019 $'000	Budget Consolidated 2019 $'000	Actual Consolidated 2018 $'000	Actual Parent 2019 $'000	Actual Parent 2018 $'000
Assets						
Current assets						
Cash and cash equivalents	8	2,518	2,258	2,138	842	1,020
Receivables	9	105	38	76	18	10
Total current assets		**2,623**	**2,296**	**2,214**	**860**	**1,030**
Non-current assets						
Other assets	10	232,380	232,554	217,272	-	-
Investments	11	-	-	-	156,983	156,983
Total non-current assets		**232,380**	**232,554**	**217,272**	**156,983**	**156,983**
Total assets		**235,003**	**234,850**	**219,486**	**157,843**	**158,013**
Liabilities						
Current liabilities						
Payables	12	162	181	136	61	72
Total current liabilities		**162**	**181**	**136**	**61**	**72**
Total liabilities		**162**	**181**	**136**	**61**	**72**
Net assets		**234,841**	**234,669**	**219,350**	**157,782**	**157,941**
Equity						
Accumulated funds		234,841	234,669	219,350	157,782	157,941
Total equity		**234,841**	**234,669**	**219,350**	**157,782**	**157,941**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Consolidated Statement of Changes in Equity
for the year ended 30 June 2019

	Consolidated Accumulated Funds $'000	Consolidated Total $'000	Parent Accumulated Funds $'000	Parent Total $'000
Balance at 1 July 2018	219,350	219,350	157,941	157,941
Net result for the year	15,881	15,881	(159)	(159)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**15,881**	**15,881**	**(159)**	**(159)**
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	(390)	(390)	-	-
Balance at 30 June 2019	**234,841**	**234,841**	**157,782**	**157,782**
Balance at 1 July 2017	204,693	204,693	157,527	157,527
Net result for the year	14,657	14,657	414	414
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**14,657**	**14,657**	**414**	**414**
Balance at 30 June 2018	**219,350**	**219,350**	**157,941**	**157,941**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Consolidated Statement of Cash Flows
for the year ended 30 June 2019

	Notes	Actual Consolidated 2019 $'000	Budget Consolidated 2019 $'000	Actual Consolidated 2018 $'000	Actual Parent 2019 $'000	Actual Parent 2018 $'000
Cash flows from operating activities						
Payments						
Operating payments		42,076	41,607	39,028	969	792
Total payments		**42,076**	**41,607**	**39,028**	**969**	**792**
Receipts						
Interest received		79	43	54	31	35
Grants and contributions		600	600	600	-	600
Other operating receipts		41,777	41,168	38,816	760	660
Total Receipts		**42,456**	**41,811**	**39,470**	**791**	**1,295**
Net cash flows from operating activities	13	380	204	442	(178)	503
Cash flows from investing activities						
Proceeds from sale of land	7	390	-	-	-	-
Net cash flows from investing activities		**390**	**-**	**-**	**-**	**-**
Net cash flows from financing activities		**-**	**-**	**-**	**-**	**-**
Net increase/(decrease) in cash		**770**	**204**	**442**	**(178)**	**503**
Opening cash and cash equivalents		2,138	2,054	1,696	1,020	517
Cash transfer to Restart NSW	7	(390)	-	-	-	-
Closing cash and cash equivalents	8	**2,518**	**2,258**	**2,138**	**842**	**1,020**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Notes to the Consolidated Financial Statements
for the year ended 30 June 2019

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Ports Assets Ministerial Holding Corporation

Notes to the Consolidated Financial Statements
for the year ended 30 June 2019

1. INFORMATION ON THE PORTS ASSETS MINISTERIAL HOLDING CORPORATION

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 of the State's ports to the private sector.

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. Upfront proceeds received from the acquirer were paid direct to the Restart NSW Fund. On the same date, the ownership of these Companies was transferred from Sydney Ports Corporation and Port Kembla Port Corporation to the 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. On the same date, the ownership of the PNL was transferred from Newcastle Port Corporation to the 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.

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

The PAMHC is a not-for-profit NSW government 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) and
- the requirements of *the Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- Directions 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 results, assets and liabilities positions of all entities controlled by the PAMHC (Parent Entity) as at the reporting date. The PAMHC and its controlled entities, PBL, PKL and PNL (collectively as the Port Lessor Companies), together are referred to in these financial statements as the PAMHC. The effects of all transactions and balances between entities in the PAMHC are eliminated in full and like transactions and events are accounted for using the same accounting policies. The PAMHC is consolidated as part of the NSW Total State Sector Accounts.

Use of judgements, estimates and assumptions

Judgements - in the process of applying the PAMHC's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Port land and fixtures lease classification – PAMHC *as lessor*

The PAMHC are lessors in a 99-year and 98-year lease of ports land and fixtures. The PAMHC has determined, based on an evaluation of the terms and conditions of the arrangements that they do not retain all the significant risks and rewards of ownership of the land and fixtures, and accounted for the contracts as finance leases. As the leases were prepaid, the transactions were accounted for as a sale.

Estimates and assumptions - the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets, are described below.

The PAMHC based their assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond their control. Such changes are reflected in the assumptions when they occur.

Valuation of lease receivable – unguaranteed residual value

The PAMHC carries their lease receivable which mainly comprise of the unguaranteed residual value at amortised cost less any impairment. The initial value of the unguaranteed residual value was measured using the discounted cash flow model. The inputs include observable markets as well as internal data where a degree of judgement was applied to determine the fair value. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility were taken at inception of the leases. If there is a reduction in the residual value of the unguaranteed residual assets, the income allocation over the leases will be revised. Details regarding indexation and discount rate used are disclosed in Note 10. At the end of the reporting period, management reviews whether there are any indicators of impairment. These factors include the level of improvements undertaken by the lessee, volatility of land values, the rate of technological change and competitive conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Finance lease receivable were reclassified from receivable to other assets for the comparative period.

GST receivable and payable were also net off for the comparative period in light of Interpretation 1031.

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

New, revised or amending standards and interpretations effective for the first time in 2018-19

The PAMHC has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets.

AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures* (AASB 7R). The entity applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139). There have been no material differences arising from the adoption of AASB 9 during the year.

Trade receivables classified as ‘Loans and receivables’ under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

New standards and interpretations not yet effective

As mandated by Treasury Circular TC19-04, the Entity has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers-Not-for-profits only* (operative date 1 July 2019)
- AASB 16 *Leases* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
- AASB 1059 *Service Concession Arrangements: Grantors* (operative date 1 July 2020)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures* (operative date 1 July 2019)
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (operative date 1 July 2020)
- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* (operative date 1 July 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management have considered the impact of AASB 15, AASB 16 and AASB 1058 effective 1 July 2019 and no material impacts are expected. It is unlikely the adoption of the remaining new accounting standards issued but not effective will have a material impact to the Company.

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 the PAMHC and the amount is reliably measurable. The PAMHC uses the following criteria to recognise and measure income:

(i) Investment revenue

Interest revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Corporation, it is recognised using the effective interest method as set out in AASB 9 *Financial Instruments: Recognition and Measurement*.

(ii) Grants and contributions

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

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined, and the services would be purchased if not donated.

(iii) Other operating 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 the 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 Revenue NSW. 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.

Since 1 July 2015 the PAMHC has outsourced the lease and property management services for its subsidiary lessor companies to PNSW. Total cost incurred for these services for the year was $179,847.51 incl. GST (2018: $192,243.28 incl. GST). The Memorandum of Understanding (MoU) is between the PAMHC and Property NSW (PNSW). It is impractical to calculate and ascertain the costs for individual lessor companies therefore no charge out was made to the individual lessor companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS

Cash and cash equivalents

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

Receivables (excluding lease receivable)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Under AASB 9, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics.

The Corporation's receivables are measured at amortised cost given of the following conditions are met:

- the financial asset is held within a business model with the objective to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Subsequent measurement

The company holds receivables with an objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment under AASB 9 (from 1 July 2018)

The company recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the company expects to receive, discounted at the original effective interest rate. For trade receivables, the company applies a simplified approach in calculating ECLs. The company recognises a loss allowance based on lifetime ECLs at each reporting date.

Classification and Measurement under AASB 139 (comparative period only)

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 the 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)

Other assets - 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.

Company as lessor

A lease is classified at the inception date as a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A receivable is recognised at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Gross investment in the lease is the aggregate of the minimum lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the lessor.

In accordance with TPP 11-01 Lessor classification of long-term land leases, a prepaid lease classified as a finance lease under this policy will effectively be accounted for as a sale. At the inception of the lease, the lessor will derecognise the land and recognise the associated gain or loss on disposal. Subsequently, finance income is based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease. The estimated unguaranteed residual values used in computing the gross investment in the lease are subject to an impairment test which takes into consideration factors such as the 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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire or if the entity transfers 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:

- the company has transferred substantially all the risks and rewards of the asset; or
- the company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract 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 net result.

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 PAMHC 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.

The administered activities of PAHMC include Port Logistics Contribution (PLC) and Newcastle Community Contribution (NCC).

Transactions and balances relating to these administered activities are not recognised as PAHMC'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 has been adopted.

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 17.

EQUITY TRANSERS

The transfer of net assets between the Corporation and other government 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*. The equity transfers are recognised at fair value.

Ports Assets Ministerial Holding Corporation

Notes to the Consolidated Financial Statements
for the year ended 30 June 2019

3. OPERATING EXPENSES

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Operating Expenses				
Land tax	26,091	25,437	-	-
Audit fees	89	87	26	26
Property mangement fees	163	175	164	175
Council rates	10,022	8,086	-	-
Water costs	1,245	1,182	-	-
Other	7	-	-	9
	37,617	**34,967**	**190**	**210**

4. INVESTMENT REVENUE

Interest income	60	48	31	24
	60	**48**	**31**	**24**

5. GRANTS AND CONTRIBUTIONS

Grants received from the Crown	600	600	-	600
	600	**600**	**-**	**600**

6. OTHER OPERATING REVENUE

Land tax recoverable from tenants (i)	26,091	25,437	-	-
Council rates recoverable from tenants (i)	10,022	8,086	-	-
Finance income (ii)	15,242	14,278	-	-
Water recoupment (iii)	1,227	1,175	-	-
	52,582	**48,976**	**-**	**-**

(i) Land tax and council rates recoverable from tenants

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

(ii) Finance income

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

(iii) Water recoupment

The revenue recognised represents water cost recovered from the lessees under the 99-year finance lease.

Ports Assets Ministerial Holding Corporation

Notes to the Consolidated Financial Statements for the year ended 30 June 2019

7. GAINS/ (LOSSES) ON DISPOSAL

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Gains / (losses) on disposal	256	-	-	-
	256	**-**	**-**	**-**

On 10 October 2018 the Company sold three parcels of land to NSW Ports. The land sale is permitted under long term lease agreement and constitutes a partial surrender of the lease in respect of the land sold. As a result, the net present value of the three blocks of land was derecognised from the value of finance lease receivable. As such, a gain on disposal of the assets of the lease arises as follows:

Cash proceeds paid directly to Restart NSW Fund	*390*	-	-	-
Derecognision of residual interest in land	*(134)*	-	-	-
Gain on disposal	***256***	**-**	**-**	**-**

8. CASH AND CASH EQUIVALENTS

Cash at bank	2,518	2,138	842	1,020
	2,518	**2,138**	**842**	**1,020**

For the purpose of the Statement of Cash Flows, cash and cash equivalents represents 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)	**2,518**	**2,138**	**842**	**1,020**
Closing cash and cash equivalents (per Statement of Cash Flows)	**2,518**	**2,138**	**842**	**1,020**

Refer to Note 14 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

9. RECEIVABLES

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Current				
Interest receivable	-	19	-	-
Recoupment receivable	52	-	-	-
GST receivable	53	57	18	10
	105	**76**	**18**	**10**

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 14.

10. OTHER ASSETS

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Non-Current				
Finance lease receivable [(i)]	232,380	217,272	-	-
	232,380	**217,272**	**-**	**-**

(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 Port Lessor Companies to recognise a finance lease receivable equal to the net investment in the lease, which is the discounted gross investment in the lease comprising the minimum lease payments and unguaranteed residual value. As the lease payments were received upfront, the net investment in the lease corresponds to the present value of the residual value assets that will revert to the Port Lessor Companies on expiry of the leases.

Valuations of the residual values were carried out by external advisers at inception of the leases; as at 30 June 2013 for Port Botany and Port Kembla; as at 30 June 2014 for Port Newcastle. A review for indicators of impairment is conducted annually by assessing 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 total residual value at the end of the leases is estimated at $128.9 billion, using an annual indexation of 3.58 per cent for the Port Botany and Port Kembla leases, and 3.42 per cent for the Port of Newcastle lease. Total present value at the inception of the leases were $155.06 million, discounted at nominal pre-tax discount rate of 7.06 percent for Botany Lessor and Port Kembla Lessor, and 6.85 per cent for Port of Newcastle.

Finance income of $15.242 million (2018: $14.278 million) was recognised in the period (refer to Note 6).

The results of the annual impairment procedures concluded that there are no indicators of impairment at the reporting date.

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.

11. INVESTMENTS

Investment in subsidiaries	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Opening balance as at 1 July	-	-	156,983	156,983
Closing balance as at 30 June	**-**	**-**	**156,983**	**156,983**

12. PAYABLES

Payables and accruals	162	136	61	72
	162	**136**	**61**	**72**

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 14.

13. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Net cash flows from operating activities	**380**	**442**	**(178)**	**503**
Add back: non cash items and non-operating activities				
Gains / (losses) on disposal	256	-	-	-
Finance income	15,242	14,278	-	-
Increase/(decrease) in receivables	29	(4)	8	(41)
(Increase)/decrease in payables	(26)	(59)	11	(48)
Net Result	**15,881**	**14,657**	**(159)**	**414**

14. FINANCIAL INSTRUMENTS

The PAMHC's principal financial instruments are cash deposits held with the NSW Treasury Banking System at Westpac Banking Corporation and receivables and payables. These instruments expose the PAMHC to interest rate risk on cash balances held and credit risk on short term receivables. These financial instruments arise from the PAMHC's operations and are required to finance those operations. The 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.

14. FINANCIAL INSTRUMENTS (continued)

(a) Financial instrument categories

Financial instruments [i]	Note	Categories (AASB 139)	Categories (AASB 9)	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Financial Assets							
Cash and cash equivalents	8	N/A	N/A	2,518	2,138	842	1,020
Receivables	9	Loans and receivables at amortised cost	Amortised cost	52	19	-	-
Financial Liabilities							
Payables	12	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	162	136	61	72

(i) Excludes prepayments and statutory receivables/payables which are not within the scope of AASB7 'Financial Instruments: Disclosures' 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 the 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 the PAMHC, including cash and receivables. No collateral is held by the PAMHC.

The entity considers a financial asset in default when contractual payments are 90 days past due

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability 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.

The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates.

Receivables are written off when there is no reasonable expectation of recovery and no interest earned on trade debtors.

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

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

The effect on the 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 2018. The PAMHC 's exposure to interest rate risk follows.

Consolidated Entity	Carrying amount	-1% Net result	Equity	+1% Net result	Equity
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	2,518	(25)	(25)	25	25
2018					
Cash and cash equivalents	2,138	(21)	(21)	21	21

Parent Entity	Carrying amount	-1% Net result	Equity	+1% Net result	Equity
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	842	(8)	(8)	8	8
2018					
Cash and cash equivalents	1,020	(10)	(10)	10	10

The 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 the PAMHC will be unable to meet its payment obligations when they fall due. The 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 the 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 the PAMHC subsidiary Ports Lessor Companies stating that the State will provide financial support to enable the Ports Lessor Companies to meet their 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 TC11-12. 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 TC11-12 allows the Minister to award interest for late payment. There has been no interest awarded for late payment to date.

14. FINANCIAL INSTRUMENTS (continued)

The table below summarises the maturity profile of the PAMHC financial liabilities. The payables are non-interest bearing and the entity has no exposure to foreign currency risk.

Consolidated Entity	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
2019								
Payables	-	162	-	-	162	162	-	-
Total financial liabilities	**-**	**162**	**-**	**-**	**162**	**162**	**-**	**-**
2018								
Payables	-	136	-	-	136	136	-	-
Total financial liabilities	**-**	**136**	**-**	**-**	**136**	**136**	**-**	**-**

Parent Entity	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
2019								
Payables	-	61	-	-	61	61	-	-
Total financial liabilities	**-**	**61**	**-**	**-**	**61**	**61**	**-**	**-**
2018								
Payables	-	72	-	-	72	72	-	-
Total financial liabilities	**-**	**72**	**-**	**-**	**72**	**72**	**-**	**-**

15. ADMINISTERED ITEMS

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Administered revenue				
Ports Logistics Contribution (i)	7,694	7,446	7,694	7,446
Newcastle Community Contribution (ii)	1,000	1,000	1,000	1,000
Total administered revenue	**8,694**	**8,446**	**8,694**	**8,446**

(i) Port Logistics Contribution (PLC)

The PLC is levied by the Port Botany Lessor Pty Limited (a controlled entity of the 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 the PAMHC. Income received from 20 September 2013 is treated as administered revenue. The PLC is passed on to the Consolidated Fund upon receipt and is recognised on an accrual basis.

15. ADMINISTERED ITEMS (continued)

(ii) Newcastle Community Contribution (NCC)

The NCC is levied by the 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. The 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.

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Administered assets				
Receivables	2,246	2,178	2,246	2,178
Total administered assets	**2,246**	**2,178**	**2,246**	**2,178**

16. 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, the PAMHC through its subsidiary Lessor Companies, has indemnified the Port Lessees in respect of pre-existing environmental damage or contamination at relevant sites.
- 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.
- Parcels of the Newcastle land (including two parcels of un-remediated land at Mayfield and Koorangang Island) included in the Newcastle 98 years finance lease were contaminated while owned by Port Newcastle Corporation. As part of the lease arrangements, liabilities in respect of the land remediation costs for the pre-existing land contamination is assumed by the Crown Entity.

Contingent assets

- The State has guaranteed the payment of any compensation by the Port Lessor Companies for the above ‘transaction documents’ contingent liability.

16. CONTINGENT LIABILITIES AND CONTIGENT ASSETS (continued)

- If any Port Lease terminates, then the Port 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 Port 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 Port 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 Port Lessor Companies as may be required from time to time to enable the Port Lessor Companies to meet their debts as and when they become due and payable.

17. BUDGET REVIEW

Net result

The budget review is for the consolidated entity.

For the year ended 30 June 2019, PAMHC's net result is $15.881 million which is $0.395 million higher than the budget. Gain on disposal of Enfield lands was the main contributing factor which accounted for $0.256 million to the favourable result.

Operating expenses totals $37.617 million which is in-line with the budgeted of $37.562 million.

Total revenue is $53.242 million which is $0.194 million higher than budget. Key driver for this increase includes higher interest income of $0.017 million and other operating revenue of $0.177 million. Land tax recoupment was $1.152 million lower than budget reflecting a slow down in property market and land valuation. Council rate recoupment was $1.378 million higher mainly due to increase in council levy based on the comparatively higher land valuation average across previous three years which includes a boom cycle.

Assets and Liabilities

Total assets for the year were $235.003 million, which exceeded the budget by $0.153 million contributed by $0.26 million higher cash balance resulting from the $0.6 million grant received in 2019.

Total liabilities were $0.162 million and in-line with the budgeted of $0.181 million.

Cash flows

The actual net cash flows from operating activities were $0.38 million, slightly higher than budget of $0.204 million.

Cash payments were $42.076 million and cash receipts were $42.456 million both closely tracing the budget.

Closing cash and cash equivalents were $2.518 million, $0.26 million higher than budget.

18. RELATED PARTY DISCLOSURES

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

The PAMHC does not have employees. Key management personnel services were provided by NSW Treasury and PNSW. The Company Directors are employees of NSW Treasury and PNSW. No remuneration was paid to any of the KMP by the PAMHC during the reporting period. No loans were made to any of the KMP during the reporting period.

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with subsidiaries

PBL, PKL and PNL are subsidiary Lessor Companies of the PAMHC. There were no transactions made with subsidiary Port Lessor Companies during the reporting period. The PAMHC incurred $179,847.51 incl. GST during the year for the property lease management services provided by PNSW on behalf of the Port Lessor Companies (2018: $192,234 incl. GST). No charge out was made to the individual lessor company as it is impractical to calculate and ascertain the costs at the individual level of the lessor companies.

(iii) Transactions with Director related entities

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

The Directors of the subsidiary Lessor Companies are employee of the NSW Treasury and PNSW. The following are transactions made in between these entities during the reporting period.

Mr. Adam Howarth is a Director of the subsidiary lessor companies and an employee of PNSW. Since 1 July 2015 the PAMHC has outsourced the lease and property management services for its subsidiary lessor companies to PNSW. Total management fees paid to PNSW during the year for these services was $179,847.51 incl. GST (2018: $192,234 incl. GST).

18. RELATED PARTY DISCLOSURES (continued)

Mr. Peter Wade is a Director of the subsidiary lessor Companies and an employee of the NSW Treasury. The Crown Entity and the PAMHC are both reporting entities under the NSW Treasury cluster. The Crown Entity has provided $600,000 (2018: $600,000) grants to the PAMHC subsidiary Lessor Company PBL and PKL to cover the recurrent costs in 2019.

No other related party transaction occurred in this reporting period.

(iv) Transactions with other related entities

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

19. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

State Rail Authority Residual Holding Corporation

Financial Statements
for the year ended 30 June 2019

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.

OBJECTIVES

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 SRARHC has no staff of its own.

AUDITOR-GENERAL
NEW SOUTH WALES

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 State Rail Authority Residual Holding Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of Treasury is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary of **Treasury** is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Corporation will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 September 2019
SYDNEY

State Rail Authority Residual Holding Corporation

Financial Statements
for the year ended 30 June 2019

STATEMENT BY THE SECRETARY

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 2019 and the financial performance for the year then ended; and

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015,* Treasurer's Directions and applicable Australian Accounting Standards.

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

Michael Pratt AM
Secretary

19th September 2019

State Rail Authority Residual Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2019

	2019 $	2018 $
Expenses	-	-
Total expenses	-	-
Revenue	-	-
Total revenue	-	-
Gain/(loss) on disposal	-	-
Other gains/(losses)	-	-
Net result	-	-
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 2019

	2019 $	2018 $
Assets	-	-
Total assets	-	-
Liabilities	-	-
Total liabilities	-	-
Net assets	-	-
Equity	-	-
Total equity	-	-

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

Statement of Changes in Equity
for the year ended 30 June 2019

	2019 $	2018 $
Balance at 1 July	**-**	**-**
Net result for the year	-	-
Other comprehensive income	-	-
Total 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 2019

	2019 $	2018 $
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 2019

1. STATE RAIL AUTHORITY RESIDUAL HOLDING CORPORATION INFORMATION

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative information

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

Use of judgements, estimates and assumptions

Management has not applied any significant judgements nor use any significant estimates in preparing 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

The accounting policies applied in the year are consistent with those of the previous financial year.

There was no impact on the financial performance or position of the SRARHC from the adoption of new, revised or amending standards and interpretations.

New standards and interpretations not yet effective

As mandated by Treasury Circular TC19-04, the SRARHC has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

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

AASB 15 and AASB 2014-5 *Amendments to Australian Accounting Standards* arising from AASB15 (operative date 1 July 2019)
AASB 16 *Leases* (operative date 1 July 2019)
AASB 1058 *Income of Not-for-Profit Entities* (operative date 1 July 2019)
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (operative date 1 July 2019)
AASB 2018-3 *Amendments to Accounting Standards-Reduced Disclosure Requirements* (operative date 1 July 2019)
AASB 2018-4 *Amendments to Australian Accounting Standards- Australian Implementation Guidance for Not-for-Profit Public Sector Licensors* (operative date 1 July 2019)
AASB 2018-7 *Amendments to Australian Accounting Standards-Definition of Material* (operative date 1 July 2020)
AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* (operative date 1 July 2019)

There is nil impact of adopting those new standards and interpretations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

EXPENSES

Finance officers of the NSW Treasury provide administrative services, including the preparation of the 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 SRARHC's audit fees inclusive of GST of $4,070 (2018: $3,960).

ASSETS

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

LIABILITIES

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

TAXATION

The activities of the SRARHC are exempt from income tax.

3. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets or contingent liabilities.

4. RELATED PARTY DISCLOSURES

There are no related party transactions requiring disclosure other than those already shown elsewhere in these financial statements.

5. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial statements

Electricity Retained Interest Corporation – Ausgrid

ABN 40 543 372 305

Financial Statements
for the year ended 30 June 2019

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

CHARTER

The Electricity Retained Interest Corporation – Ausgrid (ERIC-A) was established on 4 November 2016 under the Electricity Retained Interest Corporation Act 2015.

OBJECTIVES

The purpose of ERIC-A is to provide for the effective stewardship and oversight, protecting the value and maximising returns, of the retained interest of the State of New South Wales in Ausgrid's network assets under the Electricity Network Assets (Authorised Transactions) Act 2015.

STAFFING

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

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Financial Statements
for the year ended 30 June 2019

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Electricity Retained Interest Corporation - Ausgrid
ABN 40 543 372 305

Directors' Declaration
for the year ended 30 June 2019

Directors' Declaration

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

(a) The accompanying financial statements exhibit a true and fair view of the Electricity Retained Interest Corporation – Ausgrid's financial position as at 30 June 2019 and the financial performance for the year then ended

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015, Corporation Act 2001* and Directions to NSW Treasury Policy and Guidelines Papers; and

(c) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the board

Director ....

Dated 27 September 2019

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Directors' Report
for the year ended 30 June 2019

The Directors present their report on the Electricity Retained Interest Corporation-Ausgrid (the Corporation) for the financial year ended 30 June 2019.

Information on Directors

The names of each person who has been a director during the year and to the date of this report are:

Laura Reed (Chair)
Belinda Gibson
Robert Wright

Principal activities

The Corporation was set up under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Ausgrid's network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015* and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was established on 1 December 2016.

The retained interest is a 49.6 per cent interest in the Ausgrid distribution network business which is constituted by three (3) partnerships:

1. Ausgrid Network Asset Partnership (NAP) holding the regulated network assets;
2. Ausgrid Operator Partnership (NOP) which operates the regulated network assets;
3. Plus ES Partnership (AUP) which owns and conducts unregulated activities.

The Corporation holds a 49.6 per cent interest in each of NAP, NOP and AUP via controlled entities.

Other than as described in the review of operations below, there has been no significant change in the Corporation's principal activity during the year.

Operating results

The net result of the Corporation was $65 million deficit at the end of the year, representing the Corporation's 49.6 per cent share of Ausgrid Partnership's profit/(loss). The Corporation's expenses are reimbursed by the State, while distributions received from its retained interest in Ausgrid are fully repatriated to the State.

Distributions received

Total distributions received as at the reporting date for the period ending 30 June 2019 was $167 million, of which $21 million was a reinvestment dividend.

Review of operations

A review of the operations of the Corporation during the year and the results of those operations found that during the period, the Corporation continued to engage in its principal activity which is to provide effective stewardship and oversight of the State's retained interest in the Ausgrid electricity network, for the purpose of protecting the retained interest value and maximizing returns to the State. The financial results of the Corporation are disclosed in the attached financial statements. Financial and company secretariat support are provided by staff the of NSW Treasury for the Corporation and its subsidiaries.

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Directors' Report
for the year ended 30 June 2019

Significant changes in state of affairs

During the year the Australian Energy regulator made determinations regarding Ausgrid's regulated income for both the 2014 to 2019 period and the forthcoming 2019 to 2024 periods, which significantly reduced revenues. With the objective of maintaining Ausgrid's current Baa1 (Moody's) and BBB (Standard & Poors) credit ratings, the Ausgrid Board resolved to use surplus cash to repay debt over the next 2 years, which will restrict cash flow to the Corporation over that period. There were no other significant events during the year.

Significant events after the balance date

No matters or circumstances have arisen since the end of the reporting date which significantly affected or may significantly affect the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in future financial years.

Indemnification and insurance of directors

Insurance premiums have been paid to cover any legal liabilities relating to professional indemnity and directors during or since the end of the year for any person who is or has been a director of the Corporation.

By a Deed of Indemnity dated 23 November 2016, the Corporation has indemnified each Director against:

(a) civil liability (other than a liability to the Corporation or a Subsidiary) for liability incurred in his or her capacity as a Director (unless the liability arises out of conduct involving a lack of good faith), and

(b) liability for costs incurred in defending proceedings (civil or criminal) in which judgement is given in favour of the Director or the Director is acquitted.

Indemnification of auditors

To the extent permitted by law, the Corporation has agreed to indemnify its auditors, Audit Office of NSW, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit.

No payment has been made to indemnify the Audit Office of NSW during or since the financial year.

Auditor's independence declaration

The directors received the following declaration from the auditor of the Corporation.

Signed in accordance with a resolution of the Directors:

Director: ....

Dated 27 September 2019

INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation – Ausgrid

To Members of the New South Wales Parliament and Directors of the Electricity Retained Interest Corporation – Ausgrid

Opinion

I have audited the accompanying financial report of the Electricity Retained Interest Corporation – Ausgrid (the Corporation), which comprises the Directors Declaration, the Consolidated Statement of Comprehensive Income for the year ended 30 June 2019, the Consolidated Statement of Financial Position as at 30 June 2019, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- gives a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- is in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the Corporation's and consolidated entity's financial position(s) as at 30 June 2019 and of its performance for the year ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001

Basis for Opinion

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

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- *Corporations Act 2001*
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

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

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

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

I confirm the independence declaration, required by the *Corporations Act 2001*, provided to the directors of the Corporation on 27 September 2019, would be in the same terms if provided to the directors as at the time of this Independent Auditor's Report.

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

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Directors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Director's Report.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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.

Directors' Responsibilities for the financial report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the PF&A Act and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- 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 report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf.The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Corporation or the consolidated entity carried out 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 report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Renee Meimaroglou
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

Electricity Retained Interest Corporation - Ausgrid
ABN 40 543 372 305

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	Actual 2019 Consolidated $'000	Budget 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Share of profit/(loss) in associate	4	80,298	154,000	256,234	-	-
Grants and other contribution	4	827	752	963	813	941
Contribution paid	5	(145,653)	(154,000)	(195,628)	-	-
Directors fees	5	(350)	(367)	(342)	(350)	(342)
Other expenses	5	(477)	(385)	(621)	(463)	(599)
Net result for the period		**(65,355)**	**-**	**60,606**	**-**	**-**
Other comprehensive income:						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		(240,635)		(31,198)		-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		(4,249)		694		-
Total share of associate's other comprehensive income/(loss)	6	(244,884)	-	(30,504)	-	-
Total comprehensive income/(loss)		**(310,239)**	**-**	**30,102**	**-**	**-**

The accompanying notes form an integral part of these financial statements.

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Consolidated Statement of Financial Position
as at 30 June 2019

	Notes	Actual 2019 Consolidated $'000	Budget 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Current assets						
Receivables		-	97	-	-	-
Total current assets		**-**	**97**	**-**	**-**	**-**
Non-current assets						
Investment in associate	6	3,643,570	3,923,707	3,953,809	-	-
Total non-current assets		**3,643,570**	**3,923,707**	**3,953,809**	**-**	**-**
Total assets		**3,643,570**	**3,923,804**	**3,953,809**	**-**	**-**
Current liabilities						
Payables		-	97	-	-	-
Total current liabilities		**-**	**97**	**-**	**-**	**-**
Total non-current liabilities		**-**	**-**	**-**	**-**	**-**
Total liabilities		**-**	**97**	**-**	**-**	**-**
Net assets /(liabilities)		**3,643,570**	**3,923,707**	**3,953,809**	**-**	**-**
Equity						
Contributed capital	7	3,852,126	3,886,606	3,852,126	-	-
Reserves	7	(245,793)	37,101	(5,158)	-	-
Accumulated surplus/(losses)	7	37,237	0	106,841	-	-
Total equity		**3,643,570**	**3,923,707**	**3,953,809**	**-**	**-**

The accompanying notes form an integral part of these financial statements.

Electricity Retained Interest Corporation - Ausgrid
ABN 40 543 372 305

Consolidated Statement of Cash Flows
for the year ended 30 June 2019

	Actual 2019 Consolidated $'000	Budget 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Net cash flows from operating activities	-	-	-	-	-
Net cash flows from investing activities	-	-	-	-	-
Net cash flows from financing activities	-	-	-	-	-
Net increase/(decrease) in cash	-	-	-	-	-
Opening cash and cash equivalents	-	-	-	-	-
Closing cash and cash equivalents	-	-	-	-	-

The accompanying notes form an integral part of these financial statements.

Electricity Retained Interest Corporation - Ausgrid
ABN 40 543 372 305

Consolidated Statement of Changes in Equity
for the year ended 30 June 2019

	Consolidated				Parent		
	Contributed Capital $'000	Accumulated funds $'000	Reserve $'000	Total $'000	Contributed Capital $'000	Accumulated funds $'000	Total $'000
Balance at 1 July 2018	**3,852,126**	**106,841**	**(5,158)**	**3,953,809**	**-**	**-**	**-**
Net result for the period	-	(65,355)	-	(65,355)	-	-	-
Other comprehensive income							
Investment in associate	-	(4,249)	(240,635)	(244,884)	-	-	-
Total other comprehensive income	-	(4,249)	(240,635)	(244,884)	-	-	-
Total comprehensive income	-	(69,604)	(240,635)	(310,239)	-	-	-
Balance at 30 June 2019	**3,852,126**	**37,237**	**(245,793)**	**3,643,570**	**-**	**-**	**-**

	Consolidated				Parent		
	Contributed Capital $'000	Accumulated funds $'000	Reserve $'000	Total $'000	Contributed Capital $'000	Accumulated funds $'000	Total $'000
Balance at 1 July 2017	**3,852,126**	**45,541**	**26,040**	**3,923,707**	**-**	**-**	**-**
Net result for the period	-	60,606	-	60,606	-	-	-
Other comprehensive income							
Investment in associate	-	694	(31,198)	(30,504)	-	-	-
Total other comprehensive income	-	694	(31,198)	(30,504)	-	-	-
Total comprehensive income	-	61,300	(31,198)	30,102	-	-	-
Balance at 30 June 2018	**3,852,126**	**106,841**	**(5,158)**	**3,953,809**	**-**	**-**	**-**

NOTES INDEX

1. Information on the Corporation

The Corporation was set up under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Ausgrid's network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015*, and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was established on 1 December 2016.

The retained interest is a 49.6 per cent interest in the Ausgrid distribution network business which is constituted by three (3) partnerships:

1. Ausgrid Network Asset Partnership (NAP) which holds the regulated network assets;
2. Ausgrid Operator Partnership (NOP) which operates the regulated network assets;
3. Plus ES Partnership (AUP) which owns and conducts unregulated activities.

The Corporation holds a 49.6 per cent interest in each of NAP, NOP and AUP via controlled entities.

The Corporation is a NSW government entity and is a not-for-profit entity from 4 November 2016. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

The consolidated financial statements of the Corporation and its subsidiaries for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 27 September 2019.

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

2. Basis for Consolidation

Subsidiaries

The consolidated financial statements of the Corporation include the Corporation as parent and its subsidiaries (see "Entities within the Group") as at 30 June 2019. The Corporation achieves control through the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary
- The ability to use its power over the investee to affect its returns

The Corporation has considered all relevant facts and circumstances in assessing whether it has power over a subsidiary, including:

- The contractual arrangement(s) with the other vote holders of the subsidiary
- Rights arising from other contractual arrangements
- The Corporation's voting rights and potential voting rights

The Corporation re-assesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements.

2. Basis for Consolidation (continued)

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the parent of the Corporation and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Corporation are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Corporation loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. The Corporation's retained investment is recognised at fair value.

Entities within the Group

The Corporation's Group comprises of the following entities:

Electricity Retained Interest Corporation - Ausgrid, ERIC Alpha Holdings Pty Ltd (Alpha Holdings), four ERIC Alpha Asset Trusts (NAPTs), four ERIC Alpha Operator Trusts (NOPTs), four ERIC Alpha AUP Trusts (NAUPTs) and the associated four ERIC Alpha Asset Corporations (NAPT Trustee), four ERIC Alpha Operator Corporations (NOPT Trustee) and four ERIC Alpha AUP Corporations (NAUPT Trustee) companies. NAPTs, NOPTs and NAUPTs hold the legal interests of the retained interest.

Under the Act, a Fund has been established for the Corporation in the Special Deposit Account (SDA) where all financial returns (including distribution income, return of capital and any financial distribution) derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be deposited. This SDA is controlled by the State, and not the Corporation. Therefore, the Corporation (or the entities it controls) does not recognise the SDA within its financial statements and do not themselves pay distributions.

3. Significant Accounting Policies

Basis of Preparation

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

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

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

The Corporation is tax exempt and not registered for goods and services tax (GST).

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

Comparative information

The comparative receivable and payable balances have been derecognised in light of a renewed interpretation of the *AASB 9 Financial Instruments* (AASB 9). Receivable and payable balances will be reported by the Crown Entity as it controls the SDA which funds for the settlement of the asset and liability.

3. Significant Accounting Policies (continued)

Further, share of profit/(loss) in associate has been aggregated with distribution income received from investments in associate. A reconciliation of movements schedule has been added in Note 6.

In prior periods, other comprehensive income relating to changes in the fair value of cash flow hedges were taken to accumulated funds, however in current period this has been split out to reserves to reflect more accurate disclosure. Comparative numbers were changed to reflect this.

In all other cases, except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous year for the amounts reported in the financial statements.

Statement of compliance

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

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

The accounting policies applied in the year are consistent with those of the previous financial year. The Corporation has adopted AASB 9, which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures*. The Corporation applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement*. There have been no material differences arising from the adoption of AASB 9 during the 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 current reporting period but may be applicable to the Corporation:

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers-Not-for-profits only* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures* (operative date 1 July 2019)
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)

As mandated by Treasury Circular TC19-04, the Corporation has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective. Management have assessed the impact of new accounting standards issued but not yet effective and concluded there is no material impact to the Corporation.

Significant Accounting 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. Any judgements, estimates and assumptions management have made are disclosed in the relevant notes to the financial statements.

3. Significant Accounting Policies (continued)

Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Distribution income

Distribution income is recognised reflecting the quarterly distributions from the partnerships which the State retains. This is offset by the contribution paid to the State as all financial returns must be deposited into the ERIC-A SDA. The SDA is controlled by the State. Refer to Note 4 and 6.

Grants and other contribution

The Corporation obtains control of the contribution or the right to receive the contribution; when it is probable that the economic benefits of the grant will flow to it, and the amount of the grant can be measured reliably.

Expenses

Expenses are recognised when incurred. Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. The Corporation reimburse NSW Treasury for these services and shown as administration charge in Note 5.

Cash and cash equivalents

Cash and cash equivalents are not recognised in the Consolidated Statement of Financial Position as the Corporation's SDA is controlled by the State.

Investment in associates

The State's retained interest in Ausgrid is accounted in the Corporation's investment in its associate as per AASB 128 *Investments in Associates* using the equity method. The reporting period for Ausgrid and the Corporation are in line with each other.

The Corporation has significant influence over its associates through the Board who participate in the financial and operating policy decisions of the investee, but do not have control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the associate since the acquisition date. The Corporation recognises its investment based on 49.6 per cent of the associate's net assets with the exception of property, plant and equipment which are adjusted to fair value, if required, in accordance with Treasury's Policy and Guidelines Paper TPP 14-01 *Valuation of Physical Non-current Assets at Fair Value*, AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

A fair value analysis of the valuation of property, plant and equipment (PPE) was undertaken as at the reporting date to assess the reasonableness of the book value of the PPE shown in the associate's account. The analysis applied a discounted cash flow methodology using historical cash flow data and projection out to 2025. Estimated future cash flows were discounted using an appropriate weighted average cost of capital specific to the associate. The fair value analysis concluded that the book value of the PPE adopted by the associate is a reasonable proxy for fair value.

The Corporation applied a discount rate of 7.13%. Had the Corporation applied a discount rate that was 0.25% higher or 0.25% lower than this rate, the following fair values would have resulted:

Discount Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
	15,800	16,700	17,600

3. Significant Accounting Policies (continued)

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

Going Concern

The State will provide the Corporation support in the form of contributions to meet its debt obligations as and when they become due and payable. As a result, the financial statements are prepared on a going concern basis.

4. Income

	Actual 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Share of profit/(loss) in associate	80,298	256,234	-	-
Contribution from Crown Entity[1]	827	963	813	941
Total	**81,125**	**257,197**	**813**	**941**

[1] The Corporation does not have a bank account. Electricity Retained Interest Corporation - Ausgrid Fund (the Fund) was established under Section 32 of the Act to facilitate all financial transactions of the Corporation. The Fund is a SDA controlled by the State (Crown Entity) and the Corporation was appointed as the administrator for the Fund.

Under this arrangement, dividend distribution from the partnership can be paid into the Fund and subsequently remitted to the Consolidated Fund. Any operational expenditures of the Corporation are to be met by the Fund effectively giving the Corporation a grant contribution towards its operational costs.

5. Expenses

	Actual 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Contribution paid				
Contribution paid to Crown entity	145,653	195,628	-	-
Total	**145,653**	**195,628**	**-**	**-**
Director fees				
Fees	320	312	320	312
Superannuation contribution	30	30	30	30
Total	**350**	**342**	**350**	**342**
Other expenses				
Audit fees	85	90	74	71
Consultant fees	-	59	-	59
Admininstration charge	250	250	250	-
Other	142	222	139	469
Total	**477**	**621**	**463**	**599**

Electricity Retained Interest Corporation - Ausgrid
ABN 40 543 372 305

Notes to the Consolidated Financial Statements
for the year ended 30 June 2019

6. Investment in associate

The Corporation's Group investment in an associate represents 100 per cent interest in shares of Alpha Holdings, which has an investment in associate consisting of the NSW Government's 49.6 per cent share in Ausgrid Asset Partnership (NAP), Ausgrid Operator Partnership (NOP) and Plus ES Partnership Ausgrid Unregulated Partnership (AUP); IFM Investors and AustralianSuper hold the other 50.4 per cent in equal shares.

	Actual 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Investment in associate	3,643,570	3,953,809	-	-
	3,643,570	**3,953,809**	**-**	**-**

The Corporation's share of associate's assets and liabilties

Current assets	321,459	343,480	-	-
Non-current assets	10,540,456	10,062,793	-	-
	10,861,915	10,406,273	-	-
Current liabilities	358,199	329,443	-	-
Non-current liabilities	6,860,146	6,123,021	-	-
	7,218,345	6,452,464	-	-
Net assets	**3,643,570**	**3,953,809**	**-**	**-**

The Corporation's share of associate's profit

Revenue	1,288,608	1,297,437	-	-
Profit before income tax	80,298	256,234	-	-
Profit after income tax	**80,298**	**256,234**	**-**	**-**
Other comprehensive income	(244,884)	(30,504)	-	-
Total comprehensive income	**(164,586)**	**225,730**	**-**	**-**

The Corporation's share of associate's commitments for expenditure

Capital expenditure	145,328	159,414	-	-
Operating leases as lessee	5,952	40,722	-	-
Operating leases as lessor	7,936	9,523	-	-

6. Investment in associate (continued)

Reconciliation of Movements

	Actual 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Balance at the beginning of the financial year	3,953,809	3,923,707	-	-
Additional investment in existing associate	21,328	-	-	-
Share of associates net profit/(loss)	80,298	256,234	-	-
Share in other comprehensive income	(244,884)	(30,504)		
Dividends received	(166,981)	(195,628)	-	-
Balance at the end of the financial year	3,643,570	3,953,809	-	-

7. Equity

Contributed capital - retained interest in partnerships	3,852,126	3,852,126	-	-
Accumulated surplus	37,237	106,841	-	-
Reserves	(245,793)	(5,158)	-	-
Closing Balance	**3,643,570**	**3,953,809**	**-**	**-**

Contributed capital

Contributed capital represents fully paid ordinary shares issued to ERIC Alpha Holdings Pty Ltd for $1 consideration on incorporation under one or more vesting orders made by the Treasurer of NSW under the *Electricity Network Assets (Authorised Transactions) Act 2015*.

8. Budget review

Net result

The net result of the Corporation was $65 million deficit at the end of the year, representing the Corporation's 49.6 per cent share of Ausgrid Partnership's profit/(loss). The primary driver for this deficit relates to impairment of goodwill in the Ausgrid business. The Corporation's expenses are reimbursed by the State, while distributions received from its retained interest in Ausgrid are fully repatriated to the State.

Total expenses were $146 million, $8 million lower than budget mainly due to a reduction in distributions received from Ausgrid Partnerships which were then remitted to the Consolidated Fund in accordance with the Treasurer's direction.

Total revenue for 2019 was $81 million, $73 million lower than budget due to the decline of distributions received from the Partnerships and the net profit position of the Ausgrid Partnership, reducing by $355 million against prior period, impacting on the Corporation's 49.6 per cent share of Ausgrid's profit recognised for the current reporting period.

8. Budget review (continued)

Assets and Liabilities

Total assets for the year were $3,643 million, $281 million lower than the budget due to the reduction in the investment value in the Ausgrid Partnership.

Further, with receivables and payables being derecognised due to a renewed interpretation of AASB 9 at 30 June 2019, these numbers came in lower than budgeted. However, net impact is nil.

Cash flows

The Corporation does not have a bank account. Under Section 32 of the Act, the Electricity Retained Interest Corporation – Ausgrid Fund (the Fund) was established as a SDA to facilitate all financial and investment return of the Corporation, disburse the operational cost incurred by the Corporation and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report was prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation.

9. Legal interest in Network Asset Partnership Trusts, Network Asset Operator Partnership Trusts and Network Unregulated Partnership Trusts

The Corporation, through Ausgrid Network Asset Partnership Trusts (NAPTs), Ausgrid Network Asset Operator Partnership Trusts (NOPTs) and Ausgrid Network Unregulated Partnership Trusts (AUPTs) holds a 49.6 per cent legal equity interest in the NAP, NOP and AUP.

All financial returns of NAP, NOP and AUP derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be payable directly into the SDA which is controlled by the State, in accordance with the Act. The Corporation recognise the retained interest in NAP, NOP and AUP in the Consolidated Statement of Financial Position using the equity method.

10. Contingent assets and contingent liabilities

The Corporation's contingent assets of nil (2018: nil) and contingent liabilities of $17.86 million (2018: $12.95 million) represent its 49.6 per cent share in the associate's contingent assets and contingent liabilities.

11. Compensation of Key Management Personnel

	2019 Consolidated $'000	2018 Consolidated $'000
Short-term employee benefits[1]	350	342
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Total	**350**	**342**

[1] Fees including superannuation benefits and salaries paid to the Directors.

12. Related parties

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

The Corporation does not have employees. The key management personnel services were provided by NSW Treasury. The Corporation Directors are independent members who have been appointed by the Treasurer.

Refer to Note 11 Compensation of Key Management Personnel for total remuneration payable to the Directors.

No loans were made to any of the KMP by the Corporation during the year.

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with Director related entities

The Directors of the Corporation are also Directors for the NAP, NOP and AUP. Distributions received from the Partnerships to the Corporation during the year are reported in the Consolidated Statement of Comprehensive Income. No other transactions were made between the Corporation and the Partnerships during the year.

(iii) Transactions with other related entities

Services provided by other government agencies to the Corporation include payroll, accounting and finance, administrative and company secretariat services. These services were provided to the Corporation in the same commercial terms as for any other agencies.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. The cost of these services is shown as an administrative charge in the Corporation.

As the Corporation does not have a bank account, all expenses incurred by the Corporation are funded by the Crown as grant income.

13. Events after the reporting date

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statement

Electricity Retained Interest Corporation – Endeavour Energy

ABN 61 573 737 242

Financial Statements
for the year ended 30 June 2019

Electricity Retained Interest Corporation – Endeavour Energy

ABN 61 573 737 242

CHARTER

The Electricity Retained Interest Corporation – Endeavour Energy (ERIC-E) was established on 2 June 2017 under the Electricity Retained Interest Corporation Act 2015.

OBJECTIVES

The purpose of ERIC-E is to provide for the effective stewardship and oversight, protecting the value and maximising returns, of the retained interest of the State of New South Wales in Endeavour Energy's distribution network assets under the Electricity Network Assets (Authorised Transactions) Act 2015.

STAFFING

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

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Financial Statements
for the year ended 30 June 2019

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Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Directors' Declaration
for the year ended 30 June 2019

Directors' Declaration

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

(a) The accompanying financial statements exhibit a true and fair view of the Electricity Retained Interest Corporation – Endeavour Energy's financial position as at 30 June 2019 and the financial performance for the year then ended

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2015*, *Corporation Act 2001* and NSW Treasury Policy and Guidelines Papers and Directions; and

(c) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Director ....

Dated 27/9/19

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Directors' Report
for the year ended 30 June 2019

The Directors present their report on Electricity Retained Interest Corporation - Endeavour Energy (the Corporation) for the financial year ended 30 June 2019.

Information on Directors

The names of each person who has been a director during the period and to the date of this report are:

Trevor Danos AM (Chair)
Helen Conway
Scott Davies

Principal activities

The Corporation was set up under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Endeavour's Energy distribution network business under the *Electricity Network Assets (Authorised Transactions) Act 2015* and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was acquired on 14 June 2017.

The retained interest is a 49.6 per cent interest in the Endeavour Energy distribution network business which is constructed by three (3) partnerships:

1. Endeavour Energy Network Asset Partnership (NAP) holding regulated assets;
2. Endeavour Energy Network Operator Partnership (NOP) which operates the regulated assets;
3. Endeavour Energy Network Unregulated Partnership (NUP) which owns and conducts unregulated activities.

The Corporation holds a 49.6 per cent interest in each of NAP, NOP and NUP via controlled entities.

Other than as described in the review of operations below, there has been no significant change in the Corporation's principal activity during the year.

Operating results

The net result of the Corporation was $109 million for the period, representing the Corporation's 49.6 per cent share of Endeavour Energy Partnership's profit and loss. All expenses of the Corporation are reimbursed by the State, while distributions received from its retained interest in Endeavour Energy are fully repatriated to the State.

Distributions received

Total distribution received as at the reporting date was $33 million.

Review of operations

A review of the operations of the Corporation during the year and the results of those operations found that during the year, the Corporation continued to engage in its principal activity. The financial results of the Corporation are disclosed in the attached financial statements. Financial and company secretariat support are provided by staff of the NSW Treasury for the Corporation and its subsidiaries.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Corporation during the year.

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Directors' Report
for the year ended 30 June 2019

Significant events after the balance date

No matters or circumstances have arisen since the end of the reporting date which significantly affected or may significantly affect the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in future financial years.

Indemnification and insurance of directors

Insurance premiums have been paid to cover any legal liabilities relating to professional indemnity and directors and officers liability during or since the end of the year for any person who is or has been a director of the Corporation.

By a Deed of Indemnity dated 8 June 2017, the Corporation has indemnified each director against:

(a) civil liability (other than a liability to the Corporation or a Subsidiary) for liability incurred in his or her capacity as a director (unless the liability arises out of conduct involving a lack of good faith), and

(b) liability for costs incurred in defending proceedings (civil or criminal) in which judgement is given in favour of the director or the director is acquitted.

Indemnification of auditors

To the extent permitted by law, the Corporation has agreed to indemnify its auditors, Audit Office of NSW, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit.

No payment has been made to indemnify the Audit Office of NSW during or since the financial year.

Auditor's independence declaration

The directors received the following declaration from the auditor of the Corporation.

Signed in accordance with a resolution of the directors:

Director: ....

Dated 27/9/19

INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation – Endeavour Energy

To Members of the New South Wales Parliament and Directors of the Electricity Retained Interest Corporation – Endeavour Energy

Opinion

I have audited the accompanying financial report of the Electricity Retained Interest Corporation – Endeavour Energy (the Corporation), which comprises the Consolidated Statement of Comprehensive Income for the year ended 30 June 2019, the Consolidated Statement of Financial Position as at 30 June 2019, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial report:

- gives a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- is in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the Corporation's and consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- *Corporations Act 2001*
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

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

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

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

I confirm the independence declaration, required by the *Corporations Act 2001*, provided to the directors of the Corporation on 27 September 2019, would be in the same terms if provided to the directors as at the time of this Independent Auditor's Report.

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Directors' Report.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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.

Directors' Responsibilities for the financial report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the PF&A Act and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- 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 report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf.The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Corporation or the consolidated entity carried out 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 report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Renee Meimaroglou
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

Electricity Retained Interest Corporation-Endeavour Energy
ABN 61 573 737 242

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	Actual 2019 Consolidated $'000	Budget 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Share of profit / (loss) of associates	4	141,623	68,000	174,244	-	-
Transitional Asset Management Service Agreement (TAMSA) rebate	4	4,997	-	3,923	-	-
Grants and other contribution	4	797	753	967	785	948
Contribution paid	5	(37,954)	(68,000)	(78,323)	-	-
Directors' fees	5	(349)	(358)	(349)	(349)	(349)
Other expenses	5	(448)	(395)	(618)	(436)	(599)
Net result for the period		**108,666**	**-**	**99,844**	**-**	**-**
Other comprehensive income:						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		(158,262)	-	(15,078)	-	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		(5,109)	-	1,488	-	-
Total share of associate's other comprehensive income/(loss)	6	**(163,371)**	**-**	**(13,590)**	**-**	**-**
Total comprehensive income/(loss)		**(54,705)**	**-**	**86,254**	**-**	**-**

The accompanying notes form an integral part of the financial statements

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Consolidated Statement of Financial Position
as at 30 June 2019

	Notes	Actual 2019 Consolidated $'000	Budget 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Current assets						
Trade and other receivables		-	93	-	-	-
Total current assets		**-**	**93**	**-**	**-**	**-**
Non-current assets						
Investment in associate	6	1,977,997	1,946,448	2,032,702	-	-
Total non-current assets		**1,977,997**	**1,946,448**	**2,032,702**	**-**	**-**
Total assets		**1,977,997**	**1,946,541**	**2,032,702**	**-**	**-**
Current liabilities						
Trade and other payables		-	93	-	-	-
Total current liabilities		**-**	**93**	**-**	**-**	**-**
Non-current liabilities						
Total non-current liabilities		**-**		**-**	**-**	**-**
Total liabilities		**-**	**93**	**-**	**-**	**-**
Net assets /(liabilities)		**1,977,997**	**1,946,448**	**2,032,702**	**-**	**-**
Equity						
Contributed capital	7	1,946,448	1,946,448	1,946,448	-	-
Cash flow hedge reserve	7	(173,340)	-	(15,078)	-	-
Accumulated surplus/(losses)	7	204,889	-	101,332	-	-
Total equity		**1,977,997**	**1,946,448**	**2,032,702**	**-**	**-**

Electricity Retained Interest Corporation-Endeavour Energy
ABN 61 573 737 242

Consolidated Statement of Cash Flows
for the year ended 30 June 2019

	Actual 2019 Consolidated $'000	Budget 2018 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Net cash flows from operating activities	-	-	-	-	-
Net cash flows from investing activities	-	-	-	-	-
Net cash flows from financing activities	-	-	-	-	-
Net increase/(decrease) in cash	-	-	-	-	-
Opening cash and cash equivalents	-	-	-	-	-
Closing cash and cash equivalents	-	-	-	-	-

The accompanying notes form an integral part of the financial statements

Electricity Retained Interest Corporation-Endeavour Energy
ABN 61 573 737 242

Consolidated Statement of Changes in Equity
for the year ended 30 June 2019

	Consolidated				Parent			
	Contributed Capital $'000	Accumulated funds $'000	Cash Flow Hedge Reserve $'000	Total $'000	Contributed Capital $'000	Accumulated funds $'000	Cash Flow Hedge Reserve $'000	Total $'000
Balance at 1 July 2018	**1,946,448**	**101,332**	**(15,078)**	**2,032,702**	**-**	**-**	**-**	**-**
Net result for the year	-	108,666	-	108,666	-	-	-	-
Other comprehensive income								
Investment in associates	-	(5,109)	(158,262)	(163,371)	-	-	-	-
Total other comprehensive income	-	(5,109)	(158,262)	(163,371)	-	-	-	-
Total comprehensive income	-	103,557	(158,262)	(54,705)	-	-	-	-
Balance at 30 June 2019	**1,946,448**	**204,889**	**(173,340)**	**1,977,997**	**-**	**-**	**-**	**-**

	Consolidated				Parent			
	Contributed Capital $'000	Accumulated funds $'000	Cash Flow Hedge Reserve $'000	Total $'000	Contributed Capital $'000	Accumulated funds $'000	Cash Flow Hedge Reserve $'000	Total $'000
Balance at 1 July 2017	**1,946,448**	**-**	**-**	**1,946,448**	**-**	**-**	**-**	**-**
Net result for the year	-	99,844	-	99,844	-	-	-	-
Other comprehensive income								
Investment in associates	-	1,488	(15,078)	(13,590)	-	-	-	-
Total other comprehensive income	-	1,488	(15,078)	(13,590)	-	-	-	-
Total comprehensive income	-	101,332	(15,078)	86,254	-	-	-	-
Balance at 30 June 2018	**1,946,448**	**101,332**	**(15,078)**	**2,032,702**	-	-	-	-

The accompanying notes form an integral part of the financial statements

NOTES INDEX

Notes to the Consolidated Financial Statements
for the year ended 30 June 2019

1. Information on the Corporation

The Corporation was set up under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Endeavour's Energy distribution network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015* and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was acquired on 14 June 2017.

The retained interest is a 49.6 per cent interest in the Endeavour Energy distribution network business which is constructed by three (3) partnerships:

1. Endeavour Energy Network Asset Partnership (NAP) which holds regulated assets;
2. Endeavour Energy Network Operator Partnership (NOP) which operates the regulated assets;
3. Endeavour Energy Network Unregulated Partnership (NUP) which owns and conducts unregulated activities.

The Corporation holds a 49.6 per cent interest in each of NAP, NOP and NUP via controlled entities.

The Corporation is a NSW government entity and is not-for-profit entity from 2 June 2017. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

The consolidated financial statements of the Corporation and its subsidiaries for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 27 September 2019.

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

2. Basis for Consolidation

Subsidiaries

The consolidated financial statements of the Corporation include the Corporation as parent and its subsidiaries (see "Entities within the Group") as at 30 June 2019. The Corporation achieves control through the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary
- The ability to use its power over the investee to affect its returns

The Corporation has considered all relevant facts and circumstances in assessing whether it has power over a subsidiary, including:

- The contractual arrangement(s) with the other vote holders of the subsidiary
- Rights arising from other contractual arrangements
- The Corporation's voting rights and potential voting rights

The Corporation re-assesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements.

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the Corporation and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Corporation are eliminated in full on consolidation.

2. Basis for Consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Corporation loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. The Corporation's retained interest is recognised at fair value.

Entities within the Group

The Corporation's Group comprises of the following entities:

Electricity Retained Interest Corporation - Endeavour Energy, ERIC Epsilon Holdings Pty Ltd (Epsilon Holdings), four ERIC Epsilon Asset Trusts (NAPTs), four ERIC Epsilon Operator Trusts (NOPTs), four ERIC Epsilon Contestable Services Trusts (NUPTs) and the associated four ERIC Epsilon Asset Corporations (NAPT Trustee), four ERIC Epsilon Operator Corporations (NOPT Trustee) and four ERIC Epsilon Contestable Services Corporations (NUPT Trustee). The NAPTs, NOPTs and NUPTs (listed below) hold the legal interests of the retained interest.

NAPTs:

- ERIC Epsilon Asset Corporation 1 Pty Ltd (ACN 617 221 575) as trustee for the ERIC Epsilon Asset Trust 1 ABN 32 495 216 900
- ERIC Epsilon Asset Corporation 2 Pty Ltd (ACN 617 221 655) as trustee for the ERIC Epsilon Asset Trust 2 ABN 19 263 127 578
- ERIC Epsilon Asset Corporation 3 Pty Ltd (ACN 617 221 708) as trustee for the ERIC Epsilon Asset Trust 3 ABN 38 439 539 729
- ERIC Epsilon Asset Corporation 4 Pty Ltd (ACN 617 221 726) as trustee for the ERIC Epsilon Asset Trust 4 ABN 14 189 519 460

NOPTs:

- ERIC Epsilon Operator Corporation 1 Pty Ltd (ACN 617 221 735) as trustee for the ERIC Epsilon Operator Trust 1 ABN 97 830 110 255
- ERIC Epsilon Operator Corporation 2 Pty Ltd (ACN 617 221 744) as trustee for the ERIC Epsilon Operator Trust 2 ABN 21 361 312 116
- ERIC Epsilon Operator Corporation 3 Pty Ltd (ACN 617 221 753) as trustee for the ERIC Epsilon Operator Trust 3 ABN 71 809 200 912
- ERIC Epsilon Operator Corporation 4 Pty Ltd (ACN 617 221 771) as trustee for the ERIC Epsilon Operator Trust 4 ABN 25 428 963 442

NUPTs:

- ERIC Epsilon Contestable Services Corporation 1 Pty Ltd (ACN 621 653 736) as trustee for the ERIC Epsilon Contestable Services Trust 1 ABN 73 951 673 559
- ERIC Epsilon Contestable Services Corporation 2 Pty Ltd (ACN 621 653 843) as trustee for the ERIC Epsilon Contestable Services Trust 2 ABN 66 106 852 060
- ERIC Epsilon Contestable Services Corporation 3 Pty Ltd (ACN 621 653 923) as trustee for the ERIC Epsilon Contestable Services Trust 3 ABN 56 270 439 221
- ERIC Epsilon Contestable Services Corporation 4 Pty Ltd (ACN 621 654 055) as trustee for the ERIC Epsilon Contestable Services Trust 4 ABN 68 238 710 360

2. Basis for Consolidation (continued)

Under the Act, a Fund has been established for the Corporation in the Special Deposit Account (SDA) where all financial returns (including distribution income, return of capital and any financial distribution) derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be deposited. This SDA is controlled by the State, and not the Corporation. Therefore, the Corporation (or the entities it controls) does not recognise the SDA within its financial statements, and do not themselves pay distributions.

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 the Treasurer's Directions.

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

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

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

Comparative information

The comparative receivable and payable balances have been derecognised in light of a renewed interpretation of AASB 9 *Financial Instruments*. Receivable and payable balances will be reported by the Crown Entity as it controls the SDA where the settlement of the asset and liability occurs.

Further, share of profit/(loss) in associate has been aggregated with distribution income received from investment in associate. A reconciliation of movements schedule has been added in Note 6.

In prior periods, other comprehensive income relating to changes in the fair value of cash flow hedges were taken to accumulated funds, however in current period this has been split out to reserves to reflect more accurate disclosure. Comparative numbers were changed to reflect this.

In all cases, except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous year for the amounts reported in the financial statements.

Statement of compliance

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

3. Summary of Significant Accounting Policies (continued)

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

The Corporation has adopted AASB 9, which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB *7 Financial Instruments: Disclosures*. The Corporation applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement*. There have been no material differences arising from the adoption of AASB 9 during the 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 current year but may be applicable to the Corporation are:

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers-Not-for-profits only* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures* (operative date 1 July 2019)
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)

As mandated by Treasury Circular TC19-04, the Corporation has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective. Management have assessed the impact of new accounting standards issued but not yet effective and concluded there is no material impact to the Corporation.

Significant Accounting 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. Any judgements, estimates and assumptions management have made are disclosed in the relevant notes to the financial statements.

Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

3. Summary of Significant Accounting Policies (continued)

Distribution income

Distribution income is recognised reflecting the quarterly distributions from the partnerships which the State retains. This is offset by the contribution paid to the State as all financial returns must be deposited into the SDA. The SDA is controlled by the State. Refer to Note 6.

Grants and other contribution

The Corporation obtains control of the contribution or the right to receive the contribution; when it is probable that the economic benefits of the grant will flow to the Corporation, and the amount of the grant can be measured reliably.

Expenses

Expenses are recognised when incurred. Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. The Corporation reimburses NSW Treasury for these services and is recognised as other expenses.

Cash and cash equivalents

Cash and cash equivalents are not recognised in the Consolidated Statement of Financial Position as the SDA is controlled by the State.

Investment in associates

The State's retained interest in Endeavour Energy is accounted in the Corporation's investment in associate as per AASB 128 *Investments in Associates* using the equity method. The reporting period for Endeavour Energy and the Corporation are in line with each other.

The Corporation has significant influence over its associates through the Board who participate in the financial and operating policy decisions of the investee, but do not have control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the associate since the acquisition date. The Corporation recognises its investment based on 49.6 per cent of the associates net assets with the exception of property, plant and equipment which are adjusted to fair value, if required, in accordance with Treasury's Policy and Guidelines Paper TPP 14-01 *Valuation of Physical Non-Current Assets at Fair Value*, AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

A fair value analysis of the valuation of property, plant and equipment (PPE) was undertaken as at the reporting date to assess the reasonableness of the book value of the PPE shown in the associate's account. The analysis applied a discounted cash flow methodology using historical cash flow data and projections. Estimated future cash flows were discounted using an appropriate weighted average cost of capital specific to the associate. The fair value analysis concluded that the book value of the PPE adopted by the associate is a reasonable proxy for fair value.

The Corporation applied a discount rate of 6.9%. Had the Corporation applied a discount rate that was 0.25% higher or 0.25% lower than this rate, the following fair values would have resulted:

Discount Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
	7,245	7,655	8,116

3. Summary of Significant Accounting Policies (continued)

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

Goods and Services Tax

The Corporation is registered for goods and services tax (GST).

Going Concern

The State will provide the Corporation support in the form of contributions to meet its debt obligations as and when they become due and payable. As a result, the financial statements are prepared on a going concern basis.

Electricity Retained Interest Corporation-Endeavour Energy
ABN 61 573 737 242

Notes to the Consolidated Financial Statements
for the year ended 30 June 2019

4. Income

	2019 Consolidated $'000	2018 Consolidated $'000	2019 Parent $'000	2018 Parent $'000
Share of profit / (loss) of associate	141,623	174,244	-	-
Transitional Asset Management Service Agreement (TAMSA) rebate	4,997	3,923	-	-
Grants and other contributions[1]	797	967	785	948
Total	**147,417**	**179,134**	**785**	**948**

[1] The Corporation does not have a bank account. Electricity Retained Interest Corporation – Endeavour Energy Fund (the Fund) was established under Section 32 of the Act to facilitate all financial transactions of the Corporation. The Fund is a special deposit account (SDA) controlled by the State (Crown Entity) and the Corporation was appointed as the administrator for the Fund.

Under this arrangement, dividend distribution from the partnership are paid into the Fund and subsequently remitted to the Consolidated Fund. Any operational expenditures of the Corporation are to be met by the Fund effectively giving the Corporation a grant contribution towards its operational costs.

5. Expenses

	2019 Consolidated $'000	2018 Consolidated $'000	2019 Parent $'000	2018 Parent $'000
Contribution paid				
Contribution paid to Crown Entity	37,954	78,323	-	-
	37,954	**78,323**	**-**	**-**
Director fees				
Fees	319	319	319	319
Superannuation contribution	30	30	30	30
	349	**349**	**349**	**349**
Other expenses				
Audit fees	85	64	73	46
Administration charge	250	275	250	275
Other	113	279	113	278
	448	**618**	**436**	**599**
Total Expenses	**38,751**	**79,290**	**785**	**948**

6. Investment in associate

The Corporation's Group investment in an associate represents 100 per cent interest in the shares of the ERIC Epsilon Holdings Pty Ltd, which has an investment in an associate consisting of NSW Government's 49.6 per cent share in Endeavour Energy Asset Partnership (NAP) and Endeavour Energy Operator Partnership (NOP) and Endeavour Energy Network Unregulated Partnership (NUP), with the Edwards partner consortium holding the other 50.4 percent.

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2019**

6. Investment in associate (continued)

	Actual 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Investment in associate	1,977,997	2,032,702	-	-
Total	**1,977,997**	**2,032,702**	**-**	**-**

The Corporation's share of associate's assets and liabilities

Current assets	271,510	211,197	-	-
Non-current assets	5,000,076	4,788,676	-	-
	5,271,586	4,999,873	-	-
Current liabilities	183,768	165,416	-	-
Non-current liabilities	3,109,821	2,801,755	-	-
	3,293,589	2,967,171	-	-
Net assets	**1,977,997**	**2,032,702**	**-**	**-**

The Corporation's share of associate's profit

Revenue	693,458	750,250	-	-
Profit before income tax	141,623	(51,089)	-	-
Profit after income tax	**141,623**	**(51,089)**	**-**	**-**
Other comprehensive income	(163,371)	(13,590)	-	-
Total comprehensive income	**(21,748)**	**(64,679)**	**-**	**-**

The Corporation's share of associates's commitments for expenditure

Capital expenditure	100,242	68,002	-	-
Operating leases as lessee	6,101	5,357	-	-
Operating leases as lessor	397	645	-	-

Notes to the Consolidated Financial Statements
for the year ended 30 June 2019

6. Investment in associate (continued)

	Actual 2019 Consolidated $'000	Actual 2018 Consolidated $'000	Actual 2019 Parent $'000	Actual 2018 Parent $'000
Balance at the beginning of the financial year	2,032,702	1,946,448	-	-
Share of associates net profit/(loss)[1]	141,623	174,244	-	-
Share of associates other comprehensive income/(loss)	(163,371)	(13,590)	-	-
Dividends received	(32,957)	(74,400)	-	-
Balance at the end of the financial year	**1,977,997**	**2,032,702**	**-**	**-**

[1] Share of profit/loss of associate includes State's share of stamp duty

7. Equity

	2019 Consolidated $'000	2018 Consolidated $'000	2019 Parent $'000	2018 Parent $'000
Contributed Capital - retained interest in partnerships[1]	1,946,448	1,946,448	-	-
Cash flow hedge reserve	(173,340)	(15,078)		
Accumulated surplus	204,889	101,332	-	-
Closing Balance	**1,977,997**	**2,032,702**	**-**	**-**

[1.] *Contributed capital*

Contributed capital represents fully paid ordinary shares issued to ERIC Epsilon Holdings Pty Ltd for $1 consideration on incorporation under one or more vesting orders made by the Treasurer of NSW under the *Electricity Network Assets (Authorised Transactions) Act 2015*. Contributed capital excludes stamp duty.

8. Budget review

Net result

The net result of the Corporation was $109 million at the end of the year, representing the Corporation's 49.6 per cent share of Endeavour Energy Partnership's profit/(loss) and the rebate of fees payable under the Transitional Asset Management Services Agreement. The Corporation's expenses are reimbursed by the State, while distributions received from its retained interest in Endeavour are fully repatriated to the State.

Total expenses were $39 million, $30 million lower than budget mainly due to lower distributions received from Endeavour Energy Partnerships which were subsequently remitted to the Consolidated Fund in accordance with the Treasurer's direction.

Total revenue for 2019 was $147 million, $78 million higher than budget due to the Corporation's $142 million share of the Endeavour Energy Partnership's net profit, of which $68m in distributions was budgeted.

8. Budget review (continued)

Assets and Liabilities

Total assets for the year were $1,978 million, $32 million higher than the budget due to movements in the total share of associate's comprehensive income/loss.

Cash flows

The Corporation does not have a bank account. Under Section 32 of the Act, the Electricity Retained Interest Corporation – Endeavour Fund (the Fund) was established as a SDA to facilitate all financial and investment return of the Corporation, disburse the operational cost incurred by the Corporation and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report was prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation.

The published Budget Paper for the Corporation discloses the activities of the SDA which is controlled and already captured by the Crown Entity. These activities are not recognised by the Corporation.

9. Legal interest in Network Asset Partnership Trusts, Network Operator Partnership Trusts and Network Unregulated Partnership Trusts

The Corporation, through Endeavour Energy Network Asset Partnership Trusts (NAPTs), Endeavour Energy Network Operator Partnership Trusts (NOPTs) and Endeavour Energy Network Unregulated Partnership Trusts (NUPTs), holds a 49.6 per cent legal equity interest in NAP, NOP and NUP.

All financial returns of NAP, NOP and NUP derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be payable directly into the SDA which is controlled by the State, in accordance with the Act. The Corporation recognises the retained interest in NAP, NOP & NUP in the Consolidated Statement of Financial Position using the equity method.

10. Contingent assets and contingent liabilities

The Corporation's contingent assets is $1.49 million (2018: nil) and contingent liabilities of $2.23 million (2018: $1.64 million) represents its 49.6 per cent share in the associate's contingent assets and contingent liabilities.

11. Compensation of Key Management Personnel

	2019 Parent $'000	2018 Parent $'000
Short-term employee benefits[1]	349	349
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Total	**349**	**349**

[1.] **Short-term employee benefits**
Fees including superannuation benefits and salaries payable to the Directors.

12. Related parties

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

The Corporation does not have employees. The key management personnel services were provided by NSW Treasury. The Corporation Directors are independent members who have been appointed by the Treasurer.

Refer to Note 11 Compensation of Key Management Personnel for total remuneration payable to the Directors.

No loans were made to any of the KMP by the Corporation during the year.

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with Director related entities

The Directors of the Corporation are also Directors for the Endeavour Asset Network Partnership, Endeavour Asset Operator Partnership and Endeavour Energy Network Unregulated Partnership. Distributions from the Partnerships to the Corporation during the year are reported in the Consolidated Statement of Comprehensive Income. No other transactions were made between the Corporation and the Partnerships during the year.

12. Transactions with related parties (continued)

(iii) Transactions with other related entities

Services provided by other government agencies to the Corporation include payroll, accounting and finance, administrative and company secretariat services. These services were provided to the Corporation in the same commercial terms as for any other agencies.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. The cost of these services is shown as an administrative charge in the Corporation.

As the Corporation does not have a bank account, all expenses incurred by the Corporation are funded by the Crown as grant income.

13. Event after the reporting date

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

NSW GOVERNMENT | Treasury

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Financial Statements
for the year ended 30 June 2019

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

CHARTER

The Roads Retained Interest Pty Ltd (RRIPL) was established on 1 June 2018 under the Corporations Act 2001.

OBJECTIVES

The key function of RRIPL is to provide effective stewardship and oversight of the State's retained interest in the WestConnex Group. The RRIPL is responsible for protecting the value of the State's investment and maximising returns.

STAFFING

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

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

CONTENTS

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Directors' Report
For the period ended 30 June 2019

Directors Report

The Directors present their report on Roads Retained Interest Pty Ltd (RRIPL) for the period ended 30 June 2019. RRIPL's first reporting period covers the period from its incorporation on 1 June 2018 through to 30 June 2019.

Information on Directors

The names of each person who has been a director during the year and to the date of this report are:

Philip Gardner (Interim Chair from 1 June 2018 until 27 October 2018 and resigned on 30 November 2018)
John Cooper (Appointed 27 October 2018, Chair until 5 May 2019 and resigned on 5 May 2019)
John O'Sullivan (Appointed 14 June 2018)
Peter McVean (Appointed 18 June 2018 and Chair from 27 May 2019)
Cameron Robertson (Appointed 27 October 2018)

Directors have been in office since the date of appointment, to the date of this report unless otherwise stated.

Principal activities

RRIPL (the Corporation), a Corporations Act company, was established to hold the State's retained interest in the WestConnex Group. The Corporation was established on 1 June 2018 and the retained interest is a 49 per cent interest in the WestConnex Group.

The Corporation's function is to provide effective stewardship and oversight of the retained interest for which it is responsible, for the purpose of protecting value and seeking to maximise returns to the State.

No significant changes in the nature of the Corporation's principal activity occurred during the reporting period.

Operating results

The net loss of the Corporation is $3.10 million at the end of the reporting period. The distributions received from its retained interest in WestConnex Group was contributed into the NSW Generations Fund (NGF), a fund dedicated to paying down the debts of the State.

Distributions paid or recommended

Total distributions paid at the reporting date was $1.08 billion. This relates to a return of capital from the WestConnex Group and was directed into the NGF, the State's debt retirement fund.

Review of operations

A review of the operations of the Corporation during the period and the results of those operations found that during the period, the Corporation continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. NSW Treasury provide financial and company secretariat support servies for the Corporation.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Corporation during the period, as this is the first year of incorporation.

Significant events after the balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in future financial years.

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Directors' Report
For the period ended 30 June 2019

Indemnification and insurance of Directors and officers

Insurance premiums was paid to cover any legal liabilities relating to professional indemnity and directors and officers during or since the end of the reporting period for any person who is or has been an officer of the Corporation.

Indemnification of auditors

To the extent permitted by law, the Corporation has agreed to indemnify its auditors, Audit Office of NSW, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit.

No payment has been made to indemnify the Audit Office of NSW during or since the financial year.

Auditor's independence declaration

The Directors received the following declaration from the auditor of the Corporation.

Signed in accordance with a resolution of the Directors:

Director: ....

Dated 24 September 2019

To the Directors
Roads Retained Interest Pty Ltd

Auditor's Independence Declaration

As auditor for the audit of the financial statements of Roads Retained Interest Pty Ltd for the period ended 30 June 2019, I declare, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

23 September 2019
SYDNEY

INDEPENDENT AUDITOR'S REPORT

Roads Retained Interest Pty Ltd

To Members of the New South Wales Parliament and Members of Roads Retained Interest Pty Ltd

Opinion

I have audited the accompanying financial statements of Roads Retained Interest Pty Ltd (the Company), which comprise the Statement of Comprehensive Income for the period 1 June 2018 to 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Cash Flows and the Statement of Changes in Equity for the period then ended, notes comprising a summary of Significant Accounting Policies and other explanatory information, and the Directors' Declaration.

In my opinion, the financial statements:

- are in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the Company's financial position as at 30 June 2019 and its performance for the period ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001
- are in accordance with section 45F of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

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

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

- Australian Auditing Standards
- *Corporations Act 2001*
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

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

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

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

I confirm the independence declaration, required by the *Corporations Act 2001*, provided to the directors of the Company on 23 September 2019, would be in the same terms if provided to the directors as at the time of this Independent Auditor's Report.

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

Other Information

The Company's annual report for the period ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Company are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Director's Report.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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.

Directors' Responsibilities for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act, *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Company carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Directors' Declaration
For the period ended 30 June 2019

Directors' Declaration

In accordance with a resolution of Directors of Roads Retained Interest Pty Ltd, and 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 Roads Retained Interest Pty Ltd financial position as at 30 June 2019 and the financial performance for the period between 1 June 2018 and 30 June 2019

(b) The financial statements comply with Australian Accounting Standards and have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015, Corporation Act 2001* and NSW Treasury Policy and Guidelines Papers; and

(c) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Director ....

Dated 24 September 2019

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Statement of Comprehensive Income
For the period ended 30 June 2019

	Notes	1 June 2018 - 30 June 2019 $'000
Revenue		
Interest Income	3	84
Share of profit/(loss) in associate	3	(5,595)
Grants and contributions	4	3,500
Total Revenue/(loss)		**(2,011)**
Expenses		
Directors fees	5	393
Operating expenses	6	703
Total Expenses		**1,096**
Net result/(loss) for the period		**(3,107)**
Other comprehensive income:		
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		(139,555)
Total share of associate's other comprehensive income/(loss)	8	(139,555)
Total comprehensive income/(loss)		**(142,662)**

The accompanying notes form an integral part of these financial statements.

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Statement of Financial Position
As at 30 June 2019

	Notes	30 June 2019 $'000
Current assets		
Cash and cash equivalents	7	44,687
Total current assets		**44,687**
Non-current assets		
Investment in associate	8	6,423,988
Total non-current assets		**6,423,988**
Total assets		**6,468,676**
Current liabilities		
Payables	9	59
Total current liabilities		**59**
Total non-current liabilities		**-**
Total liabilities		**59**
Net assets /(liability)		**6,468,617**
Equity		
Contributed capital	10	6,611,279
Accumulated surplus	10	(3,107)
Reserve	10	(139,555)
Total equity		**6,468,617**

The accompanying notes form an integral part of these financial statements.

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Statement of Cash Flows
For the period ended 30 June 2019

	Notes	1 June 2018 - 30 June 2019 $'000
Cash flows from operating activities		
Payments		
Directors fees	5	(393)
Other payments		(644)
Total payments		**(1,037)**
Receipts		
Grants and contributions	4	3,500
Interest received	3	84
Total receipts		**3,584**
Net cash flows from operating activities		**2,547**
Cash flows from investing activities		
Investment to associate		(142,646)
Return of capital from associate		1,103,512
Distributions received from equity accounted investments		19,600
Net cash flows from investing activities		**980,466**
Cash flows from financing activities		
Capital contribution		142,646
Return of capital		(1,080,972)
Net cash flows from financing activities		**(938,326)**
Net increase/(decrease) in cash		**44,687**
Opening cash and cash equivalents		-
Closing cash and cash equivalents	7	**44,687**

The accompanying notes form an integral part of these financial statements.

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Statement of Changes in Equity
For the period ended 30 June 2019

	Contributed Capital $'000	Accumulated surplus $'000	Cashflow Hedge Reserve $'000	Total $'000
Balance at 1 June 2018	**-**	**-**	**-**	**-**
Net result for the period	-	(3,107)	-	(3,107)
Other comprehensive income				
Investment in associate	-	-	(139,555)	(139,555)
Total other comprehensive income	-	-	(139,555)	(139,555)
Total comprehensive income	-	(3,107)	(139,555)	(142,662)
Owner related equity transactions				
Retained interest from sale of WCX	7,549,605	-	-	7,549,605
Equity contribution from Crown	142,646	-	-	142,646
Return on Capital	(1,080,972)	-	-	(1,080,972)
Total owner related equity transactions	6,611,279	-	-	6,611,279
Balance at 30 June 2019	**6,611,279**	**(3,107)**	**(139,555)**	**6,468,617**

The accompanying notes form an integral part of the financial statements.

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Notes to the financial statements
For the period ended 30 June 2019

NOTES INDEX

1. Roads Retained Interest Pty Ltd Information

RRIPL (the Corporation) has been set up under the *Corporations Act 2001* to hold the State of New South Wales' ("the State") retained interest in the WestConnex Group.

The Corporation's function is to provide effective stewardship and oversight of the State's 49 per cent retained interest in the WestConnex Group. The Corporation is responsible for protecting the value of the State's investment and maximising returns.

Since incorporation on 1 June 2018, the Corporation has been a NSW Government entity and a not-for-profit entity. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

The financial statements for the period ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 24 September 2019.

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

2. Significant Accounting Policies

Basis of Preparation

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

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

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

The principal accounting policies adopted in the preparation of the financial statements are set out below and in the relevant notes. Significant accounting policies relevant to the whole reporting period are listed in the first part of the summary below.

Going Concern

The State provided the Corporation with contributions to meet debt obligations as and when they become due and payable. As a result, the financial statements are prepared on a going concern basis.

Statement of compliance

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

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

Significant impacts on the accounting policies from the adoption of new accounting standards and interpretations, if any, are disclosed in the relevant accounting policy.

2. 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 current reporting period but may be applicable to the Corporation are:

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers-Not-for-profits only* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-profit Entities* (operative date 1 July 2019)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures* (operative date 1 July 2019)
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)
- AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors* (operative date 1 July 2019)

As mandated by Treasury Circular TC19-04, the Corporation has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective. Management have assessed the impact of new accounting standards issued but yet effective and concluded there is no material impact to the Corporation.

Changes in Accounting Policies

The Corporation 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 Corporation.

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, and are disclosed in the relevant notes to the financial statements.

Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

2. Significant Accounting Policies (continued)

Distribution income

Distribution income is recognised reflecting the quarterly distributions from the WCX Group which the State retains.

Government contribution

The Corporation obtains control of the contribution or the right to receive the contribution, when it is probable that the economic benefits of the contribution will flow to the Corporation, and the amount of the contribution can be measured reliably.

Expenses

Expenses are recognised when incurred.

Finance officers of the NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. A service fee of $500,000 in the current financial year is payable by the Corporation in relation to these services.

Current Income Tax Expense

The Corporation is a tax exempt entity and is not required to pay income tax.

Cash and cash equivalents

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

Investment in associates

The State's retained interest in WestConnex Group is accounted in the Corporation's investment in its associate as per *AASB 128 Investments in Associates and Joint Ventures* using the equity method.

The Corporation has significant influence over its associates through the Board who participate in the financial and operating policy decisions of the investee, but do not have control or joint control over those policies.

Under the equity method, the entity initially measures the cost of an investment in an associate or joint venture at fair value in accordance with *AASB 13 Fair Value Measurement*. The fair value of the investment in the subsidiaries of the WCX Group has been calculated by reference to the purchase price paid by Sydney Transport Partners Consortium for the 51 per cent controlling interest. As the entity has a minority interest in the WCX Group, its investment in the WCX Group at acquisition was less than 49% of the fair value of the subsidiaries of the WCX Group due to the inclusion of a control premium.

The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the associate since the acquisition date. The Statement of Comprehensive Income reflects the Corporation's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the Corporation's OCI. In addition, when there has been a change recognised directly in the equity of the associate, RRIPL recognises its share of any changes, when applicable, in the Statement of Changes in Equity.

Significant Accounting Policies (continued)

As at 30 June 2019, the Corporation has assessed impairment against the investment at acquisition date 27 September 2018 to determine if there has been any impairment loss on its investment in its associate. The evidence from the impairment assessment indicates that no impairment loss needs to be recognised as at 30 June 2019.

At each financial reporting date, the Corporation will measure and recognise the retained interest at its fair value.

Payables

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

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

Contributed equity

Ordinary shares are classified as equity.

3. Income

	1 June 2018 - 30 June 2019 $'000
Interest Income	84
Share of profit/(loss) in associate	(5,595)
Total	(5,511)

4. Grants and Contributions

Grants received from the Crown	3,500
Total	**3,500**

5. Directors Fees

Directors fees	353
Superannuation contribution	40
Total	**393**

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Notes to the financial statements
For the period ended 30 June 2019

6. Operating Expenses

	1 June 2018 - 30 June 2019 $'000
Audit fees	75
Consultants	35
Admin recharge	550
Other	43
Total	**703**

7. Cash and Cash Equivalents

	30 June 2019 $'000
Cash at bank	44,687
Total	**44,687**

8. Investment in Associate

The Corporation's investment in associate represents 49 per cent interest in the WestConnex Group, with Sydney Transport Partners Consortium holding the other 51 per cent interest. The principal place of business of the associate is in Australia.

Investment in associate	6,423,988
	6,423,988

The Corporation's share of associate's assets and liabilities

	Share of Associate
Current assets	683,550
Non-current assets	9,798,618
	10,482,168
Current liabilities	149,940
Non-current liabilities	3,908,240
	4,058,180
Net assets	**6,423,988**

Roads Retained Interest Pty Ltd

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Notes to the financial statements
For the period ended 30 June 2019

8. **Investment in Associate (continued)**

	30 June 2019 $'000 Share of Associate [1]
Revenue	917,734
Profit before income tax	(787)
Profit after income tax	(2,741,568)
Other comprehensive income	(139,555)
Total comprehensive income	(145,150)

[1] The Corporation's share of profit is calculated based on the operating results of the WCX Group from 27 September 2019, post the acquisition of the 49% interest.

Reconciliation of Movements	
Opening balance	-
Initial investment in associate	7,549,605
Additional investment in associate	142,645
Share of associates net profit/(loss)	(5,595)
Share in other comprehensive income	(139,555)
Return on capital received	(1,103,512)
Distributions received	(19,600)
Closing balance	6,423,988

9. Payables

Payable and accruals	59
Total	**59**

10. Equity

	30 June 2019 $'000
Contributed capital - retained interest	6,611,279
Accumulated surplus	(3,107)
Reserves	(139,555)
Closing Balance	**6,468,617**

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Notes to the financial statements
For the period ended 30 June 2019

10. Equity (continued)

Issued capital to the Corporation comprises of:

Number of authorised and issued shares:

- 8,921,747,886 ordinary shares of $1;
- 980 ordinary shares of $907,000

Ordinary shares issued and paid:

	30 June 2019 $'000
- 8,921,747,886 ordinary shares of $1 - fully paid[1]	6,468,633
- 980 ordinary shares of $907,000 - partly paid	142,646
	6,611,279

[1] Ordinary shares of $1 comprises the issued capital at inception less returns of capital

11. Contingent Assets and Liabilities

The Corporation is a party to the Equity Commitment Deed, under which it is required to contribute equity if called upon. The future capital amount is $746 million as at 30 June 2019.

The associate has received D&C contractor claims though the outcome of these claims is yet to be finalised and cannot be reliably measured. Further, the associate did not have any contingent assets in which the Corporation has a 49 per cent share.

12. Compensation of Key Management Personnel

Short-term employee benefits	353
Post-employment benefits	40
Other long-term benefits	-
Termination benefits	-
Total	**393**

Short-term employee benefits include director salaries and post employment benefits include superannuation benefits.

13. Financial Instruments

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the entity's operations or are required to finance its operations. The Board has overall responsibility for the establishment and oversight of risk management and review of policies for managing risk.

Financial Instrument Categories

			2019
Financial Assets	**Note**	**Category**	**$'000**
Cash and cash equivalents	7	N/A	44,687
Financial Liabilities			
Trade and other payables	9	Financial liabilities measured at amortised cost	59

13. Financial Instruments (continued)

Financial Risk Management Overview

Financial instruments comprise of cash and other payables. The main purpose of these financial instruments was to raise finance or invest surplus cash for the Corporation's operations, and to manage exposure to price movements.

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

As at 30 June 2019, the Corporation had exposure to the following risks:

- Market risk; and
- Liquidity risk

Market 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 the Corporation'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.

Exposure to interest rate risk is limited to cash at bank at 30 June 2019.

	Carrying	-1%		+1%	
		Net result	Equity	Net result	Equity
	$'000	$'000	$'000	$'000	$'000
2019					
Cash and cash equivalents	44,687	(447)	(447)	447	447

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and commitment maturities. There were no defaults on payables in the current year.

The Corporation's exposure is limited to the value of payables. All payables are expected to be settled within the next 12 months.

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Notes to the financial statements
For the period ended 30 June 2019

14. Reconciliation of Cash Flows from Operating Activities to Net Result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	1 June 2018 - 30 June 2019 $'000
Net result for the year	(3,107)
Non-cash items	
Share of profit in associate	5,595
	2,488
Change in operating assets and liabilities	
Increase / (decrease) in liabilties	58
Net cash inflow from operating activities	2,546

15. Related Parties

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

The Corporation does not have employees. The KMP services were provided by NSW Treasury. The Corporation Directors are independent members who have been appointed by the Treasurer. Refer to Note 12 Compensation of Key Management Personnel for total remuneration payable to the Directors.

No loans were made to any of the KMP by the Corporation during the period.

(c) Transactions with related parties

(i) Transactions with KMP

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

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Notes to the financial statements
For the period ended 30 June 2019

15. Related Parties (continued)

(ii) Transactions with other related entities

Services provided by other government agencies to the Corporation include payroll, accounting and finance, administrative and company secretariat services. These services were provided to the Corporation in the same commercial terms as for any other agencies.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Coporation's financial statements. The cost of these services is shown as an administrative charge in the Corporation.

The Corporation also makes contributions into the NGF in line with the *NSW Generations Fund Act 2018*.

16. Events after the Reporting Date

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

End of audited financial statements

Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT

Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Ministerial Holding Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

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

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

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

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.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Scott Stanton
Assistant Auditor-General

Delegate of the Auditor-General for New South Wales

18 November 2019
SYDNEY

Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2019

STATEMENT BY THE SECRETARY

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

(a) The accompanying financial statements exhibit a true and fair view of the financial position of the Ministerial Holding Corporation as at 30 June 2019 and the financial performance for the year then ended; and

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015,* Treasurer's Directions and applicable Australian Accounting Standards.

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

Michael Pratt AM
Secretary

15TH November 2019

Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue			
Share of net result of an associate	3	-	-
Total expenses		-	-
Net result		-	-
Other comprehensive income			
Items that will not be reclassified to net result			
Share of an associate's other comprehensive income	3	-	-
Total other comprehensive income		-	-
Total comprehensive income		-	-

The accompanying notes form part of these financial statements.

Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2019

	Notes	2019 $	Restated 2018 $	Restated 1 July 2017 $
Assets				
Current assets		-	-	-
Non-current assets				
Investment in an associate	3	-	-	-
Total non-current assets		-	-	-
Total assets		-	-	-
Liabilities				
Current liabilities		-	-	-
Non-current liabilities		-	-	-
Total liabilities		-	-	-
Net assets		-	-	-
Equity				
Accumulated funds		-	-	-
Reserves	4	-	-	-
Other contributed equity	4	-	-	-
Total equity		-	-	-

The accompanying notes form part of these financial statements.

Ministerial Holding Corporation

Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	Accumulated funds $	Reserves $	Other contributed equity $	Total $
Balance at 1 July 2018		-	-	-	-
Net result for the year	3	-	-	-	-
Other comprehensive income	3	-	-	-	-
Total comprehensive income for the year		-	-	-	-
Balance at 30 June 2019		-	-	-	-
Balance at 1 July 2017		4,250,094	75,000	1,787,876	6,112,970
Correction of prior year error	7	(4,250,094)	(75,000)	(1,787,876)	(6,112,970)
Restated balance at 1 July 2017		-	-	-	-
Net result for the year	3	-	-	-	-
Other comprehensive income	3	-	-	-	-
Total comprehensive income for the year		-	-	-	-
Balance at 30 June 2018		-	-	-	-

The accompanying notes form part of these financial statements.

Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities		-	-
Cash flows from investing activities		-	-
Cash flows from financing activities		-	-
Net increase/(decrease) in cash		-	-
Opening cash and cash equivalents		-	-
Closing cash and cash equivalents		-	-

The accompanying notes form part of these financial statements.

Ministerial Holding Corporation

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

1. INFORMATION ON THE MINISTERIAL HOLDING CORPORATION

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The MHC's financial statements are general purpose financial statements which have been prepared in accordance with the requirements of:

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

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

Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The estimates and judgements used 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. Where judgements, estimates and assumptions have been made they are disclosed in the relevant notes to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Compliance

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

New, revised or amending standards and interpretations

The accounting policies applied in the year are consistent with those of the previous financial year.

There was no impact on the financial performance or position of the MHC from the adoption of new, revised or amending standards and interpretations.

New standards and interpretations not yet effective

As mandated by Treasury Circular TC19-04, the MHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective. The following lists the new standards and interpretations that whilst not yet effective, may be applicable to the MHC:

- AASB 15 and AASB 2014-5 regarding *Revenue from Contracts with Customers-Not-for-profits only* (operative date 1 July 2019)
- AASB 16 *Leases* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business* (operative date 1 July 2020)
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (operative date 1 July 2020)

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

REVENUE

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

EXPENSES

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

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

The Crown Entity pays for the MHC's audit fees for the year of $31,020 incl. GST (2018: $30,250 incl. GST).

Ministerial Holding Corporation

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS

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

Investments in Associates

Associates are those entities in which the entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the MHC holds more than 20 percent of the voting power of another entity. The MHC has a 50 per cent interest in Hunter Valley Training Company Pty Limited (HVTC). Refer to Note 3 for the accounting policy of MHC's interest in HVTC.

LIABILITIES

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

Comparative Information

The value of the investment in associate has been derecognised based on management's reassessment of MHC's investment arrangement with HVTC. Specifically, HVTC's Articles of Association stipulated that in the event HVTC winds up, any surplus assets remaining after the payment of its liabilities shall be transferred to another association in Australia which is a tax concession charity for the purposes of any Commonwealth Tax Act. The MHC is not a tax concession charity corporation.

Comparative values pertaining to the investment were adjusted to accumulated funds at the earliest prior period presented in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*.

3. INVESTMENT IN AN ASSOCIATE

The MHC's investment in an associate is a 50 per cent share in the HVTC (2018: 50 per cent). HVTC provides nationally accredited training programs in trade and vocational fields. The MHC's investment in HVTC was established by the NSW Government to address skills shortages across NSW regional areas. Investments in HVTC are carried at cost. There is no published quotation price for the fair value of this investment.

Prior to 30 June 2019, the MHC had applied the equity method under *AASB 128 Investments in Associates and Joint Ventures* to account for its investment in HVTC. Under AASB 128, the investment is measured consistently with the policies applied in the MHC financial statements. The MHC recognised its investment based upon 50 per cent of HVTC net assets reported in HVTC's financial statements with the exception of property, plant and equipment (PP&E), specifically land and buildings, which were adjusted to fair value in accordance with Treasury's Policy and Guidelines Paper TPP 14-01 *Valuation of Physical Non-Current Assets at Fair Value*, AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

The MHC performed revaluations of HVTC's land and buildings for financial reporting purposes, once every three years. The last revaluation of HVTC's land and buildings was completed for the year ended 30 June 2019 by independent assessment which was based on best available market evidence including current market selling prices for the same or similar assets. The key inputs considered under this approach are from the sales of comparable land and buildings in the area.

As at 30 June, the investment in associate was derecognised to recognise the fact that the MHC ultimately has no claims on HVTC's net assets under its Articles of Association. In the event of a wind-up, HVTC will transfer its residual net assets to another tax concession charity association. Accordingly, the investment in an associate has been adjusted to accumulated funds. Refer to Note 7 for details on the restatement to comparatives.

4. EQUITY

Consistent with the adjustment made to the value of MHC's investment in HVTC, as at the reporting date the balances in Reserves and Other Contributed Equity were adjusted against accumulated funds.

Prior to 30 June 2019, the MHC recognised the following in equity:

Reserves

Reserves comprise of MHC's share of post-acquisition movements in the asset revaluation surplus of HVTC. At 30 June 2018, the asset revaluation reserve for the HVTC's asset revaluation reserve was $150,000; MHC's share was $75,000.

Other Contributed Equity

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

5. CONTINGENCIES

Contingent liabilities

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

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

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

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

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

Contingent assets

The MHC holds an option to purchase the buildings and land at Unanderra from HVTC for a consideration of $1 in the event HVTC ceases trading.

MHC had a 50 per cent share of contingent asset as at 30 June 2018 for an insurance claim of $284,051 in respect of HVTC's plant and equipment. The insurance claim was received during the year.

6. RELATED PARTY DISCLOSURE

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

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

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with other related entities

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

7. RESTATEMENT OF COMPARATIVES

During the year, MHC's investment in HVTC was derecognised reflecting the fact that it was not entitled to any of the residual net assets of HVTC upon wind-up.

The adjustment and consequent changes in disclosure are in line with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The error identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to equity at that date. The impact of the restatement of comparative information is summarised below:

Line item	Previously reported ($)	Increase/ (decrease) ($)	Restated amount ($)
	as at 30 June 2018		
Statement of Comprehensive Income			
Share of net result of an associate	528,190	(528,190)	-
Total comprehensive income	**528,190**	**(528,190)**	-
Statement of Financial Position			
Investment in an associate	6,641,160	(6,641,160)	-
Total assets	**6,641,160**	**(6,641,160)**	-
Net assets	**6,641,160**	**(6,641,160)**	-
Accumulated funds	4,778,284	(4,778,284)	-
Reserves	75,000	(75,000)	-
Other contributed equity	1,787,876	(1,787,876)	-
Total equity	**6,641,160**	**(6,641,160)**	-
	as at 1 July 2017		
Statement of Financial Position			
Investment in an associate	6,112,970	(6,112,970)	-
Total assets	**6,112,970**	**(6,112,970)**	-
Net assets	**6,112,970**	**(6,112,970)**	-
Accumulated funds	4,250,094	(4,250,094)	-
Reserves	75,000	(75,000)	-
Other contributed equity	1,787,876	(1,787,876)	-
Total equity	**6,112,970**	**(6,112,970)**	-

8. EVENTS AFTER THE REPORTING DATE

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

End of audited financial statements

Appendix 1

Internal Audit and Risk Management Attestation Statement for State Rail Authority Residual Holding Corporation

Financial Statements
for the year ended 30 June 2019

Internal Audit and Risk Management Attestation Statement for the 2018-2019 Financial Year for State Rail Authority Residual Holding Corporation (SRARHC)

I, Michael Pratt am of the opinion that the SRARHC has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements		For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework		
1.1	The agency head is ultimately responsible and accountable for risk management in the agency	**Compliant**
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2018	**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, Victoria Weekes, appointed April 2017, first term expires April 2020.
- Independent Member, Paul Ruiz, appointed December 2017, first term expires December 2020.
- Independent member, Deborah O'Toole, appointed December 2017, first term expires December 2020.
- Independent Member, Jon Tyers, appointed August 2012, first term August 2012 to October 2015, second term from November 2015 to October 2018 and third term from November 2018 to August 2020 (resigned on 1 May 2019).
- Independent Member, Patricia Azarias, appointed November 2015 to November 2018 (resigned on 10 July 2018).

Michael Pratt
Secretary
Date: 30. 9. 19

Virginia Tinson
Acting Director of Internal Audit & Risk
Telephone: 02 9228 3783
Date: 30/08/19.

NSW GOVERNMENT | Treasury

Appendix 2

Internal Audit and Risk Management Attestation Statement for Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2019

Internal Audit and Risk Management Attestation Statement for the 2018-2019 Financial Year for Liability Management Ministerial Corporation (LMMC)

I, Michael Pratt am of the opinion that the LMMC has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements		For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework		
1.1	The agency head is ultimately responsible and accountable for risk management in the agency	**Compliant**
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2018	**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, Victoria Weekes, appointed April 2017, first term expires April 2020.
- Independent Member, Paul Ruiz, appointed December 2017, first term expires December 2020.
- Independent member, Deborah O'Toole, appointed December 2017, first term expires December 2020.
- Independent Member, Jon Tyers, appointed August 2012, first term August 2012 to October 2015, second term from November 2015 to October 2018 and third term from November 2018 to August 2020 (resigned on 1 May 2019).
- Independent Member, Patricia Azarias, appointed November 2015 to November 2018 (resigned on 10 July 2018).

Michael Pratt
Secretary
Date: 30.9.19

Virginia Tinson
Acting Director Internal Audit & Risk
Telephone: 02 9228 3783
Date: 30/08/19

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