Crown Related Entities and Special Deposit Accounts

2020-21

NSW GOVERNMENT

Acknowledgment of Country

NSW Treasury acknowledges that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork: 'Regeneration' by Josie Rose 2020

NSW Treasury
52 Martin Place
(enter via 127 Phillip St) Sydney, NSW 2000

CONTACT

Telephone: 02 9228 4567
Website: www.treasury.nsw.gov.au

POSTAL ADDRESS:

NSW Treasury
GPO Box 5469
Sydney, NSW 2001

This annual report was produced wholly by NSW Treasury officers. There were no external production costs and the annual report is available in electronic format only on the NSW Treasury website www.treasury.nsw.gov.au

Image credits: Department of Planning, Industry and Environment, Destination NSW, Transport for NSW, Adobe Stock

4 November 2021
ISSN 1322-8102

Crown Related Entities Financial Statements

NSW GOVERNMENT | Treasury

Alpha Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2021

Alpha Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2021

STATEMENT BY ACCOUNTABLE AUTHORITY

Pursuant to Section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

(a) have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions; and

(b) present fairly the Alpha Distribution Ministerial Holding Corporation's financial position, financial performance and cash flows.

Michael Pratt AM
Secretary

6TH. October 2021

Alpha Distribution Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	Budget 2021 $000	Actual 2021 $000	Actual 2020 $000
Expenses excluding losses				
Operating expenses	4	9,867	9,140	9,647
Total expenses excluding losses		**9,867**	**9,140**	**9,647**
Revenue				
Investment revenue	5(a)	10,225	10,200	9,720
Contract service revenue	5(b)	9,865	9,176	9,353
Total Revenue		**20,090**	**19,376**	**19,073**
Gains/(losses) on disposal	6	-	(394)	(2)
Net result		**10,223**	**9,842**	**9,424**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Superannuation actuarial gains/(losses)	12(ii)	(8,046)	19,489	(2,701)
Total other comprehensive income		**(8,046)**	**19,489**	**(2,701)**
Total comprehensive income		**2,177**	**29,331**	**6,723**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2021

	Notes	Budget 2021 $000	Actual 2021 $000	Actual 2020 $000
Current assets				
Cash and cash equivalents	7	26,947	26,966	26,787
Receivables	8	23	25	23
Total current assets		**26,970**	**26,991**	**26,810**
Non-current assets				
Other financial assets	9	167,093	166,699	156,934
Total non-current assets		**167,093**	**166,699**	**156,934**
Total assets		**194,063**	**193,690**	**183,744**
Current liabilities				
Payables	10	38	50	46
Provisions	11	-	-	200
Contract liabilities	13	240	238	237
Total current liabilities		**278**	**288**	**483**
Non-current liabilities				
Provisions	11	42,766	15,229	34,419
Total non-current liabilities		**42,766**	**15,229**	**34,419**
Total liabilities		**43,044**	**15,517**	**34,902**
Net assets		**151,019**	**178,173**	**148,842**
Equity				
Retained earnings		151,019	178,173	148,842
Total equity		**151,019**	**178,173**	**148,842**

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 2021

	Retained earnings $000	Total $000
Balance at 1 July 2020	**148,842**	**148,842**
Net result for the year	9,842	9,842
Other comprehensive income		
Superannuation actuarial gains/(losses)	19,489	19,489
Total other comprehensive income	**19,489**	**19,489**
Total comprehensive income for the year	**29,331**	**29,331**
Balance at 30 June 2021	**178,173**	**178,173**
Balance at 1 July 2019	**142,119**	**142,119**
Net result for the year	9,424	9,424
Other comprehensive income		
Superannuation actuarial gains/(losses)	(2,701)	(2,701)
Total other comprehensive income	**(2,701)**	**(2,701)**
Total comprehensive income for the year	**6,723**	**6,723**
Balance at 30 June 2020	**148,842**	**148,842**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	Budget 2021 $000	Actual 2021 $000	Actual 2020 $000
Cash flows from operating activities				
Payments				
Employee related		(200)	(200)	-
Suppliers for goods and services		(8,615)	(1,114)	(1,199)
Total Payments		**(8,815)**	**(1,314)**	**(1,199)**
Receipts				
Sale of goods and services		8,908	1,454	1,557
Interest received		67	39	180
Total Receipts		**8,975**	**1,493**	**1,737**
Net cash flows from operating activities	17	**160**	**179**	**538**
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase in cash and cash equivalents		**160**	**179**	**538**
Opening cash and cash equivalents		26,787	26,787	26,249
Closing cash and cash equivalents	7	**26,947**	**26,966**	**26,787**

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 2021

NOTES INDEX **PAGE**

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. The ADMHC is the same legal entity as Ausgrid. The functions of the ADMHC are:

- to hold on behalf of the State, 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; and
- such other functions of an authorised transaction as may be prescribed by the regulations.

The ADMHC is a NSW Government entity and is controlled by the State of New South Wales, which is the ultimate parent. The ADMHC has been a not-for-profit entity from 1 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 Accountable Authority was signed.

The 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 - Ausgrid.

Ausgrid as a SOC was converted to the 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.

All current employees, at the commencement of the lease, and their respective defined benefit plans were transferred to Ausgrid Management Pty Ltd. The defined benefit plan remaining with the ADMHC relate only to the retired employees.

3. STATEMENT 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)
- *Government Sector Finance Act 2018* (GSF Act)
- *Government Sector Finance Regulation 2018*
- Treasurer's Directions issued under the GSF Act

The financial statements have been prepared on an accrual basis, except for cash flow information, and in accordance with the historical cost convention except for revaluation of superannuation liabilities which are measured at fair value through other comprehensive income.

All amounts are rounded to the nearest one thousand dollars ($'000) and are expressed in Australian currency, which is the entity's presentation and functional currency.

Use of judgements, estimates and assumptions

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 is the lessor in the 99-year lease of the electricity network. At the end of the lease, the leased land will revert back to the 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.

3. STATEMENT 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 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 estimates 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.

COVID-19

Management has considered the impact of COVID-19 on the ADMHC's revenue and receivables, including the impact on estimate and judgements used in the valuation of lease receivable. Management has concluded that COVID-19 has not had a material impact on the ADMHC's operations and preparation of the financial statements for the year ended 30 June 2021.

Going concern

The ADMHC's financial statements have been prepared on a going concern basis. It is expected that the Corporation has adequate cash holding and cash inflows to continue operations for the foreseeable future. If required, the State will provide the necessary financial support to ADMHC to meet its debts as and when they become due and payable through the annual State Budget and the Appropriation Bill when required. Section 51 (5) of the Act states that the Treasurer may provide funding to ADMHC in any way that the Treasurer considers appropriate, including issue letter of comfort when required.

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

i. Effective for the first time in FY2020-21

A number of standards, amendments and interpretations apply for the first time in FY2020-21, most notably AASB 1059 *Service Concession Arrangements: Grantors.* AASB 1059 does not apply to the ADMHC's financial statements as the long-term lease of the electricity transmission and distribution networks is not a service concession arrangement. The key reasons being:

- the arrangement conveys to the operator a right to use and not a right to access the network assets
- the State does not control any significant residual interest in the network assets
- the arrangement is more in the nature of a privatisation than a service concession arrangement.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rather, the arrangement involves the operator providing services that are regulated using assets that are not controlled by the State.

Other amendments and interpretations apply for the first time in FY2020-21, but do not have a material impact on the financial statements of the Corporation.

ii. Issued but not yet effective

As mandated by Treasury Circular TC20-08 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards 2020-21*, 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 the new accounting standards and interpretations issued but not yet effective, listed below, and concluded there is no material impact to the ADMHC:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (operative date 1 January 2022)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023).

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.

Revenue

Revenue is recognised in accordance with the requirements of AASB 15 or AASB 1058 dependent on whether there is an enforceable contract with specific performance obligation.

Contract service revenue

Contract service revenue is recognised when the relevant performance obligation embedded in contracts with customers are satisfied and the control of service transfers to the customer.

Type of Service	Nature of Timing of Satisfaction of Performance Obligation, Including Significant Payment Terms	Revenue Recognition Policies
Lease outgoing recoupment	Lease outgoings recouped from the lessees under the 99-year finance lease. The performance obligations in relation to lease outgoing recoupment is typically satisfied when the lease outgoings are paid to the relevant government authorities and government trading enterprises. Performance obligations are completed over time. Payment from the customer is typically due within 30 days after the service provision.	Revenue is recognised when the lease outgoings is paid and is measured based on the amount paid. No significant element of financing is deemed present as payments are made within six months after the service delivery on average.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Type of Service	Nature of Timing of Satisfaction of Performance Obligation, Including Significant Payment Terms	Revenue Recognition Policies
Contract service income	The ADMHC receives annual income from the lessee, adjusted for CPI each year to cover for the administration costs incurred in managing its affairs, including the administration of subsequent land acquisitions and disposals associated with the lease. The performance obligations in relation to contract service revenue is typically satisfied when the relevant performance obligation embedded in the enforceable network lease contract is satisfied and the control of service transfers to the customer. In assessing the amount of the revenue allocation, the ADMHC has applied the straight-line labour input method with reference to cost and staff labour hours incurred. Performance obligations are completed over time. Annual payment is normally due in December each year.	Revenue is recognised when the services are provided. No significant element of financing is deemed present as payments are made within six months after the service delivery on average.

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 ADMHC's net investment in the finance lease in accordance with AASB 16.

Expense

Expenses are recognised when incurred.

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 Note 4.

Assets

Cash and cash equivalents

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Trade and other receivables (excluding finance 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.

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.

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, ADMHC applies a simplified approach in calculating ECLs. The ADMHC recognises a loss allowance based on lifetime ECLs at each reporting date.

Other financial 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.

A receivable is 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 21-06 *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. Under the lease agreement, the lessee is permitted to sell land which forms part of the leased assets when deemed surplus to the network requirements. Following the sales, the net present value of the relevant land is derecognised from the finance lease receivable in accordance with AASB 16 paragraph 90. The future values of the land disposed are shown in Note 9 and the gains or losses on sold of the land are reflected in Note 6.

3. STATEMENT 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
- the 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) the ADMHC has transferred substantially all the risks and rewards of the asset, or (b) the ADMHC has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the 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, the ADMHC continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the 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 the ADMHC could be required to repay.

LIABILITIES

Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to the 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.

Contract liabilities

Unearned revenue

Unearned revenue balance represents consideration received in advance from customers in respect of administration costs incurred in managing its affairs, including the administration of subsequent land acquisitions and disposals associated with the lease. Consideration is usually received in advance upon the anniversary of the lease commencement date. A contract liability is recognised upon receipt of cash and is reduced by the amounts recognised as contract service income which is allocated over time based on the straight-line labour input method.

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. STATEMENT 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 12 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.

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 exempt from all forms of taxation except Fringe Benefit Tax and the Goods and Services Tax.

Accounting for the 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.

4. OPERATING EXPENSES

	2021 $'000	2020 $'000
Superannuation - defined benefit expense	299	413
Lease outgoing expenditures	8,606	8,787
Administrative charge	181	182
Audit fees - audit of financial statements	54	54
Other expenses	-	211
Total	**9,140**	**9,647**

5. REVENUE

(a) Investment revenue		
Interest income	41	180
Finance income (i)	10,159	9,540
	10,200	**9,720**
(b) Contract service revenue		
Lease outgoing recoupment (ii)	8,606	8,787
Contract service income (iii)	570	566
	9,176	**9,353**
Total revenue	**19,376**	**19,073**

(i) At the date of execution of the 99-year finance lease, the ADMHC 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 ADMHC and the residual asset will be accreted over the term of the lease as finance income.

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

(iii) The ADMHC receives annual income from the lessee adjusted for CPI, each year to cover for the administration costs incurred in managing its affairs, including the administration of subsequent land acquisitions and disposals associated with the lease. The specific performance is specified under the enforceable network lease contract.

6. GAINS/(LOSSES) ON DISPOSAL

Losses on finance lease receivable	(394)	(2)
	(394)	**(2)**

Under the lease agreement, the lessee is permitted to sell land which forms part of the leased assets when deemed surplus for the electricity network. When this occurs, the selling constitutes a partial surrender of the lease in respect of the land sold. The sales proceeds are paid directly to the lessee by the purchasers. The net present value of the relevant land is derecognised from the finance lease receivable.

7. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash at bank	26,966	26,787
Total	**26,966**	**26,787**

For the purpose of the Statement of Cash Flows, cash and cash equivalents include 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:

Closing cash and cash equivalents (per Statement of Cash Flows)	26,966	26,787

Refer to Note 18 for credit risk, liquidity and market risk arising from financial instruments.

8. RECEIVABLES

Current		
Trade receivables	2	-
GST receivable	23	23
Total	**25**	**23**

The net amount of GST recoverable from the ATO is included within GST receivable. 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 FINANCIAL ASSETS

Non-current		
Finance lease receivable (i)	166,699	156,934
Total	**166,699**	**156,934**

(i) **Finance lease receivable**

On completion of the long-term lease transaction, the ADMHC acts as a lessor and Ausgrid Asset Partnership act as a lessee in a 99-year lease arrangement. The 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.

9. OTHER FINANCIAL ASSETS (continued)

Finance lease accounting requires the 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 at the lease expiration is estimated at $62.2 billion ($62.6 billion at inception), 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 $10.2 million (2020: $9.5 million) was recognised in the year (refer to Note 5(a)).

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
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 for nominal consideration with nil rentals. 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.

Reconciliation of net investment in leases

	2021 $'000	2020 $'000
Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	62,233,475	62,380,668
Less: unearned finance income	62,066,776	62,223,734
Net investment in finance leases	**166,699**	**156,934**

Reconciliation of unguaranteed residual amounts (undiscounted)

Opening balance	62,380,668	62,381,717
Less disposal - partial surrender of the lease	(147,193)	(1,049)
Closing balance	**62,233,475**	**62,380,668**

10. PAYABLES

Current		
Accruals	50	46
Total	**50**	**46**

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

	2021 $'000	2020 $'000
Current		
Redundancy Provision	-	200
	-	**200**
Non-Current		
Superannuation Liability (Note 12(iii))	15,229	34,419
	15,229	**34,419**
Total	**15,229**	**34,619**

On completion of the lease transaction on 30 November 2016, all defined benefit superannuation provisions and employee's right, obligations and liabilities (including redundancy payment disputes) relating to retired ex-Ausgrid employees were transferred to the ADMHC.

12. UNFUNDED SUPERANNUATION

The following narrative and tables summarise the components of movement in the 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 the 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 the 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 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)*.

12. UNFUNDED SUPERANNUATION (continued)

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 and expected to be released in December 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.
- 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.

	2021	2020
Member Numbers		
Contributors	-	-
Deferred benefits	1	1
Pensioners	116	116

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

12. UNFUNDED SUPERANNUATION (continued)

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

	2021 $'000	2020 $'000
Net interest	299	413
Total net expense	**299**	**413**

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

Actuarial gains/(losses) on liabilities	8,926	(1,515)
Actuarial gains/(losses) on assets	10,563	(1,186)
Total actuarial gains/(losses)	**19,489**	**(2,701)**

(iii) Reconciliation of the superannuation net asset/ (liability)

Net asset/(liability) at the beginning of the year	(34,419)	(31,305)
Net interest income/(expense) on the net defined benefit asset/(liability)	(299)	(413)
Return on plan assets, excluding amounts included in interest expense/(income)	10,563	(1,186)
Actuarial gains/(losses) arising from changes in financial assumptions	4,597	718
Actuarial gains/(losses) arising from liability experience	4,329	(2,233)
Net assset/(liability) at the end of the year	**(15,229)**	**(34,419)**

(iv) Reconciliation of the present value of the defined benefit obligation

Present value of defined benefit obligations at the beginning of the year	(110,427)	(111,875)
Interest income/(expense)	(941)	(1,448)
Actuarial gains/(losses) arising from changes in financial assumptions	4,597	718
Actuarial gains/(losses) arising from liability experience	4,329	(2,233)
Benefits paid	4,133	4,176
Taxes, premiums and expenses paid	222	235
Present value of defined benefit obligations at the end of the year	**(98,087)**	**(110,427)**

12. UNFUNDED SUPERANNUATION (continued)

(v) Reconciliation of the fair value of fund assets

	2021 $'000	2020 $'000
Fair value at the beginning of the year	76,008	80,571
Interest income/(expense)	642	1,034
Actual return on fund assets less interest income	10,563	(1,186)
Benefits paid	(4,133)	(4,176)
Taxes, premiums and expenses paid	(222)	(235)
Fair value at the end of the year	**82,858**	**76,008**

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 13 years (2020: 13 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.

Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	2,012,197	1,834,949
Level 3 - Unobservable inputs	-	-
Total	**2,012,197**	**1,834,949**

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.

12. 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 2021	30 June 2020
Alternatives	8%	8%
International equities	29%	25%
Australian equities	18%	14%
Infrastructure	11%	8%
Property	13%	13%
Private equity	1%	1%
Cash	9%	13%
Fixed income	11%	18%
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 the ADMHC's financial instruments; and
- any property occupied by, or other assets used by, the ADMHC.

12. UNFUNDED SUPERANNUATION (continued)

Significant actuarial assumptions at the end of the reporting period

	2021	2020
Discount rate	1.50% pa	0.87% pa
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	1.50% for 2020/2021; 1.75% for 2021/22 and 2022/23; 2.25% for 2023/24, 2024/25 and 2025/26; 2.50% for 2026/27; 2.75% for 2027/28, 3.00% for 2028/29; 2.75% for 2029/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
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 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.

Sensitivity analysis

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

As at 30 June 2021

	Base case	Scenario A - 0.5% discount	Scenario B +0.5% discount rate
Discount rate	1.50% pa	1.00% pa	2.00% pa
Rate of CPI increase	as above	as above	as above
Defined benefit obligation ($'000)	98,087	105,447	91,391
	Base case	**Scenario C +0.5% rate of CPI**	**Scenario D -0.5% rate of CPI**
Discount rate	1.50% pa	1.50% pa	1.50% pa
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation ($'000)	98,087	105,023	91,690
	Base case	**Scenario E Lower pensioner mortality rates***	**Scenario F Higher pensioner mortality rates****
Defined benefit obligation ($'000)	98,087	100,256	96,556

12. UNFUNDED SUPERANNUATION (continued)

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

Sensitivity analysis

As at 30 June 2020

	Base case	Scenario A - 0.5% discount	Scenario B +0.5% discount rate
Discount rate	0.87% pa	0.37% pa	1.37% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Defined benefit obligation ($'000)	110,427	117,818	103,672

	Base case	Scenario C +0.5% rate of CPI	Scenario D -0.5% rate of CPI
Discount rate	0.87% pa	0.87% pa	0.87% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.50% for 2019/20; 0.75% for 2020/21; 2.00% for 2021/22; 1.75% for 2022/23; 2.25% for 2023/24; 2.50% for 2024/25 and 2025/26; 2.75% pa to 2029/30; 3.00% pa thereafter	0.50% for 2019/20; (0.25%) for 2020/21; 1.00% for 2021/22; 0.75% for 2022/23; 1.25% for 2023/24; 1.50% for 2024/25 and 2025/26; 1.75% pa to 2029/30; 2.00% pa thereafter
Defined benefit obligation ($'000)	110,427	118,006	103,442

	Base case	Scenario E Lower pensioner mortality rates*	Scenario F Higher pensioner mortality rates**
Defined benefit obligation ($'000)	110,427	112,523	108,909

* 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)

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

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

	2021 $'000	2020 $'000
Net market value of Fund assets	82,858	76,008
Accrued benefits	(62,160)	(64,954)
Net surplus	**20,698**	**11,054**

Please note that the above AASB 1056 results are based on the economic assumptions to be used for the 30 June 2021 actuarial valuation. The economic assumption under AASB 1056 is different with the assumption used under AASB 119. For AASB 1056 financial assumptions, please refer to economic assumptions section for details.

Contribution Recommendations

Recommended contribution rates for the ADMHC are:

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

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	**2021**	**2020**
Expected rate of return on Fund assets backing current pension liabilities	5.0%	5.0%
Expected rate of return on Fund assets backing other liabilities	5.0%	5.0%
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	1.9% pa	1.9% pa

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

12. UNFUNDED SUPERANNUATION (continued)

Expected contributions

As at 30 June 2021

	$'000
Expected employer contributions to be paid in the period 1 July 2021 to 30 June 2022	-

As at 30 June 2020

	$'000
Expected employer contributions to be paid in the period 1 July 2020 to 30 June 2021	-

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13 years (2020: 13 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.

Sensitivity analysis

In light of the current environment due to Covid-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on EISS's assets in current financial conditions, sensitivities to this assumption for the AASB 1056 results in the table below (results for 2020 shown for comparative purposes).

As at 30 June 2021

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Rate of CPI increase	1.9% pa	1.9% pa	1.9% pa
Accrued Benefits ($000)	62,160	65,323	59,285

12. UNFUNDED SUPERANNUATION (continued)

As at 30 June 2020

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Rate of CPI increase	1.9% pa	1.9% pa	1.9% pa
Accrued Benefits ($000)	64,954	68,411	61,803

13. CONTRACT LIABILITIES

	2021 $'000	2020 $'000
Current contract liabilities		
Unearned revenue	238	237
Total	**238**	**237**
Contract liabilities reconciliation		
Opening balance	237	-
Transfer-in on AASB15 1st time adoption	-	234
Contract service invoiced/received	571	569
Revenue recognised upon performance obligation fulfilled	(570)	(566)
Closing balance	**238**	**237**
Revenue recognised that was included in the Contract liability balance (adjusted for AASB 15) at the beginning of the year	237	234
Revenue recognised from performance obligation satisfied in pevious periods	-	-
Transaction price allocated to the remaining performance obligations from the contract with customers	238	237

The transaction price allocated to the remaining performance obligations relates to the ongoing administrative tasks associated with the network lease. The contract liabilities at reporting date is expected to be fully recognised as revenue in the 2021-22 financial year.

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

14. COMMITMENTS

The ADMHC does not have capital expenditure commitments as at the reporting date (2020: nil).

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The ADMHC does not have any contingent assets and contingent liabilities to report as at the reporting date (2020: nil).

16. BUDGET REVIEW

Net result

For the year ended 30 June 2021 ADMHC made a net profit of $9.8 million which is broadly in line with budget of $10.2 million.

Both operating expenses of $9.1 million and total revenue of $19.4 million were $0.7 million below the budget, due to lower lease outgoing expenses and recoupment, which net-off.

Other comprehensive income of $19.5 million is higher than budget, due to actuarial gains on superannuation liabilities driven by the actual return on fund assets and an increase in the discount rate to 1.50 per cent (2020: 0.87 per cent).

Assets and Liabilities

Net assets for the year were $178.2 million, $27.2 million higher than the budget.

Total assets were $193.7 million, in line with budget of $194.1 million.

There has been a reduction in the total liabilities of $27.5 million compared to budget, mainly attributable to a decrease in the superannuation liabilities in 2021 against a superannuation loss of $8 million forecasted. The reduction on superannuation liabilities was achieved through a higher investment return generated on the fund assets of $10.6 million. An increase in the discount rate from 0.87 per cent to 1.5 per cent contributed $4.6 million to the favourable result. A further actuarial gain of $4.3 million were contributed from superannuation liabilities experience and a change in the actuarial assumptions.

Cash flows

The actual net cash flows from operating activities resulted in an inflow of $0.2 million, in line with budgeted net operating cash flows.

Cash and cash equivalents held at reporting date was $27 million at par with budget.

Being a residual entity, the 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 Flows from Operating Activities to Net Result

	2021 $'000	2020 $'000
Net cash flow from operating activities	179	538
Adjustments for non-cash items		
Gains/(losses) on disposal of assets	(394)	(2)
Superannuation actuarial (gains)/losses	(19,489)	2,701
Finance lease income	10,159	9,540
Net changes in assets and liabilities during the financial year		
Increase/(decrease) in receivables	2	(32)
Decrease/(increase) in payables	(4)	(4)
Decrease/(increase) in provisions	19,390	(3,314)
Decrease/(increase) in contract liabilities	(1)	(237)
Decrease/(increase) in other liabilities	-	234
Net result	**9,842**	**9,424**

18. FINANCIAL INSTRUMENTS

The ADMHC's principal financial instruments are outlined below. The financial instruments arise directly from the ADMHC's operations or are required to finance the ADMHC's operations. The Secretary, as the Accountable Authority is responsible for developing, maintaining and reviewing financial management policies and procedures and effective systems for risk management in accordance with section 3.6 of the Act.

Financial Instrument Categories

	Notes	Category	2021 $'000	2020 $'000
Financial Assets				
Cash and cash equivalents	7	N/A	26,966	26,787
Receivables	8	Amortised cost	2	-
Financial Liabilities				
Payables	10	Financial liabilities measured at amortised cost	50	46

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

18. FINANCIAL INSTRUMENTS (continued)

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.

As at 30 June 2021, the ADMHC has exposure to the following risks:

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

Credit Risk

Credit risk arises when there is possibility that the ADMHC's debtors default on their contractual obligations, resulting in a financial loss to the 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 the ADMHC, including cash and receivables. No collateral is held by the 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. 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 historic loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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 refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of movements in market interest rates.

The effect on the 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 +0.5 /- 0.25 per cent (FY2020: +/- 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.

2021		-0.25%		+0.5%	
	Carrying amount	Net result	Equity	Net result	Equity
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	26,966	(67)	(67)	135	135
2020		**-1%**		**+1%**	
	Carrying amount	**Net result**	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	26,787	(268)	(268)	268	268

Liquidity risk

Liquidity risk is the risk that the ADMHC will be unable to meet its payment obligations when they fall due. The 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 the ADMHC within the next 12 months.

The following are the maturity profile of the ADMHC's financial liabilities.

			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate	Nominal amount	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021								
Payables	-	50	-	-	50	50	-	-
Total financial liabilities	**-**	**50**	**-**	**-**	**50**	**50**	**-**	**-**
2020								
Payables	-	46	-	-	46	46	-	-
Total financial liabilities	**-**	**46**	**-**	**-**	**46**	**46**	**-**	**-**

19. RELATED PARTIES

(a) Ultimate parent

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

(b) Key management personnel remuneration

The 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 the ADMHC because of its role to direct overall government policy and make decisions about State issues.

The 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

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.

Transactions with other government 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 the ADMHC in the same commercial terms as the general public.

After the Ausgrid distribution network long term lease transaction, ADMHC became Lessor for the Ausgrid network long-term lease. The State retained a 49.6 per cent interest in the Ausgrid business. This interest is reported in the Electricity Retained Interest Corporation – Ausgrid (ERIC-A). NSW Government is the ultimate controlling party of the ADMHC and the ERIC-A. The Treasurer has control and significant influence over both entities. There is no direct related party transaction between ADMHC and the ERIC-A in the current reporting periods

Finance officers of the NSW Treasury provide administrative services, including the preparation of the ADMHC financial statements. The cost of these services for the year was $198,894 inclusive of GST (2020: $199,789) and is shown as an administrative charge in the ADMHC.

20. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

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 by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising the Notes to the Financial Statements and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows.

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 (including Independence Standards)' (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 2021 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 Accountable Authority.

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, the GSF Act, GSF Regulations and Treasurer's Directions. The Secretary of Treasury's responsibility also includes 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.

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.

The scope of my audit does not include, nor 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

12 October 2021
SYDNEY

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2021

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2021

STATEMENT BY ACCOUNTABLE AUTHORITY

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

(a) have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions; and

(b) The present fairly Electricity Assets Ministerial Holding Corporation's financial position, financial performance and cash flows.

Michael Pratt AM
Secretary

6th October 2021

Electricity Assets Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Expenses				
Operating expenses	3	282	2,969	5,618
Grants and subsidies	4	5,500	5,500	1,000
Finance costs	10	121	73	312
Total expenses		**5,903**	**8,542**	**6,930**
Revenue				
Investment revenue	5	360	229	1,061
Contract revenue	6	-	293	368
Other revenue	6	373	628	381
Total revenue		**733**	**1,150**	**1,810**
Net result/(loss)		**(5,170)**	**(7,392)**	**(5,120)**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income/(loss)		**(5,170)**	**(7,392)**	**(5,120)**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Current assets				
Cash and cash equivalents	7	144,049	143,061	154,065
Receivables	8	746	775	807
Total current assets		**144,795**	**143,836**	**154,872**
Non-current assets				
Receivables	8	2,800	3,064	3,028
Total non-current assets		**2,800**	**3,064**	**3,028**
Total assets		**147,595**	**146,900**	**157,900**
Current liabilities				
Payables	9	63	158	61
Provision for outstanding claims	10	4,496	4,504	5,254
Total current liabilities		**4,559**	**4,662**	**5,315**
Non-current liabilities				
Provision for outstanding claims	10	46,945	48,369	51,324
Total non-current liabilities		**46,945**	**48,369**	**51,324**
Total liabilities		**51,504**	**53,031**	**56,639**
Net assets		**96,091**	**93,869**	**101,261**
Equity				
Accumulated funds		96,091	93,869	101,261
Total equity		**96,091**	**93,869**	**101,261**

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 2021

	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2020	**101,261**	**101,261**
Net result for the year	(7,392)	(7,392)
Other comprehensive income	-	-
Total comprehensive income for the year	**(7,392)**	**(7,392)**
Balance at 30 June 2021	**93,869**	**93,869**
Balance at 1 July 2019	**106,381**	**106,381**
Net result for the year	(5,120)	(5,120)
Other comprehensive income	-	-
Total comprehensive income for the year	**(5,120)**	**(5,120)**
Balance at 30 June 2020	**101,261**	**101,261**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	Budget 2021 \$'000	Actual 2021 \$'000	Actual 2020 \$'000
Cash flows from operating activities				
Payments				
Claim payments	10	(4,805)	(6,012)	(4,116)
Grants and subsidies	4	(5,500)	(5,500)	(1,000)
Other		(1,231)	(1,242)	(1,217)
Total payments		**(11,536)**	**(12,754)**	**(6,333)**
Receipts				
Interest received	5	360	229	1,061
Other		1,160	1,521	670
Total receipts		**1,520**	**1,750**	**1,731**
Net cash flows used in operating activities	11	**(10,016)**	**(11,004)**	**(4,602)**
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net (decrease)/increase in cash		**(10,016)**	**(11,004)**	**(4,602)**
Opening cash and cash equivalents		154,065	154,065	158,667
Closing cash and cash equivalents	7	**144,049**	**143,061**	**154,065**

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 2021

NOTES INDEX	PAGE

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

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 controlled by the State of New South Wales, which is the ultimate parent. The EAMHC 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 Accountable Authority was signed.

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

2. STATEMENT 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)
- *Government Sector Finance Act 2018* (the GSF Act)
- *Government Sector Finance Regulation 2018*
- Treasurer's Directions issued under the GSF Act.

The financial statements have been prepared on an accrual basis, except for cash flow information, and in accordance with the historical cost convention unless where specified otherwise.

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of judgements, estimates and assumptions

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

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

COVID-19

Management has considered the impact of COVID-19 on the EAMHC's revenue and receivables, including the impact on estimate and judgements used in the valuation of outstanding claim liabilities and recovery receivables. Management has concluded that COVID-19 has not had a material impact on the EAMHC's operations and preparation of the financial statements for the year ended 30 June 2021.

Grant funding might be provided to EAMHC when required. The funding adequacy is assessed annually through the State Budget process.

Going concern

The EAMHC's financial statements have been prepared on a going concern basis. It is expected that EAMHC has adequate cash holding and cash inflows to continue operations for the foreseeable future. Further, the State may provide the necessary financial support to EAMHC to meet its debts as and when they become due and payable. Section 51 (5) of the *Electricity Network Assets (Authorised Transactions) Act 2015* state that the Treasurer may provide funding to EAMHC in any way that the Treasurer considers appropriate.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i. Effective for the first time in FY2020-21

A number of standards, amendments and interpretations apply for the first time in FY2020-21, most notably AASB 1059 *Service Concession Arrangements: Grantor.* AASB 1059 does not apply to the EAMHC's financial statements as it is not a grantor of a service concession asset.

Several other standards, amendments and interpretations apply for the first time in FY2020-21, but do not have a material impact on the financial statements of the entity.

Issued but not yet effective

As mandated by Treasury Circular TC20-08 *Mandates of options and major policy decisions under Australian Accounting Standards 2020-21*, the EAMHC 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 EAMHC:

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (operative date 1 July 2021)
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (operative date 1 January 2022)
- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* (operative date 1 January 2021)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023).

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

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.

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE

Revenue is recognised in accordance with the requirements of AASB 15 or AASB 1058 dependent on whether there is an enforceable contract with specific performance obligation.

Contract revenue

Contract revenue is recognised when the relevant performance obligation embedded in contracts with customers are satisfied and the control of goods and service transfers to the customer.

Petroleum exploration royalty

Macquarie Generation's rights, title and interests in relation to the petroleum exploration licence issued under the *Petroleum (Onshore) Act 1991* 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 Gas Supply Agreement is an irrevocable contract with the customer (AGL). The rights to extract the gas were transferred to AGL in 1998 by Pacific Power (Macquarie Generation's predecessor) and subsequently vested in EAMHC in 2015.

EAMHC has determined the transfer of the petroleum exploration licences and subsequent entitlement to overriding royalty income to be a single performance obligation recognised at a point in time. Income from royalties was determined to be variable consideration and is only recognised when it is highly probable that a significant reversal of the estimated amount will not occur. The uncertainty with the variable consideration is resolved when the actual gas production volume and price is known, which is when revenue is recognised. Payment from the customer is typically due within 30 days based on the gas production for the relevant period. No significant element of financing is deemed present as payments are made within the short term credit term.

Other revenue

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.

Other revenue

Other revenue mainly consists of miscellaneous residual income received in respect of the State's abolished electricity generators. The revenue is recognised when cash is received.

Investment revenue

Investment revenue includes interest earned on cash held at the bank and is calculated by applying the effective interest rate to the gross carrying amount

EXPENSES

Expenses are recognised when incurred.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating expenses

Claims expenses

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

Management Fees

EAMHC outsourced claims management functions to icare. Management fees are paid in accordance with the Memorandum of Understanding (MoU) signed and recognised as expenses when incurred.

Other expenses

Other expenses are recognised as they accrue.

Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the EAMHC financial statements. The cost of these services is shown as an administrative charge in Note 3.

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 represent the cash at bank and deposits with financial institutions and are recognised in the Statement of Financial Position and reconciled to the Statement of Cash Flows.

Receivables

Trade and other receivables

Trade receivables comprise amounts due from 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 EAMHC 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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. STATEMENT 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.

Income tax

The EAMHC is wholly owned by the NSW Government and is exempt from all forms of taxation except Fringe Benefit Tax and the Goods and Services Tax.

Accounting for the 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 that 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 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 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 14.

Notes to the financial statements for the year ended 30 June 2021

3. OPERATING EXPENSES

	Notes	2021 $'000	2020 $'000
Claims expenses			
Adjustment to existing outstanding claims[1]	10	2,234	4,959
		2,234	**4,959**
Management fees			
Management fees		167	182
		167	**182**
Other operating expenses			
Actuarial expenses		112	112
Audit fees - audit of financial statements		63	62
Data Warehouse		101	94
Contractors		50	-
Consultants		35	-
Administrative charge		181	182
Storage costs		26	26
Other		-	1
		568	**477**
Total operating expenses		**2,969**	**5,618**

[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

	2021 $'000	2020 $'000
Grants and subsidies		
Grants to GPM	5,500	1,000
	5,500	**1,000**

The *Electricity Generator Assets (Authorised Transactions) Regulation 2016* allows EAMHC to provide funding to a transaction company to carry out its activities. Generator Property Management Pty Ltd (GPM) is an authorised transaction company responsible for managing demolition and remediation work of certain decommissioned power stations. Annual funding to GPM was determined based on the Statement of Business Intent and business plan approved.

5. INVESTMENT REVENUE

	2021 $'000	2020 $'000
Bank interest	229	1,061
	229	**1,061**

6. CONTRACT AND OTHER REVENUE

	2021 $'000	2020 $'000
Contract revenue		
Petroleum exploration royalty	293	368
	293	**368**
Other revenue		
Recovery revenue	616	310
Other	12	71
	628	**381**

7. CASH AND CASH EQUIVALENTS

Cash at bank	143,061	154,065
	143,061	**154,065**

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)	143,061	154,065
Closing cash and cash equivalents (per Statement of Cash Flows)	143,061	154,065

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

8. RECEIVABLES

Expected future recoveries (discounted)	3,319	3,324
Petroleum exploration royalty	24	30
GST receivables	485	481
Other	11	-
	3,839	**3,835**
Current	775	807
Non-current	3,064	3,028
	3,839	**3,835**

No receivables are past due or considered impaired as at reporting date. Refer to Note 12 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

9. PAYABLES

	2021 $'000	2020 $'000
Claims payable	58	18
Other	100	43
	158	**61**

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

10. PROVISIONS FOR OUTSTANDING CLAIMS

	Dust Disease $'000	Non Dust Disease $'000	2021 Total $'000	2020 Total $'000
Opening balance	48,866	7,712	56,578	55,423
Payments	(5,451)	(561)	(6,012)	(4,116)
Actuarial (gain)/loss	3,486	613	4,099	2,814
Change in the discount rate	(1,634)	(231)	(1,865)	2,145
Unwinding of discounts	56	17	73	312
Closing balance	**45,323**	**7,550**	**52,873**	**56,578**
Current	3,798	706	4,504	5,254
Non-current	41,525	6,844	48,369	51,324
	45,323	**7,550**	**52,873**	**56,578**

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be between 7.17 to 9.9 years (2020: 7.25 – 9.9 years) for dust disease liabilities and 7.17 years (2020: 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	
	2021 %	2020 %	2021 %	2020 %
Not later than one year				
Inflation rate	1.06 - 1.12	0.83 - 1.37	1.10 - 1.49	1.05
Discount rate	(0.06) - 0.04	0.18 - 0.28	(0.01)	0.23
Superimposed inflation	1.50 - 2.00	1.50 - 2.00	-	-
Later than one year				
Inflation rate	1.13 - 3.00	0.50 - 3.50	1.19 - 2.50	0.58 - 3.00
Discount rate	(0.05) - 4.00	0.25 - 4.50	0.06 - 4.00	0.26 - 4.50
Superimposed inflation	1.50 - 2.00	1.50 - 2.00	-	-

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

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

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 2021

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		42,095		
Discount rate	+1%	38,684	-3,411	-8.1%
	-1%	46,076	3,981	9.5%
Inflation rate	+1%	46,004	3,909	9.3%
	-1%	38,675	-3,420	-8.1%
Superimposed inflation rate	+1%	46,009	3,914	9.3%
	-1%	38,671	-3,424	-8.1%
Seed Reports[2]	+1 claim	46,530	4,435	10.5%
	-1 claim	37,660	-4,435	-10.5%
Incidence Curves[3]	+15% IBNR claims	47,788	5,693	13.5%
	-15% IBNR claims	36,403	-5,692	-13.5%
Average Claim Size	+10%	45,890	3,795	9.0%
	-10%	38,300	-3,795	-9.0%

(b) Dust disease as at 30 June 2020

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		45,620		
Discount rate	+1%	41,855	-3,765	-8.3%
	-1%	50,034	4,414	9.7%
Inflation rate	+1%	49,946	4,326	9.5%
	-1%	41,850	-3,770	-8.3%
Superimposed inflation rate	+1%	49,944	4,324	9.5%
	-1%	41,852	-3,768	-8.3%
Seed Reports[2]	+1 claim	50,281	4,661	10.2%
	-1 claim	40,961	-4,659	-10.2%
Incidence Curves[3]	+15% IBNR claims	51,668	6,048	13.3%
	-15% IBNR claims	39,574	-6,046	-13.3%
Average Claim Size	+10%	49,652	4,032	8.8%
	-10%	41,590	-4,030	-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.

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

(c) Non-dust disease as at 30 June 2021

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		7,458		
Discount rate	+1%	6,959	-499	-6.7%
	-1%	8,022	563	7.6%
Inflation rate	+1%	8,013	555	7.4%
	-1%	6,957	-502	-6.7%
Reactivation[2]	+20%	7,773	315	4.2%
	-20%	7,144	-315	-4.2%
Life expectancy[3]	+5	9,665	2,206	29.6%
	-5	5,191	-2,267	-30.4%
IBNR seed reports	+100%	8,639	1,180	15.8%
	-50%	6,868	-590	-7.9%

(d) Non-dust disease as at 30 June 2020

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		7,633		
Discount rate	+1%	7,128	-505	-6.6%
	-1%	8,200	567	7.4%
Inflation rate	+1%	8,158	525	6.9%
	-1%	7,158	-475	-6.2%
Reactivation[2]	+20%	7,866	234	3.1%
	-20%	7,399	-234	-3.1%
Life expectancy[3]	+5	9,980	2,347	30.7%
	-5	5,239	-2,394	-31.4%
IBNR seed reports	+100%	9,352	1,720	22.5%
	-50%	6,773	-860	-11.3%

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 projected 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

	2021 $'000	2020 $'000
Net cash flows from operating activities	**(11,004)**	**(4,602)**
Adjustments for:		
Decrease/(increase) in provisions	3,705	(1,155)
(Increase)/decrease in payables	(97)	7
Increase in receivables	4	630
Net result	**(7,392)**	**(5,120)**

12. FINANCIAL INSTRUMENTS

The EAMHC's principal financial instruments are cash deposits held with financial institutions as part of the NSW Treasury Banking System, 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 9)	Carrying amount 2021 $'000	Carrying amount 2020 $'000
Financial assets				
Cash and cash equivalents	7	N/A	143,061	154,065
Receivables[1]	8	Amortised cost	35	30
Financial liabilities				
Payables[2]	9	Financial liabilities measured at amortised cost	158	61

1. Excludes statutory receivables of $0.49 million (2020: $0.48 million) and expected recoveries receivable of $3.3 million (2020: $3.32 million) which are not within the scope of AASB7 *'Financial Instruments'.*
2. Excludes statutory payables of Nil (2020: Nil) which are not within the scope of AASB7 *'Financial Instruments'.*

12. FINANCIAL INSTRUMENTS (continued)

(a) Market risks

Market risk refers to 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 exposure to market risk are primarily through the interest rate risk on its cash balances holding 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 2020. 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 +0.5%/-0.25% (2020: +/- 1%) is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	Carrying amount $'000	Net result $'000	-0.25% Equity $'000	Net result $'000	+0.5% Equity $'000
2021					
Cash and cash equivalents	143,061	(358)	(358)	715	715
	Carrying amount $'000	**Net result $'000**	**-1% Equity $'000**	**Net result $'000**	**+1% Equity $'000**
2020					
Cash and cash equivalents	154,065	(1,541)	(1,541)	1,541	1,541

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.

12. FINANCIAL INSTRUMENTS (continued)

Receivables

Receivables include trade debtors.

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

The 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 and contract assets 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	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021								
Payables	-	158	-	-	158	158	-	-
Total financial liabilities	**-**	**158**	**-**	**-**	**158**	**158**	**-**	**-**
2020								
Payables	-	61	-	-	61	61	-	-
Total financial liabilities	**-**	**61**	**-**	**-**	**61**	**61**	**-**	**-**

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.

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 reporting date. 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 2021.

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
- employee 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 reporting date.

Sale of Delta Electricity

There were no contingent assets and contingent liabilities to report as at 30 June 2021.

14. BUDGET REVIEW

Net result

The EAMHC's net result is a loss of $7.4 million and is $2.2 million unfavourable compared to budget. The main reason for the variance is due to higher claims cost incurred in 2021 financial year.

Total expenses were $2.6 million higher than budget mainly due to the following:

- Claim costs were $4.5 million higher than budget largely attributable to the change in actuarial assumptions associated with higher inflation, increase in case estimates and claim numbers.
- While discount rate assumptions have decreased in the long-term and in the very short-term, across the short to medium term, discount rates have actually increased, resulting a net increase in discount rate on a weighted average basis and resulting a decrease in the liability and claim cost by $1.9 million. This partially offsets the higher claim costs noted above.
- Recurrent funding to GPM for Munmorah power station demolition works were in line with the budget estimate of $5.5 million.
- Finance cost was $0.05 million lower than budget due to reduction in discount rate which was unwound on the outstanding claims liabilities.

Total revenue was $1.2 million which was $0.4 million higher than budget due to higher claim recovery income received in 2021.

14. BUDGET REVIEW (continued)

Assets and Liabilities

Total assets for the year were $146.9 million which is $0.7 million lower than budget, contributed by:

- Lower cash balance of $1 million due to higher claim payments incurred.
- Partially offset by higher claim recovery receivables of $0.3 million. The claim recovery receivables are actuarially assessed and calculated as a proportion of the outstanding claim liabilities. It increases alongside with the claim liability balance.

Total liabilities were $53 million and were $1.5 million higher than budget due to an increase in outstanding claims, which was largely driven by an increase in claims estimate and claim numbers.

Cash flows

The actual net cash flows used in operating activities were $11 million, $1 million higher than budget. Cash payments were $12.8 million and were $1.2 million higher than budget largely due to higher claim payments made. Cash receipts were $1.8 million and were higher than budget by $0.2 million contributed by higher claim recovery received in 2021.

Closing cash and cash equivalents were $143.1 million, $1 million lower than budget of $144.1 million.

Being a residual entity, the 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 that provides key management personnel services to the EAMHC.

(b) Key management personnel remuneration

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

The EAMHC does not have employees. Key management personnel services were provided by NSW Treasury. There was no remuneration 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

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.

15. RELATED PARTY DISCLOSURES (continued)

Transactions with other government related entities

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

Finance officers of the NSW Treasury provide administrative services, including the preparation of the EAMHC financial statements. The cost of these services for the year was $198,894 inclusive of GST (2020: $199,789) and is shown as an administrative charge in Note 3.

The EAMHC has provided $5.5 million (2020: $1 million) cash funding to GPM to cover operational, demolition and remediation costs in 2021. Both are government-related entities controlled by the NSW Government.

No other related party transaction occurred in this reporting period.

16. EVENTS AFTER THE REPORTING DATE

On 19 August 2021, EAMHC received an insurance payout of $1.1 million in respect to an insurance settlement with a supplier. As at 30 June 2021, the settlement was conditional pending a formal agreement and signing of a deed of release and indemnity. Follow the approval from EAMHC's Accountable Authority and the deed of release and indemnity was entered in August 2021, settlement has now been completed.

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

End of audited financial statements

AUDITOR-GENERAL
NEW SOUTH WALES

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 by Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows

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 (including Independence Standards)' (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.

Secretary’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, the GSF Act, GSF Regulations and Treasurer's Directions. The Secretary's responsibility also includes 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.

The scope of my audit does not include, nor 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

12 October 2021
SYDNEY

NSW GOVERNMENT | Treasury

Epsilon Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2021

Epsilon Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2021

STATEMENT BY THE ACCOUNTABLE AUTHORITY

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions; and
- present fairly the Epsilon Distribution Ministerial Holding Corporation's financial position, financial performance and cash flows.

Michael Pratt AM
Secretary
6 th. October 2021

Epsilon Distribution Ministerial Holding Corporation

Statement of Comprehensive Income
as at 30 June 2021

	Notes	Budget 2021 $000	Actual 2021 $000	Actual 2020 $000
Expenses excluding losses				
Operating expenses	4	2,661	2,936	2,851
Finance costs		-	1	2
Total expenses excluding losses		**2,661**	**2,937**	**2,853**
Revenue				
Investment revenue	5(a)	1,912	1,919	1,853
Contract service revenue	5(b)	2,806	3,084	2,910
Other operating revenue	5(c)	-	-	77
Total Revenue		**4,718**	**5,003**	**4,840**
Gains/(losses) on disposal	6	-	(85)	(106)
Net result		**2,057**	**1,981**	**1,881**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Superannuation actuarial gains/(losses)	15(ii)	(5,196)	13,772	(1,081)
Total other comprehensive income		**(5,196)**	**13,772**	**(1,081)**
Total comprehensive income		**(3,139)**	**15,753**	**800**

The accompanying notes form part of these financial statements.

Epsilon Distribution Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2021

	Notes	Budget 2021 $000	Actual 2021 $000	Actual 2020 $000
Assets				
Current assets				
Cash and cash equivalents	7	7,512	10,025	9,674
Receivables		-	1	-
Other financial assets	8	-	-	88
Total current assets		**7,512**	**10,026**	**9,762**
Non-current assets				
Other financial assets	8	31,073	30,985	29,167
Total non-current assets		**31,073**	**30,985**	**29,167**
Total assets		**38,585**	**41,011**	**38,929**
Liabilities				
Current liabilities				
Payables	9	78	86	84
Contract liabilities	10	548	547	542
Lease liabilities	12	-	-	88
Total current liabilities		**626**	**633**	**714**
Non-current liabilities				
Provisions	11	23,826	7,353	20,943
Total non-current liabilities		**23,826**	**7,353**	**20,943**
Total liabilities		**24,452**	**7,986**	**21,657**
Net assets		**14,133**	**33,025**	**17,272**
Equity				
Retained earnings		14,133	33,025	17,272
Total equity		**14,133**	**33,025**	**17,272**

The accompanying notes form part of these financial statements.

Epsilon Distribution Ministerial Holding Corporation

Statement of Changes in Equity
for the year ended 30 June 2021

	Notes	Retained Earnings $000	Total $000
Balance at 1 July 2020		**17,272**	**17,272**
Net result for the year		1,981	1,981
Other comprehensive income			
Superannuation actuarial gains/(losses)	15(ii)	13,772	13,772
Total other comprehensive income		13,772	13,772
Total comprehensive income for the year		**15,753**	**15,753**
Balance at 30 June 2021		**33,025**	**33,025**
Balance at 1 July 2019		**16,472**	**16,472**
Net result for the year		1,881	1,881
Other comprehensive income			
Superannuation actuarial gains/(losses)	15(ii)	(1,081)	(1,081)
Total other comprehensive income		**(1,081)**	**(1,081)**
Total comprehensive income for the year		**800**	**800**
Balance at 30 June 2020		**17,272**	**17,272**

The accompanying notes form part of these financial statements.

Epsilon Distribution Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	Budget 2021 $000	Actual 2021 $000	Actual 2020 $000
Cash flows from operating activities				
Payments				
Suppliers for goods and services		(4,981)	(480)	(462)
Total Payments		**(4,981)**	**(480)**	**(462)**
Receipts				
Sale of goods and services		2,813	816	883
Interest received		6	15	62
Total Receipts		**2,819**	**831**	**945**
Net cash flows from operating activities	14	**(2,162)**	**351**	**483**
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		**(2,162)**	**351**	**483**
Opening cash and cash equivalents		9,674	9,674	9,191
Closing cash and cash equivalents	7	**7,512**	**10,025**	**9,674**

The accompanying notes form part of these financial statements.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

Notes Index

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

1. INFORMATION ON THE EPSILON DISTRIBUTION MINISTERIAL HOLDING CORPORATION

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 in the right of the State of New South Wales (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 of an authorised transaction as may be prescribed by the regulations.

The EDMHC is a NSW Government entity and is controlled by the State of New South Wales, which is the ultimate parent. The EDMHC 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 Accountable Authority 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 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, and 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, Endeavour Energy SOC was converted into EDMHC, a general government sector entity, for nil consideration via a number of statutory vesting orders under the enabling legislation.

A Ministerial Order was signed on 13 June 2017 transferring employees of Endeavour Energy SOC to Endeavour Energy Management Pty Limited. The defined benefit plan remaining with the EDMHC relates to the retired employees.

3. STATEMENT 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)
- *Government Sector Finance Act 2018* (GSF Act)
- *Government Sector Finance Regulation 2018*
- Treasurer's Directions issued under the GSF Act.

The financial statements have been prepared on an accruals basis, except for cash flow information, and in accordance with the historical cost convention except for the revaluation of superannuation liabilities which are measured at fair value through other comprehensive income.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

Use of judgements, estimates and assumptions

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, the EDMHC (as the lessor) entered into a 99-year lease of the electricity network. At the end of the lease the land will revert back to the 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 estimation uncertainty at the reporting date, which present a significant risk of potentially 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 both observable markets and internal data where a degree of judgement was applied to determine the fair value. Judgements including consideration of inputs such as liquidity risk, credit risk and volatility were taken at the inception of the lease. If there is a reduction in the residual value of the unguaranteed residual assets, 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 indicators include factors such as the level of improvements undertaken by the lessee, volatility of land values, the rate of technological change and competitive conditions.

3. STATEMENT 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 the risk-free interest rate (discount rate), CPI, 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. As these assumptions are generally subject to a degree of uncertainty and are largely driven by the fluctuations in the financial market and economic cycles, the actual results may differ from the estimate.

Details regarding assumptions and superannuation fund assets allocation are disclosed in Note 15.

COVID-19

Management has considered the impact of COVID-19 on the EDMHC's revenue and receivables, including the impact on estimates and judgements used in the valuation of the lease receivable. Management has concluded that COVID-19 has not had a material impact on the EDMHC's operations and preparation of the financial statements for the year ended 30 June 2021.

Going concern

The EDMHC's financial statements have been prepared on a going concern basis. It is expected that the Corporation has adequate cash holding and cash inflows to continue operations for the foreseeable future. If required, the State will provide the necessary financial support to EDMHC to meet its debts as and when they become due and payable through the annual State Budget and the Appropriation Bill. Section 51 (5) of the Act states that the Treasurer may provide funding to EDMHC in any way that the Treasurer considers appropriate, including the issue of a letter of comfort.

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

i. Effective for the first time in FY2020-21

A number of standards, amendments and interpretations apply for the first time in FY2020-21, most notably AASB 1059 *Service Concession Arrangements: Grantors*. AASB 1059 does not apply to the EDMHC's financial statements as the long-term lease of the electricity transmission and distribution networks is not a service concession arrangement. The key reasons being:

- the arrangement conveys to the operator a right to use and not a right to access the network assets
- the State does not control any significant residual interest in the network assets
- the arrangement is more in the nature of a privatisation than a service concession arrangement.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rather, the arrangement involves the operator providing services that are regulated using assets that are not controlled by the State.

Other amendments and interpretations apply for the first time in FY2020-21, but do not have a material impact on the financial statements of the Corporation.

ii. Issued but not yet effective

As mandated by Treasury Circular TC20-08 *Mandates of options and major policy decisions under Australian Accounting Standards 2020-21*, the Corporation has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

Management have assessed the impact of the new accounting standards and interpretations issued but not yet effective, listed below, and concluded there is no material impact to the Corporation:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (operative date 1 January 2022)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023).

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.

Revenue

Revenue is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities* dependent on whether there is an enforceable contract with specific performance obligation.

Contract service revenue

Contract service revenue is recognised when the relevant performance obligation embedded in contracts with customers are satisfied and the control of service transfers to the customer.

Type of Service	Nature of Timing of Satisfaction of Performance Obligation, Including Significant Payment Terms	Revenue Recognition Policies
Lease outgoing recoupment	Relates to council rates and other lease outgoings recouped from the lessees under the 99-year finance lease. The performance obligation in relation to lease outgoing recoupment is typically satisfied when the lease outgoing is paid to the relevant government authorities and government trading enterprises. Performance obligations are completed over time. Payment from the customer is typically due within 30 days after the service provision.	Revenue is recognised when the lease outgoings are paid and is measured based on the amount paid. No significant element of financing is deemed present as payments are made within six months after the service delivery on average.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Type of Service	Nature of Timing of Satisfaction of Performance Obligation, Including Significant Payment Terms	Revenue Recognition Policies
Contract service income	The EDMHC receives annual income from the lessee, adjusted for CPI each year to cover for the administration costs incurred in managing its affairs, including the administration of subsequent land acquisitions and disposals associated with the lease. The performance obligation in relation to contract service revenue is typically satisfied when the relevant performance obligation embedded in the enforceable network lease contract is satisfied and the control of service transfers to the customer. In assessing the amount of the revenue allocation, the EDMHC has applied the straight-line labour input method with reference to cost and staff labour hours incurred. Performance obligations are completed over time. Annual payment is normally due in June each year.	Revenue is recognised when the services are provided. No significant element of financing is deemed present as payments are made within six months before the service delivery on average.

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 16 *Leases*.

Expenses

Expenses are recognised when incurred.

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 Note 4.

Assets

Cash and cash equivalents

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Trade and other receivables (excluding finance lease receivable)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. It represents unconditional rights to contractual cash flows and considerations accrued as at the reporting date. 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.

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 EDMHC expects to receive, discounted at the original effective interest rate. For trade receivables, EDMHC applies a simplified approach in calculating ECLs. The EDMHC recognises a loss allowance based on lifetime ECLs at each reporting date.

Other financial assets

The non-current finance lease receivable 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 lease – 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. 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.

Subsequently, finance income is based on a pattern reflecting a constant periodic rate of return on the 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. Under the lease agreement, the lessee is permitted to sell land which forms part of the leased assets when deemed surplus to the network requirements. Following the sales, the net present value of the relevant land is derecognised from the finance lease receivable in accordance with AASB 16 paragraph 90. The future values of the land disposed are shown in Note 8 and the gains or losses on sold of the land are reflected in Note 6.

3. STATEMENT 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
- the 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) the EDMHC has transferred substantially all the risks and rewards of the asset, or (b) the EDMHC has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the 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, the EDMHC continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the 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 the 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 the EDMHC could be required to repay.

Liabilities

Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to the EDMHC 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.

Contract liabilities

Unearned revenue

Unearned revenue balance represents consideration received in advance from the lessee in respect of administration costs incurred in managing its affairs, including the administration of subsequent land acquisitions and disposals associated with the lease. Consideration is usually received in advance upon the anniversary of the lease commencement date. A contract liability is recognised upon receipt of cash and is reduced by the amounts recognised as contract service income which is allocated over time based on the straight-line labour input method.

Superannuation

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

3. STATEMENT 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 the 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 comprise of actuarial gains or losses, the return in plan assets and any change in the effect of asset ceiling other than the net interest are recognised 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 15.

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.

Income tax

Following the sale of the discontinued operations and the EDMHC's conversion to a General Government Sector Entity, it is no longer subject to the National Tax Equivalent Regime. As an entity wholly owned by the NSW Government, the EDMHC is exempt from all forms of taxation except for Fringe Benefits Tax and the Goods and Services Tax.

Accounting for the 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 18.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

4. OPERATING EXPENSES

	2021 $000	2020 $000
Superannuation - defined benefits expense	182	259
Lease outgoing expenditure	2,515	2,352
Administrative charge	181	182
Audit fees - audit of financial statements	58	58
Total	**2,936**	**2,851**

5. REVENUE

(a) Investment revenue		
Interest income	15	62
Finance income[1]	1,904	1,791
	1,919	**1,853**
(b) Contract service revenue		
Lease outgoing recoupment[2]	2,515	2,352
Contract service income[3]	569	558
	3,084	**2,910**
(c) Other operating revenue		
Other income	-	77
	-	**77**
Total revenue	**5,003**	**4,840**

[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 lessee under the 99-year finance lease.

[3] The EDMHC receives annual income from the lessee adjusted for CPI each year, to cover for the administration costs incurred in managing its affairs, including the administration of subsequent land acquisitions and disposals associated with the lease. The specific performance is specified under the enforceable network lease contract.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

6. GAINS/(LOSSES) ON DISPOSAL

	2021 $000	2020 $000
Losses on finance lease receivable	(85)	(106)
Total	**(85)**	**(106)**

Under the lease agreement, the lessee is permitted to sell land which forms part of the leased assets when deemed surplus to requirements. When this occurs, the selling constitutes a partial surrender of the lease in respect of the land sold. The sales proceeds are paid directly to the lessee by the purchaser. The net present value of the relevant land is derecognised from the finance lease receivable.

7. CASH AND CASH EQUIVALENTS

Cash at bank	10,025	9,674
Total	**10,025**	**9,674**

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash at bank.

Cash and cash equivalents 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)	10,025	9,674
Closing cash and cash equivalents (per Statement of Cash Flows)	10,025	9,674

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

8. OTHER FINANCIAL ASSETS

Current		
Finance lease receivable (i)	-	88
	-	**88**
Non-current		
Finance lease receivable (ii)	30,985	29,167
	30,985	**29,167**
Total	**30,985**	**29,255**

8. OTHER FINANCIAL ASSETS (continued)

(i) Suite 4.01, 130 Pitt Street, Sydney

EDMHC entered into a lease and sub-lease agreement with Endeavour Energy for office premises at 130 Pitt Street, Sydney. This lease expired in April 2021 and the arrangement has not been renewed. As a result, the finance lease receivable at 30 June 2021 is nil.

(ii) Long-term lease of network assets

On completion of the long-term lease transaction, the EDMHC acts as a lessor and Endeavour Energy Asset Partnership acts as a lessee in a 99-year lease arrangement. The EDMHC transferred substantially all the 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 the 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 lease.

The residual value at the expiry of the lease is estimated at $12.6 billion, using an annual indexation of 3.61 per cent. The present value at inception of the lease was $24.0 million, discounted at nominal pre-tax discount rate of 6.54 per cent. Finance income of $1.9 million (2020: $1.8 million) was recognised in the year (refer to Note 5(a)).

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 is 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.

Reconciliation of net investment in leases	**2021**	**2020**
	$000	**$000**
Future undiscounted rentals receivable	-	88
Unguaranteed residual amounts - undiscounted	12,649,961	12,685,994
Less: unearned finance income	(12,618,976)	(12,656,827)
Net investment in finance leases	**30,985**	**29,255**

Reconciliation of unguaranteed residual amounts (undiscounted)

Opening balance	12,685,994	12,735,393
Less disposal - partial surrender of the lease	(36,033)	(49,399)
Closing balance	**12,649,961**	**12,685,994**

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

9. PAYABLES

	2021 $000	2020 $000
Current		
Accruals	54	51
GST payable	32	33
Total	**86**	**84**

GST receivable and payable were net off for the 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 13.

10. CONTRACT LIABILITIES

Current contract liabilities		
Unearned revenue	547	542
Total	**547**	**542**
Contract liabilities reconciliation		
Opening balance	542	-
Transfer-in on AASB15 1st time adoption	-	531
Contract service invoiced/received	574	569
Revenue recognised upon performance obligation fulfilled	(569)	(558)
Closing balance	**547**	**542**
Revenue recognised that was included in the contract liability balance at the beginning of the year	542	531
Revenue recognised from performance obligation satisfied in pevious periods	-	-
Transaction price allocated to the remaining performance obligations from the contract with customers	547	542

The transaction price allocated to the remaining performance obligations relates to the ongoing administrative tasks associated with the network lease. The contract liabilities at reporting date is expected to be fully recognised as revenue in FY2021-22.

11. PROVISIONS

Non-Current		
Superannuation Liability	7,353	20,943
Total	**7,353**	**20,943**

Refer to Note 15(iii) for more details. 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. LEASE LIABILITIES

	2021 $000	2020 $000
Lease liabilities	-	88
Total	**-**	**88**

Lease liabilities movement

	2021 $000	2020 $000
Balance at 1 July 2020	88	-
Additions	-	197
Interest expenses	1	2
Payments	(89)	(111)
Balance at 30 June 2021	**-**	**88**

EDMHC entered into a lease and sub-lease agreement with Endeavour Energy for office premises at 130 Pitt Street, Sydney. This lease expired in April 2021 and the arrangement (lease and sub-lease) has not been renewed. The lease liabilities at 30 June 2021 is nil.

The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2021 in respect of leases where the entity is the lessee:

	2021 $000	2020 $000
Depreciation expense of right-of-use assets	-	-
Interest expense on lease liabilities	(1)	(2)
Income from subleasing right-of-use assets	1	2
Total amount recognised in the statement of comprehensive income	**-**	**-**

Future minimum lease payments under non-cancellable leases as at reporting date are, as follows:

	2021 $000	2020 $000
Within one year	-	97
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	**-**	**97**
Less: GST recoverable from the Australian Tax Office	-	(9)
Total (excluding GST)	**-**	**88**

13. FINANCIAL INSTRUMENTS

The EDMHC's principal financial instruments are outlined below. The financial instruments arise directly from the EDMHC's operations or are required to finance the EDMHC's operations. The Secretary, as the Accountable Authority is responsible for developing, maintaining and reviewing financial management policies and procedures, and effective systems for risk management in accordance with section 3.6 of the Act.

	Note	Categories	Carrying Amount 2021 $000	Carrying Amount 2020 $000
Financial assets				
Cash and cash equivalents	7	N/A	10,025	9,674
Receivables[1]		Amortised cost	1	-
Financial liabilities				
Payables	9	Financial liabilities measured at amortised cost	54	51

[1] Excludes statutory receivables/payables and contract liabilities which are not within the scope of *AASB 7 Financial Instruments: Disclosures,* and excludes finance lease receivables which only represent the unguaranteed residual value.

Financial risk management overview

Financial instruments comprise cash, trade receivables and payables. The main purpose of these financial instruments was to raise finance or invest surplus cash for the EDMHC'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.

As at 30 June 2021, the EDMHC has exposure to the following risks:

- 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 the EDMHC, including cash and receivables. No collateral is held by the EDMHC.

Cash

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

13. FINANCIAL INSTRUMENTS (continued)

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 EDMHC 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 historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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.

Market rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of movements in market 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 -0.25 per cent and +0.5 per cent (FY2020: +/- 1 per cent) 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.

2021			**-0.25%**		**0.5%**
	Carrying amount $'000	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Cash and cash equivalents	10,025	(25)	(25)	50	50
2020			**-1%**		**+1%**
	Carrying amount $'000	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Cash and cash equivalents	9,674	(97)	(97)	97	97

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 year ended 30 June 2021

13. FINANCIAL INSTRUMENTS (continued)

The following is the maturity profile of the EDMHC's financial liabilities.

	Weighted average effective interest rate	Nominal amount	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021								
Payables	-	54	-	-	54	54	-	-
Total financial liabilities	-	54	-	-	54	54	-	-
2020								
Payables	-	51	-	-	51	51	-	-
Total financial liabilities	-	51	-	-	51	51	-	-

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Net 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:

	2021 $000	2020 $000
Net cash flows from operating activities	351	483
Adjustments for non-cash items		
Superannuation actuarial (gains)/losses	(13,772)	1,081
Finance lease income	1,904	1,791
Finance costs - unwinding of discount	(1)	(2)
Gains/(losses) on disposal of assets	(85)	(106)
Net changes in assets and liabilities during the financial year		
Increase / (decrease) in receivables	1	(56)
Increase / (decrease) in other current financial assets	(88)	88
Decrease / (increase) in payables	(2)	41
Decrease / (increase) in provisions	13,590	(1,340)
Decrease / (increase) in contract liabilities	(5)	(542)
Decrease / (increase) in lease liabilities	88	(88)
Decrease / (increase) in other liabilities	-	531
Net result	**1,981**	**1,881**

15. 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 the EDMHC'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 Endeavour Energy Management Pty Limited. The defined benefit plan balance remaining with the EDMHC relates to retired employees. There were no fund amendments, curtailments or settlements during the year.

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 and expected to be released in December 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
- Compliance with the Trust Deed.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

15. 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.
- **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	**2021**	**2020**
Contributions	-	-
Deferred benefits	2	2
Pensioners	91	91

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

	2021 $000	**2020 $000**
Net interest	182	259
Total net expense	**182**	**259**

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

Actuarial gains/(losses) on liabilities	5,785	(185)
Actuarial gains/(losses) on assets	7,987	(896)
Total actuarial gains/(losses)	**13,772**	**(1,081)**

(iii) Reconciliation of the superannuation net asset/(liability)

Net asset/(liability) at the beginning of the period	**(20,943)**	**(19,603)**
Net interest income/(expense) on the net defined benefit asset/(liability)	(182)	(259)
Return on plan assets, excluding amounts included in interest expense/(income)	7,987	(896)
Actuarial gains/(losses) arising from liability experience	2,683	(874)
Actuarial gains/(losses) arising from changes in financial assumptions	3,102	689
Net Asset/(Liability) at the end of the period	**(7,353)**	**(20,943)**

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

(iv) Reconciliation of the defined benefit obligation

	2021 $000	2020 $000
Present value of defined benefit obligations at the beginning of the period	**(78,421)**	**(80,449)**
Benefits paid	3,065	3,076
Taxes, premiums and expenses paid	168	178
Interest income/(expense)	(669)	(1,041)
Actuarial gains/(losses) arising from changes in financial assumptions	3,102	689
Actuarial gains/(losses) arising from liability experience	2,683	(874)
Present value of defined benefit obligations at the end of the period	**(70,072)**	**(78,421)**

(v) Reconciliation of the fair value of fund assets

Fair value at the beginning of the period	**57,478**	**60,846**
Benefits paid	(3,065)	(3,076)
Taxes, premiums and expenses paid	(168)	(178)
Interest income/(expense)	486	782
Actual return on fund assets less interest income	7,988	(896)
Fair value at the end of the period	**62,719**	**57,478**

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

Fair value of fund assets - Energy Investment Fund		
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	2,012,197	1,834,949
Level 3 - Unobservable inputs	-	-
Total	**2,012,197**	**1,834,949**

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:

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Asset Category	2021	2020
	%	%
Australian Equities	18	14
International Equities	29	25
Property	13	13
Private Equity	1	1
Infrastructure	11	8
Alternatives	8	8
Fixed Income	11	18
Cash	9	13
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.

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

	2021	2020
Discount rate	1.50% pa	0.87% pa
Expected salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI increase	1.50% for 2020/2021; 1.75% for 2021/22 and 2022/23; 2.25% for 2023/24, 2024/25 and 2025/26; 2.50% for 2026/27; 2.75% for 2027/28, 3.00% for 2028/29; 2.75% for 2029/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Pensioner mortality	Based on triennial valuation of the Fund as at 30 June 2018. The pension mortality rates are based on experience of the NSW public sector.	Based on triennial valuation of the Fund as at 30 June 2018. The pension mortality rates are based on experience of the NSW public sector.

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Sensitivity analysis

The Corporation's total defined benefit obligation as at 30 June 2021 under several scenarios is presented below. Scenarios A to D relate to sensitivity of the total defined benefit obligation to economic assumptions, while scenarios E and F relate to sensitivity to demographic assumptions.

30 June 2021

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	1.50% pa	1.00% pa	2.00% pa
Rate of CPI increase	as above	as above	as above
Defined benefit obligation ($000)	70,072	75,166	65,421
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	1.50% pa	1.50% pa	1.50% pa
Rate of CPI increase	as above	as above + 0.5% pa	as above - 0.5% pa
Defined benefit obligation ($000)	70,072	74,899	65,607
	Base Case	**Scenario E Lower pensioner mortality rates***	**Scenario F Higher pensioner mortality rates****
Defined benefit obligation ($000)	70,072	71,577	68,942

* 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.

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Sensitivity analysis

30 June 2020

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	0.87% pa	0.37% pa	1.37% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	78,421	83,485	73,775

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	0.87% pa	0.87% pa	0.87% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.50% for 2019/20; 0.75% for 2020/21; 2.00% for 2021/22; 1.75% for 2022/23; 2.25% for 2023/24; 2.50% for 2024/25 and 2025/26; 2.75% pa to 2029/30; 3.00% pa thereafter	0.50% for 2019/20; (0.25%) for 2020/21; 1.00% for 2021/22; 0.75% for 2022/23; 1.25% for 2023/24; 1.50% for 2024/25 and 2025/26; 1.75% pa to 2029/30; 2.00% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	78,421	83,627	73,605

	Base Case	Scenario E Lower pensioner mortality rates*	Scenario F Higher pensioner mortality rates**
Defined benefit obligation ($000)	78,421	79,857	77,306

* 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.

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 was last reviewed following completion of the triennial review as at 30 June 2018. 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.

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Net surplus

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

	2021 $000	2020 $000
Accrued benefits	(45,339)	(47,428)
Net market value of Fund assets	62,719	57,478
Net surplus	**17,380**	**10,050**

AASB 1056 results are based on the financial assumptions to be used for the 30 June 2021 actuarial valuation. The economic assumption under AASB 1056 is different with the assumption used under AASB 119. For AASB 1056 financial assumptions, please refer to economic assumptions section for details.

Contribution Recommendations

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

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.

Expected rate of return on fund assets backing current pension liabilities	5.0% p.a.	5.0% p.a.
Expected rate of return on fund assets backing other liabilities	5.0% p.a.	5.0% p.a.
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	1.9% p.a.	1.9% p.a.

Expected contributions

As at 30 June 2021

	$'000
Expected employer contributions to be paid in the period 1 July 2021 to 30 June 2022	-

As at 30 June 2020

	$'000
Expected employer contributions to be paid in the period 1 July 2020 to 30 June 2021	-

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12 years (2020: 13 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.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Sensitivity analysis

In light of the current environment due to Covid-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on EISS's assets in current financial conditions, sensitivities to this assumption for the AASB 1056 results in the table below (results for 2020 shown for comparative purposes).

As at 30 June 2021

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.0%	4.5% pa	5.5% pa
Rate of CPI increase	1.9% pa	1.9% pa	1.9% pa
Accrued Benefits ($000)	45,339	47,587	43,261

As at 30 June 2020

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Rate of CPI increase	1.9% pa	1.9% pa	1.9% pa
Accrued Benefits ($000)	47,428	49,859	45,185

16. COMMITMENTS

The EDMHC does not have capital expenditure commitments as at the reporting date (2020: nil).

17. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The EDMHC does not have any contingent assets and contingent liabilities to report as at the reporting date (2020: nil).

18. BUDGET REVIEW

Net result

For the year ended 30 June 2021 EDMHC made a profit of $2.0 million, which is broadly in line with the budget of $2.1 million.

Both total expenses of $2.9 million and total revenue of $5.0 million were $0.3 million above budget, due to the higher lease outgoing expenses and recoupment, which net-off.

Other comprehensive income of $13.8 million is higher than budget, due to actuarial gains on superannuation liabilities driven by the actual return on fund assets and an increase in the discount rate to 1.50 per cent (2020: 0.87 per cent).

Assets and Liabilities

Total assets were $41.0 million, which is $2.4 million above budget. This is mainly driven by the larger cash balance at reporting date.

Net assets for the year were $33.0 million, which is $18.9 million above the budget. This is mainly due to the actual superannuation liabilities being lower than budget by $16.5 million in 2021, resulting from higher returns on fund assets and favourable actuarial gains which were not included in the budget.

Cash flows

The net cash flow from operating activities were $0.4 million, which is $2.5m higher than the budget. This is largely attributed to movement in the superannuation provision anticipated at budget which did not materialise.

Closing cash and cash equivalents were $10.0 million compared to a budget of $7.5 million.

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

19. 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 EDMHC. NSW Government is the ultimate controlling party of the EDMHC, 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 the Corporation because of its role in directing overall government policy and making decisions about State issues.

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

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2021

19. RELATED PARTIES (continued)

(c) Transactions with related parties

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 EDMHC during the reporting period.

Transactions with other government related entities

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

After the Endeavour Energy distribution network long term lease transaction, EDMHC became Lessor for the Endeavour Energy network long-term lease. The State retained a 49.6 per cent interest in the Endeavour Energy business. This interest is reported in the Electricity Retained Interest Corporation – Endeavour Energy (ERIC-E). NSW Government is the ultimate controlling party of the EDMHC and the ERIC-E. The Treasurer has control and significant influence over both entities. There is no direct related party transaction between EDMHC and the ERIC-E in the current reporting periods.

Finance officers of the NSW Treasury provide administrative services, including the preparation of the EDMHC financial statements. The cost of these services for the year was $198,894 inclusive of GST (2020: $199,789) and is shown as an administrative charge in the EDMHC.

20. EVENTS AFTER THE REPORTING DATE

In May 2021, Endeavour Energy (the lessee) commenced negotiations to dispose the property at 51 Huntingwood Drive, Huntingwood, NSW. As at 30 June 2021, the offer was conditional on the satisfactory completion due diligence processes and obtain approval from EDMHC's Accountable Authority. The EDMHC approval is likely to be obtained in October 2021, pending completion of the due diligence process, and the land is expected to be transferred in November 2021. Upon transfer, EDMHC will derecognise the value of land sold as a partial surrender of the finance lease receivable (Note 6). At 30 June 2021, the net present value of this land within the finance lease receivable was $1.67 million.

There are no other events subsequent to the reporting date requiring disclosure.

End of audited Financial Statements

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 by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising Note to the Financial Statements and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows.

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 (including Independence Standards)' (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 2021 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 Accountable Authority.

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, the GSF Act, GSF Regulations and Treasurer's Directions. The Secretary of Treasury's responsibility also includes 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.

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.

The scope of my audit does not include, nor 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

12 October 2021
SYDNEY

Electricity Transmission Ministerial Holding Corporation

Financial Statements for the year ended 30 June 2021

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2021

STATEMENT BY THE ACCOUNTABLE AUTHORITY

Pursuant to Section 7.6(4) of the *Government Sector Finance Act 2018* (the Act), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions; and

- present fairly the Electricity Transmission Ministerial Holding Corporation's financial position, financial performance and cash flows.

Michael Pratt AM
Secretary

22 October 2021

Electricity Transmission Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Expenses excluding losses				
Employee related expenses	4	1,975	1,955	2,759
Operating expenses	5(a)	2,101	2,250	2,073
Finance costs	5(b)	12	18	89
Total expenses excluding losses		**4,088**	**4,223**	**4,921**
Revenue				
Investment revenue	6	2,504	2,583	3,225
Contract service revenue	7(a)	3,237	2,320	2,438
Other revenue	7(b)	-	571	708
Total revenue		**5,741**	**5,474**	**6,371**
Gains/(losses) on disposal	8	-	-	(148)
Net result		**1,653**	**1,251**	**1,302**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent period				
Superannuation actuarial gains/(losses)	14(ii)	-	85,293	(12,993)
Total other comprehensive income		**-**	**85,293**	**(12,993)**
Total comprehensive income		**1,653**	**86,544**	**(11,691)**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Current Assets				
Cash and cash equivalents	9	156,473	152,852	152,397
Receivables	10	472	1,172	1,278
Total Current Assets		**156,945**	**154,024**	**153,675**
Non-Current Assets				
Receivables	10	1,532	2,434	2,242
Other financial assets	11	38,179	38,179	35,829
Total Non-Current Assets		**39,711**	**40,613**	**38,071**
Total Assets		**196,656**	**194,637**	**191,746**
Current Liabilities				
Payables	12	42	49	36
Provisions	13	989	1,024	1,013
Other liabilities	15(a)	54	53	53
Contract liabilities	15(b)	268	266	265
Total Current Liabilities		**1,353**	**1,392**	**1,367**
Non-Current Liabilities				
Provisions	13	271,122	148,242	231,920
Total Non-Current Liabilities		**271,122**	**148,242**	**231,920**
Total Liabilities		**272,475**	**149,634**	**233,287**
Net Assets /(Liabilities)		**(75,819)**	**45,003**	**(41,541)**
Equity				
Accumulated funds		(75,819)	45,003	(41,541)
Total Equity		**(75,819)**	**45,003**	**(41,541)**

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 2021

	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2020	**(41,541)**	**(41,541)**
Net result for the year	**1,251**	**1,251**
Other comprehensive income		
Superannuation actuarial gains/(losses)	85,293	85,293
Total other comprehesive income	**85,293**	**85,293**
Total comprehensive income for the year	**86,544**	**86,544**
Balance at 30 June 2021	**45,003**	**45,003**
Balance at 1 July 2019	**(29,850)**	**(29,850)**
Net result for the year	**1,302**	**1,302**
Other comprehensive income		
Superannuation actuarial gains/(losses)	(12,993)	(12,993)
Total other comprehesive income	**(12,993)**	**(12,993)**
Total comprehensive income for the year	**(11,691)**	**(11,691)**
Balance at 30 June 2020	**(41,541)**	**(41,541)**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Cash flows from operating activities				
Cash receipts from customers		4,756	1,466	2,206
Cash paid to suppliers and employees		(834)	(1,244)	(2,249)
Interest received	6	154	233	1,028
Net cash flows from operating activities	18	4,076	455	985
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase in cash and cash equivalents		4,076	455	985
Opening cash and cash equivalents		152,397	152,397	151,412
Closing cash and cash equivalents	9	**156,473**	**152,852**	**152,397**

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 2021

NOTES INDEX	PAGE

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 are the subject of a long-term lease transaction, authorised under the *Electricity Network Assets (Authorised Transactions) Act 2015* (“the Act”). Immediately after transaction completion, TransGrid was converted into the ETMHC under Schedule 7 of the Act. The ETMHC is the same legal entity as the TransGrid SOC.

The key functions of the ETMHC are:

- to hold on behalf the State, assets, rights and liabilities acquired by it or transferred to it under an authorised transaction Act;
- 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 of an authorised transaction as may be prescribed by the regulations.

The ETMHC is a NSW Government entity and is controlled by the State of New South Wales, which is the ultimate parent. The ETMHC has been 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 Accountable Authority was signed.

The 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 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 NSW. 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 SOC was converted to the ETMHC, a general government sector entity. A Ministerial Order on the same date was signed transferring existing employees of TransGrid to NSWENO.

All working employees, at the commencement of the lease, and their respective defined benefit plans were transferred to NSWENO. The defined benefit plan remaining with the ETMHC relates only to the retired employees.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The entity's 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)
- *Government Sector Finance Act 2018* (GSF Act)
- *Government Sector Finance Regulation 2018*
- Treasurer's Directions issued under the GSF Act.

The financial statements have been prepared on an accrual basis, except for cash flow information, and in accordance with the historical cost convention except for revaluation of superannuation liabilities which are measured at fair value through other comprehensive income.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

Use of judgements, estimates and assumptions

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 is the lessor in the 99-year lease of the electricity network. At the end of the lease, land will revert back to the ETMHC for nil consideration. 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 lease was prepaid, the transaction was accounted for as a sale.

Estimates and assumptions – estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Actual results may differ from these estimates. Information about significant areas of estimation and uncertainty that have the most significant effect on the amounts recognised in the financial statements are described below.

The ETMHC based its assumptions and estimates on information 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 comprises 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 11.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The liability for claims includes:

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

The estimates 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 13.

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 include 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. As these assumptions are generally subject to a degree of uncertainty and are largely driven by the fluctuations in the financial market and economic cycles, the actual results may differ from the estimates.

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

Covid-19

Management has considered the impact of COVID-19 on the ETMHC's revenue and receivables, including the impact on estimates and judgements used in the valuation of lease receivable. Management has concluded that COVID-19 has not had a material impact on the ETMHC's operations and preparation of the financial statements for the year ended 30 June 2021.

Going concern

The ETMHC's financial statements have been prepared on a going concern basis. It is expected that the Corporation has adequate cash holding and cash inflows to continue operations for the foreseeable future. If required, the State will provide the necessary financial support to ETMHC to meet its debts as and when they become due and payable through the annual State Budget and the Appropriation Bill. Section 51 (5) of the Act states that the Treasurer may provide funding to ETMHC in any way that the Treasurer considers appropriate, including the issue of a letter of comfort.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i. Effective for the first time in FY2020-21

A number of standards, amendments and interpretations apply for the first time in FY2020-21, most notably AASB 1059 *Service Concession Arrangements: Grantors*. AASB 1059 does not apply to the ETMHC's financial statements as the long-term lease of the electricity transmission and distribution networks is not a service concession arrangement. The key reasons being:

- the arrangement conveys to the operator a right to use and not a right to access the network assets
- the State does not control any significant residual interest in the network asset
- the arrangement is more in the nature of a privatisation than a service concession arrangement.

The arrangement involves the operator providing services that are regulated using assets that are not controlled by the State.

Other standards, amendments and interpretations apply for the first time in FY2020-21, but do not have a material impact on the financial statements of the ETMHC.

ii. Issued but not yet effective

As mandated by Treasury Circular TC20-08 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards 2020-21*, the ETMHC 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 ETMHC:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (operative date 1 January 2022)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023)

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

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. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenue is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities* dependent on whether there is an enforceable contract with specific performance obligation.

Investment revenue

Investment revenue of the ETMHC relates to interest revenue and finance income. Interest revenue includes interest earned on cash held at the bank and is calculated by applying the effective interest rate to the gross carrying amount.

Finance income is recognised reflecting a constant periodic rate of return on the ETMHC's net investment in the finance lease in accordance with AASB 16 *Leases.*

Contract service revenue

Contract service revenue is recognised when the relevant performance obligations embedded in contracts with customers are satisfied and the control of service transfers to the customer.

Type of Service	Nature of Timing of Satisfaction of Performance Obligation, Including Significant Payment Terms	Revenue Recognition Policies
Lease outgoing recoupment	Relates to council rates and other lease outgoings recouped from the lessees under the 99-year finance lease. The performance obligation in relation to lease outgoing recoupment is typically satisfied when the lease outgoing is paid to the relevant government authorities and government trading enterprises. Payment from the customer is typically due within 30 days after the service provision.	Revenue is recognised when the lease outgoings are paid and is measured based on the amount paid. No significant element of financing is deemed present as on average, payments are made within six months after the service delivery.
Contract service income	The ETMHC receives annual income from the lessee, adjusted for CPI each year to cover for the administration costs incurred in managing its affairs, including the administration of subsequent land acquisitions and disposals associated with the lease. The performance obligation in relation to contract service revenue is typically satisfied when the relevant performance obligation embedded in the enforceable network lease contract is satisfied and the control of service transfers to the customer. In assessing the amount of the revenue allocation, the ETMHC has applied the straight-line labour input method with reference to cost and staff labour hours incurred. Annual payment is normally due in December each year.	Revenue is recognised when the services are provided. No significant element of financing is deemed present as on average, payments are made within six months after the service delivery.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other revenue

Other revenue is recognised for the recovery from the reinsurance from the outstanding claims.

Expenses

Expenses are recognised when incurred.

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 Note 5(a).

Self-insured workers compensation

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

Assets

Cash and cash equivalents

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

Receivables

Receivables comprise amounts due from claims recoverable and customers in the ordinary course of business. It represents unconditional rights to contractual cash flows and considerations accrued as at the reporting date. Under AASB 9 *Financial Instruments*, 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.

The ETMHC 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 ETMHC expects to receive, discounted at the original effective interest rate. For trade receivables, the ETMHC applies a simplified approach in calculating ECLs. The ETMHC recognises a loss allowance based on lifetime ECLs at each reporting date.

Other financial 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 Lease – 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 of an underlying asset.

3. STATEMENT 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. 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.

Subsequently, finance income is based on a pattern reflecting a constant periodic rate of return on the ETMHC'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. Under the lease agreement, the lessee is permitted to sell land which forms part of the leased assets when deemed surplus to the network requirements. Following the sales, the net present value of the relevant land is derecognised from the finance lease receivable in accordance with AASB 16 paragraph 90. The future values of the land disposed are shown in Note 11 and the gains or losses on sold of the land are reflected in Note 8.

Derecognition of financial assets

A financial asset is primarily derecognised when:

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

When the 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, the ETMHC continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the 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 the 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 the ETMHC could be required to repay.

<u>Liabilities</u>

Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to the 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. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

Unearned revenue

The unearned revenue balance represents consideration received in advance from customers in respect of administration of subsequent land acquisitions and disposals associated with the lease. Consideration is usually paid in advance upon the anniversary of the lease commencement date. A contract liability is recognised upon receipt of cash and is reduced by the amounts recognised as contract service income which is allocated over time based on the straight-line labour input method.

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 comprise 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

The 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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The liability for outstanding claims is measured in accordance with AASB 137 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.

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.

Income tax

Following the sale of the discontinued operations and the entity’s conversion to be a general government sector entity, it is no longer subject to the National Tax Equivalent Regime. As an entity wholly owned by the NSW Government, the ETMHC is exempt from income tax.

Accounting for the 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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Note 21.

4. EMPLOYEE RELATED EXPENSES

	2021 $'000	2020 $'000
Superannuation - defined benefit expense	1,955	2,759
Total	**1,955**	**2,759**

5. OPERATING EXPENSES

a) Operating expenses

Audit fees - audit of financial statements	54	54
Self-insured workers compensation	106	(195)
Admininistrative charge	181	182
Management fees	87	87
Claims handling expense	45	45
Council rates	1,739	1,862
Other	38	38
Total	**2,250**	**2,073**

b) Finance costs

Unwinding of discount rate	18	89
Total	**18**	**89**

6. INVESTMENT REVENUE

Interest income	233	1,028
Finance income[(i)]	2,350	2,197
Total	**2,583**	**3,225**

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

7. CONTRACT SERVICE REVENUE AND OTHER REVENUE

a) Contract service revenue

	2021 $'000	2020 $'000
Council rate recoupment[(i)]	1,739	1,862
Contract service income[(ii)]	581	576
Total	**2,320**	2,438

b) Other revenue

Insurance and other recoveries	571	708
Total	**571**	**708**

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

(ii) The ETMHC receives annual income from the lessee adjusted for CPI each year, to cover for the administration costs incurred in managing its affairs, including the administration of subsequent land acquisitions and disposals associated with the lease. The specific performance obligation is specified under the enforceable network lease contract.

8. GAINS/(LOSSES) ON DISPOSAL

Loss on finance lease receivable	-	(148)
Total	**-**	**(148)**

Under the lease agreement, the lessee is permitted to sell land which forms part of the leased assets when deemed surplus to requirements. When this occurs, the selling constitutes a partial surrender of the lease in respect of the land sold. The sales proceeds are paid directly to the lessee by the purchaser. The net present value of the relevant land is derecognised from the finance lease receivable.

9. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash at bank	152,852	152,397
Total	**152,852**	**152,397**

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash at bank.

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

Cash and cash equivalents (per Statement of Financial Position)	152,852	152,397
Cash and cash equivalents (per Statement of Cash Flows)	152,852	152,397

Refer to Note 19 regarding credit risk, liquidity and market risk arising from financial instruments.

10. RECEIVABLES

Current		
Trade receivables	560	709
GST receivable	34	34
Claim recovery receivables	578	535
Total	**1,172**	**1,278**
Non-Current		
Claim recovery receivables	2,434	2,242
Total	**2,434**	**2,242**

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 19.

11. OTHER FINANCIAL ASSETS

Non-current		
Finance lease receivable[(i)]	38,179	35,829
Total	**38,179**	**35,829**

(i) Finance lease receivable

On completion of the long-term lease transaction, the ETMHC acts as a lessor and NSWENO act as a lessee in a 99-year lease arrangement. The ETMHC 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.

11. OTHER FINANCIAL ASSETS (continued)

Finance lease accounting requires the 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 $14.5 billion ($14.6 billion at inception), using an annual indexation of 4.0 per cent. The present value of the lease was $26.9 million ($27.0 million at inception), discounted at nominal pre-tax discount rate of 6.6 percent. Finance income of $2.4 million (2020: $2.2 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 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 for nominal consideration with nil rentals. 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.

Reconciliation of net investment in leases	**2021**	**2020**
	$'000	**$'000**
Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	14,480,944	14,480,944
Less: unearned finance income	14,442,765	14,445,115
Net investment in finance leases	**38,179**	**35,829**

Reconciliation of unguaranteed residual amounts (undiscounted)		
Opening balance	14,480,944	14,549,310
Less disposal - partial surrender of the lease	-	(68,366)
Closing balance	**14,480,944**	**14,480,944**

12. PAYABLES

Current		
Creditors and accruals	49	36
Total	**49**	**36**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 19.

13. PROVISIONS

	2021 $'000	2020 $'000
Current		
Outstanding claims[(i)]	1,024	1,013
	1,024	1,013
Non-Current		
Outstanding claims[(i)]	6,820	7,159
Superannuation liability (Note 14(iii))	141,422	224,761
	148,242	231,920
Total	**149,266**	**232,933**

(i) Workers' Compensation outstanding claims provision movements

	2021	2020
Opening balance	8,172	9,646
Payments	(685)	(897)
Actuarial (gains)/losses	532	(887)
Change in the discount rate	(193)	221
Unwinding of discounts	18	89
Closing balance	**7,844**	**8,172**

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be 6.93 years (2020: 6.89 years).

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

	Workers' Compensation	
	2021 %	2020 %
Not later than one year		
Inflation rate	0 - 1.5	1.05
Discount rate	(0.01)	0.23
Later than one year		
Inflation rate	0 - 1.5	0.58 - 3.0
Discount rate	0.06 - 4.0	0.26 - 4.5

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:

13. PROVISIONS (continued)

(a) As at 30 June 2021

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		4,833		
Discount rate	+1%	4,435	-398	-8.2%
	-1%	5,296	463	9.6%
Inflation rate	+1%	5,291	458	9.5%
	-1%	4,432	-401	-8.3%
Industrial deafness claims				
Life expectancy of reactivation[2]	+5 years	5,342	509	10.5%
	-5 years	4,290	-543	-11.2%
Seed Reports[3]	+10%	4,878	45	0.9%
	-10%	4,787	-46	-1.0%
Average Claim Size	+10%	5,114	281	5.8%
	-10%	4,551	-282	-5.8%
Proportion reactivate	+1%	4,959	126	2.6%
	-1%	4,707	-126	-2.6%
Dust disease claims				
Seed Reports[3]	+50%	5,084	251	5.2%
	-50%	4,581	-252	-5.2%
Incidence curves[4]	+15% IBNR claims	4,908	75	1.6%
	-15% IBNR claims	4,757	-76	-1.6%
Average claim size[5]	+10%	4,938	105	2.2%
	-10%	4,727	-106	-2.2%

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

13. PROVISIONS (continued)

(b) As at 30 June 2020

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		5,394		
Discount rate	+1%	4,947	-447	-8.3%
	-1%	5,914	520	9.6%
Inflation rate	+1%	5,841	447	8.3%
	-1%	5,004	-390	-7.2%
Industrial deafness claims				
Life expectancy of reactivation[2]	+5 years	5,556	162	3.0%
	-5 years	5,222	-172	-3.2%
Reactivation Seed[3]	+10%	5,489	95	1.8%
	-10%	5,298	-96	-1.8%
Maximum entitlement	+10%	5,705	311	5.8%
	-10%	5,082	-312	-5.8%
Proportion reactivate	+1%	5,501	107	2.0%
	-1%	5,287	-107	-2.0%
Dust disease claims				
Seed Reports[3]	+50%	5,803	409	7.6%
	-50%	4,984	-410	-7.6%
Incidence curves[4]	+15% IBNR claims	5,517	123	2.3%
	-15% IBNR claims	5,271	-123	-2.3%
Average claim size[5]	+10%	5,522	128	2.4%
	-10%	5,265	-129	-2.4%

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).

14. UNFUNDED SUPERANNUATION

The following narrative and tables summarise the components of movement in the 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 the 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 and expected to be released in December 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.

14. 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-21	**As at** 30-Jun-20
Member Numbers		
Contributors	-	-
Deferred benefits	11	15
Pensioners	380	378

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 the 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

	2021 **$'000**	**2020** **$'000**
Net interest	(1,955)	(2,759)
Total net expense	**(1,955)**	**(2,759)**

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

	2021	2020
Actuarial gains/(losses) on liabilities	41,035	(7,946)
Actuarial gains/(losses) on assets	44,258	(5,047)
Total actuarial gains/(losses)	**85,293**	**(12,993)**

14. UNFUNDED SUPERANNUATION (continued)

(iii) Reconciliation of the superannuation net asset/(liability)

	2021 $'000	2020 $'000
Net Asset/(liability) at the beginning of the year	**(224,761)**	**(209,009)**
Net interest income/(expense) on the net defined benefit asset/(liability)	(1,955)	(2,759)
Return on plan assets, excluding amounts included in interest expense/(income)	44,258	(5,047)
Actuarial gains/(losses) arising from changes in financial assumptions	20,344	4,257
Actuarial gains/(losses) arising from liability experience	20,692	(12,203)
Net Asset/(liability) at the end of the year	**(141,422)**	**(224,761)**

(iv) Reconciliation of the defined benefit obligation

	2021 $'000	2020 $'000
Present value of defined benefit obligations at the beginning of the year	**(543,240)**	**(551,854)**
Interest income/(expense)	(4,625)	(7,128)
Actuarial gains/(losses) arising from changes in financial assumptions	20,344	4,257
Actuarial gains/(losses) arising from liability experience	20,692	(12,203)
Benefits paid	22,369	22,694
Taxes, premiums & expenses paid	922	994
Present value of defined benefit obligations at the end of the year	**(483,538)**	**(543,240)**

(v) Reconciliation of the fair value of fund assets

	2021 $'000	2020 $'000
Fair value at the beginning of the year	318,479	342,845
Interest income	2,669	4,369
Actual return on fund assets less interest income	44,258	(5,047)
Benefits paid	(22,369)	(22,694)
Taxes, premiums & expenses paid	(922)	(994)
Fair value at the end of the year	**342,115**	**318,479**

14. UNFUNDED SUPERANNUATION (continued)

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 12 years (30 June 2020: 13 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.

	2021 $'000	2020 $'000
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	2,012,197	1,834,949
Level 3 - Unobservable inputs	-	-
Total	**2,012,197**	**1,834,949**

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 2021	30 June 2020
Alternatives	8%	8%
International equities	29%	25%
Australian equities	18%	14%
Infrastructure	11%	8%
Property	12%	13%
Private equity	1%	1%
Cash	9%	13%
Fixed income	12%	18%
Total	**100%**	**100%**

14. UNFUNDED SUPERANNUATION (continued)

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 the ETMHC's financial instruments; and
- any property occupied by, or other assets used by, the ETMHC.

Significant actuarial assumptions at the end of the reporting period

	2021	2020
Discount rate	1.50% pa	0.87% pa
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	1.50% for 2020/2021; 1.75% for 2021/22 and 2022/23; 2.25% for 2023/24, 2024/25 and 2025/26; 2.50% for 2026/27; 2.75% for 2027/28, 3.00% for 2028/29; 2.75% for 2029/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
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 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.

Sensitivity analysis

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

14. UNFUNDED SUPERANNUATION (continued)

As at 30 June 2021

	Base case	Scenario A - 0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	1.50%	1.00%	2.00%
Rate of CPI increase	as above	as above	as above
Defined benefit obligation ($000)	483,538	516,872	453,148
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	1.50%	1.50%	1.50%
Rate of CPI increase	as above	as above + 0.5% pa	as above - 0.5% pa
Defined benefit obligation ($000)	483,538	514,883	454,558
	Base case	**Scenario E Lower pensioner mortality rates ***	**Scenario F Higher pensioner mortality rates ****
Defined benefit obligation ($000)	483,538	491,630	476,135

* 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 as outlined above, while retaining all other assumptions.

14. UNFUNDED SUPERANNUATION (continued)

As at 30 June 2020

	Base case	Scenario A - 0.5% discount	Scenario B +0.5% discount rate
Discount rate	0.87% pa	0.37% pa	1.37% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	543,239	576,489	512,752
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	0.87% pa	0.87% pa	0.87% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.50% for 2019/20; 0.75% for 2020/21; 2.00% for 2021/22; 1.75% for 2022/23; 2.25% for 2023/24; 2.50% for 2024/25 and 2025/26; 2.75% pa to 2029/30; 3.00% pa thereafter	0.50% for 2019/20; -0.25% for 2020/21; 1.00% for 2021/22; 0.75% for 2022/23; 1.25% for 2023/24; 1.50% for 2024/25 and 2025/26; 1.75% pa to 2029/30; 2.00% pa thereafter
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	543,239	577,362	511,683
	Base case	**Scenario E Lower pensioner mortality rates ***	**Scenario F Higher pensioner mortality rates ****
Defined benefit obligation ($000)	543,239	550,881	535,937

* 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 as outline above, while retaining all other assumptions.

14. UNFUNDED SUPERANNUATION (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 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 after each annual review.

Net Surplus / (Deficit)

The following is a summary of the 30 June 2021 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	2021 $'000	2020 $'000
Net market value of Fund assets	342,116	318,479
Accrued benefits	(308,095)	(324,875)
Net Surplus/(Deficit)	**34,021**	**(6,396)**

Please note that the above AASB 1056 results are based on the economic assumptions to be used for the 30 June 2021 actuarial valuation, which are based on the AASB 119 basis. The economic assumption under AASB 1056 is different from the assumption used under AASB 119. The AASB 1056 deficit (surplus) will be lower (higher) than the AASB 119 net defined benefit liability (asset) recognised in the Statement of Financial Position, because the expected after-tax rate of return on plan assets is typically higher than the long-term government bond rate. For AASB 1056 financial assumptions, please refer to economic assumptions section for details.

Contribution Recommendations

Recommended contribution rates for the entity are:

	2021	2020
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

14. UNFUNDED SUPERANNUATION (continued)

Economic Assumptions

The economic assumptions adopted for 30 June 2021 AASB1056 calculations above are:

Weighted Average Assumptions	2021	2020
Expected rate of return on Fund Assets	5.0% pa	5.0% pa
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	1.9% pa	1.9% pa

Expected contributions

Expected employer contributions to be paid in the period 1 July 2020 to 30 June 2021 is nil.

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.

Sensitivity analysis

In light of the current environment due to Covid-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions. The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets. Under AASB1056 and taking into account the current financial conditions, the table below shows the sensitivity analysis modeled on different asset return scenarios, with the results for 2020 also shown for comparative purposes.

30 June 2021

	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Rate of CPI increase	1.9% pa	1.9% pa	1.9% pa
Salary inflation rate	as base case	as base case	as base case
Accrued Benefits ($000)	**308,095**	**322,721**	**294,603**

14. UNFUNDED SUPERANNUATION (continued)

30 June 2020

	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Rate of CPI increase	1.9% pa	1.9% pa	1.9% pa
Salary inflation rate	as base case	as base case	as base case
Accrued Benefits ($000)	**324,875**	**340,918**	**310,129**

15. CONTRACT LIABILITIES AND OTHER LIABILITIES

	2021 $'000	2020 $'000
a) Other liabilities		
Security deposits	53	53
Total	**53**	**53**
b) Contract liabilities		
Unearned revenue	266	265
Total	**266**	**265**
Opening balance	265	-
Transfer-in on AASB15 1st time adoption	-	261
Contract service invoiced/received	582	580
Revenue recognised upon performance obligation fulfilled	(581)	(576)
Closing balance	**266**	**265**
Revenue recognised that was included in the Contract liability balance (adjusted for AASB 15) at the beginning of the year	265	261
Revenue recognised from performance obligation satisfied in pevious periods	-	-
Transaction price allocated to the remaining performance obligations from the contract with customers	266	265

15. CONTRACT LIABILITIES AND OTHER LIABILITIES (continued)

The transaction price allocated to the remaining performance obligations relates to the ongoing administrative tasks associated with the network lease. The contract liabilities at reporting date are expected to be fully recognised as revenue in the 2021-22 financial year.

16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets

The ETMHC does not have any contingent assets to report as at the reporting date.

Contingent assets reported as at 30 June 2020 in relation to recovery of overpayment to icare and EML were received during the year.

Contingent Liabilities

The ETMHC does not have any contingent liabilities to report as at the reporting date (2020: nil).

17. FAIR COMPENSATION TRUST ACCOUNT

In accordance with the *Land Acquisition (Just Terms Compensation) Act 1999*, the ETMHC maintains a Trust Account. The ETMHC performs only a custodial role in respect of these monies, and as the monies cannot be used for the achievement of the 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:

	2021 $'000	2020 $'000
Cash balance at the beginning of the financial year	485	481
Add: Receipts	-	4
Less: Expenditure	-	-
Cash balance at the end of the financial year	**485**	**485**

18. NOTES TO THE STATEMENT OF CASH FLOWS

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:

18. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	2021 $'000	2020 $'000
Net cash used on operating activities	455	985
Adjustments for non-cash items		
Superannuation actuarial (gain)/loss	(85,293)	12,993
Finance lease income	2,350	2,197
Gains/(Losses) on disposal of assets	-	(148)
Net changes in assets and liabilities during the financial year		
Increase/(decrease) in receivables	86	(447)
(Increase)/decrease in payables	(13)	3
(Increase)/decrease in provisions	83,667	(14,278)
(Increase)/decrease in contract liabilities and other liabilities	(1)	(3)
Net result	**1,251**	**1,302**

19. FINANCIAL INSTRUMENTS

The ETMHC's principal financial instruments are outlined below. The financial instruments arise directly from the ETMHC's operations or are required to finance the ETMHC's operations. The Secretary, as the Accountable Authority is responsible for developing, maintaining and reviewing financial management policies and procedures, and effective systems for risk management in accordance with section 3.6 of the Act.

Financial Instrument Categories

Carrying Amount	Note	Categories	2021 $'000	2020 $'000
Financial Assets				
Cash and cash equivalents	9	N/A	152,852	152,397
Receivables	10	Amortised cost	560	709
Financial Liabilities				
Payables	12	Financial liabilities measured at amortised cost	49	36

The above tables exclude statutory receivables/payables and contract liability which are not within the scope of AASB 7 *Financial Instruments: Disclosures* and excludes finance 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 ETMHC's operations, and to manage exposure to price movements.

19. FINANCIAL INSTRUMENTS (continued)

As at 30 June 2021 the ETMHC has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk.

Credit risk

Credit risk arises when there is the possibility that the ETMHC's debtors will default on their contractual obligations, resulting in a financial loss to the ETMHC. 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 the ETMHC, including cash and receivables. No collateral is held by the ETMHC.

Cash

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

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 ETMHC 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 historic loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors.

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.

Liquidity risk

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

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

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 the ETMHC within the next 12 months.

19. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The ETMHC's exposure to market risk is primarily through interest rate risk on its cash holding.

The effect on the 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 +0.5 / - 0.25 per cent (FY2020: +/- 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 2021.

2021	Carrying amount $'000	Net result $'000	-0.25% Equity $'000	Net result $'000	+0.5% Equity $'000
Cash and cash equivalents	152,852	(382)	(382)	764	764
2020	**Carrying amount $'000**	**Net result $'000**	**-1% Equity $'000**	**Net result $'000**	**+1% Equity $'000**
Cash and cash equivalents	152,397	(1,524)	(1,524)	1,524	1,524

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 of all financial instruments approximate the fair value largely due to the short term maturities of the instruments.

20. RELATED PARTIES

a) Ultimate parent

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

(b) Key management personnel remuneration

The 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 ETMHC, 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.

The 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.

20. RELATED PARTIES (continued)

(c) Transactions with related parties

Transactions with KMP

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 year.

Transactions with other related entities

The ETMHC interacts with other government agencies in delivering services to the general public. Services provided by other government agencies are provided to the 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 for the year was $198,894 inclusive of GST (2020: $199,789) and is shown as an administrative charge in the ETMHC.

21. BUDGET REVIEW

Net result

For the year ended 30 June 2021, the ETMHC made a profit of $1.3 million which was $0.4 million lower than budget.

Total expenses were $0.1 million higher than budget mainly due to actual workers compensation expense which was higher than the forecast.

Total revenue was $0.3 million lower than budget primarily caused by the lower council rate recoupment revenue.

Other comprehensive income was $85.3 million higher than budget attributed by the actuarial gains on superannuation liabilities from an increase in discount rate to 1.5 per cent (2020: 0.9 per cent).

Assets and Liabilities

Net assets for the year were $45.0 million compared to net liabilities budget of $75.8 million.

Total assets were $194.6 million which was $2.0 million lower than budget. This was mainly due to the lower cash holding by $3.6 million which was offset by an increase in claim recovery receivable by $0.9 million from updated claims estimate.

Total liabilities were $149.6 million which was $122.8 million lower than budget due to an aggregated decrease of $120.9 million in defined benefit superannuation liabilities and workers compensation liabilities, a reflection of the increase in discount rate.

21. BUDGET REVIEW (continued)

Cash flows

The actual net cash flow from operating activities were $0.5 million which was $3.6 million lower than budget. This is largely attributed to movement in the superannuation provision anticipated at budget which did not materialise.

Closing cash and cash equivalents were $152.9 million, $3.6 million lower than budget.

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

22. EVENTS AFTER THE REPORTING PERIOD

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

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 by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows

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 (including Independence Standards)' (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.

Secretary’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, the GSF Act, GSF Regulations and Treasurer's Directions. The Secretary's responsibility also includes 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.

The scope of my audit does not include, nor 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

29 October 2021
SYDNEY

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2021

Liability Management Ministerial Corporation

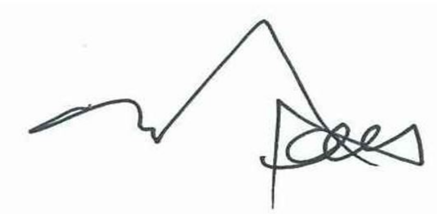
Financial Statements
for the year ended 30 June 2021

STATEMENT BY THE ACCOUNTABLE AUTHORITY

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions, and

- present fairly the Liability Management Ministerial Corporation's financial position, financial performance and cash flows.



Michael Pratt AM
Secretary

8 September 2021

Liability Management Ministerial Corporation

Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Expenses excluding losses				
Operating expenses	3	204	202	203
Total expenses excluding losses		**204**	**202**	**203**
Revenue				
Investment revenue	4	15,750	43,431	98
Grants and contributions	5	24,561	24,561	22,602
Total revenue		**40,311**	**67,992**	**22,700**
Net result		**40,107**	**67,790**	**22,497**
Other comprehensive income		-	-	-
Total comprehensive income		**40,107**	**67,790**	**22,497**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Financial Position
as at 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Assets				
Current assets				
Cash and cash equivalents	6	10	11	10
Receivables	7	20	20	20
Total current assets		**30**	**31**	**30**
Non-current assets				
Financial assets at fair value	8	269,763	297,445	229,657
Total non-current assets		269,763	297,445	229,657
Total assets		**269,793**	**297,476**	**229,687**
Liabilities				
Current liabilities				
Payables	9	22	21	22
Total current liabilities		**22**	**21**	**22**
Total liabilities		**22**	**21**	**22**
Net assets		**269,771**	**297,455**	**229,665**
Equity				
Accumulated funds		269,771	297,455	229,665
Total equity		**269,771**	**297,455**	**229,665**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Changes in Equity
for the year ended 30 June 2021

	Accumulated Funds $'000	Total Equity $'000
Balance at 1 July 2020	**229,665**	**229,665**
Net result for the year	**67,790**	**67,790**
Other comprenhensive income for the year	-	-
Total comprehensive income for the year	67,790	67,790
Balance at 30 June 2021	**297,455**	**297,455**
Balance at 1 July 2019	**207,168**	**207,168**
Net result for the year	**22,497**	**22,497**
Other comprenhensive income for the year	-	-
Total comprehensive income for the year	22,497	22,497
Balance at 30 June 2020	**229,665**	**229,665**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Cash flows from operating activities				
Payments				
Other		(204)	(204)	(217)
Total payments		**(204)**	**(204)**	**(217)**
Receipts				
Grants and contributions		24,561	24,561	22,602
Interest received		3	1	1
Other		-	-	-
Total receipts		**24,564**	**24,562**	**22,603**
Net cash flows from operating activities	6	**24,360**	**24,358**	**22,386**
Cash flows from investing activities				
Purchase of investments		(24,360)	(24,357)	(22,388)
Net cash flows from investing activities		**(24,360)**	**(24,357)**	**(22,388)**
Net cash flows from financing activities		**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**-**	**1**	**(2)**
Opening cash and cash equivalents		**10**	**10**	**12**
Closing cash and cash equivalents	6	**10**	**11**	**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 2021

1. LIABILITY MANAGEMENT MINISTERIAL CORPORATION INFORMATION

The Liability Management Ministerial Corporation (LMMC) is a statutory body under *the Government Sector Finance Act 2018*. 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 in right of the State of New South Wales (Crown) to meet its obligations as required by the Act. The LMMC commenced receiving contributions from the Crown 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 per the current Fiscal Responsibility Act. The long term fiscal target date is currently under review by Mercer and the timing may be extended. Any change to contributions and targets will be updated once this review is finalised.

The LMMC is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The LMMC is a not-for-profit entity and it has no cash generating units. The entity has 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

The financial statements are general purpose financial statements and are required by:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- Treasurer's Directions issued under the GSF Act

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention.

The LMMC's financial assets are measured at fair value through profit or loss.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

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 AASB 9 *Financial Instruments* (AASB 9). 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.

Impact of Covid-19

Management has considered the impact of COVID-19 on the LMMC's revenue, including the impact on TCorpIM investment return. Management has concluded that COVID-19 has not had a material impact on the Company's operations and preparation of the financial statements for the year ended 30 June 2021.

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

AASB1059 does not apply to LMMC as the Corporation has no service concession asset. Several other amendments and interpretations apply for the first time in FY2020-21, but do not have an impact on the financial statements of the entity.

New standards and interpretations not yet effective

As mandated by Treasury Circular TC20-08 Mandates of options and major policy decisions under Australian Accounting Standards 2020-21, the Corporation has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

Management have assessed the impact of the following new accounting standards and interpretations issued but not yet effective, listed below, and concluded there is no material impact to the Corporation:

- AASB 17 Insurance Contracts (operative date 1 January 2023)
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (operative date 1 July 2021)
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (operative date 1 January 2023)
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (operative date 1 January 2022)
- AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts (operating date 1 January 2021)
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (operative date 1 January 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 (operative date 1 January 2021)

Management have considered the impact of the new accounting standards issued but not yet effective and concluded they are unlikely to have a material impact to LMMC.

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 LMMC and the amount is reliably measurable. Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Comments regarding the accounting policies for the recognition of income are discussed below.

Contributions from the Crown

Contributions from the Crown without sufficiently specific performance obligations is recognised under AASB 1058 when the control of the contributions or the right to receive the contributions is obtained. Control over contributions is normally obtained upon receipt of cash. An actuarial valuation is performed to determine the annual contribution to LMMC.

Investment revenue

Investment revenue includes interest income and net realised and unrealised gains or losses from changes in the fair value of investments. Interest revenue is recognised using effective interest method as set out in AASB 9. 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 and other personnel of the NSW Treasury provide administrative services, including the preparation of the LMMC's financial statements. The cost of these services is shown as an administration charge in Note 3.

Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of 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 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 flow arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS

Cash and cash equivalents

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

Financial assets

Financial assets comprise investments in the TCorpIM Long Term Growth Fund (LTGF) investment facility. The investments in TCorpIM LTGF are classified and measured as fair value through profit or loss under AASB 9. The movement in the fair value of the TCorpIM LTGF incorporates distributions received and unrealised movements in fair value and is reported as investment revenue in the Statement of Comprehensive Income.

Fair value measurement and hierarchy

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

Under AASB 13 *Fair Value Measurement*, 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 to the entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

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.

EQUITY

Accumulated Funds

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

TAXATION

The activities of 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.

	2021 $'000	2020 $'000
3. OPERATING EXPENSES		
Audit fees	22	21
Administration charge	180	182
	202	203
4. INVESTMENT REVENUE		
Interest income from TCorpIM LTGF - measured at fair value through profit or loss		
Distribution income	36,115	17,584
Net valuation gain/(loss)	7,316	(17,487)
Bank interest	-	1
	43,431	**98**
5. GRANTS AND CONTRIBUTIONS		
Contributions from the Crown	**24,561**	**22,602**

	2021 $'000	2020 $'000

6. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash held at financial institutions	11	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:

	2021 $'000	2020 $'000
Cash and cash equivalents (per Statement of Financial Position)	11	10
Cash and cash equivalents (per Statement of Cash Flows)	11	10

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

	2021 $'000	2020 $'000
Net cash flows from operating activities	**24,358**	**22,386**
Distribution reinvested and gains/(losses) on investments	43,431	98
Increase/(Decrease) in assets	-	20
Decrease/(Increase) in liabilities	1	(7)
Net result for the year	**67,790**	**22,497**

7. CURRENT RECEIVABLES

	2021 $'000	2020 $'000
GST receivable	20	20

8. NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE

	2021 $'000	2020 $'000
TCorpIM LTGF	297,445	229,657

The TCorpIM LTGF is classified and measured at fair value through profit or loss in accordance with the AASB 9.

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

9. PAYABLES

	2021 $'000	2020 $'000
Other accruals	21	22

Payables are non-interest bearing and are generally on 30 day terms. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

10. FINANCIAL INSTRUMENTS

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

Financial instrument categories – the classification is under AASB 9

	Note	Category	Carrying amount 2021 $'000	Carrying amount 2020 $'000
Financial assets				
Cash and cash equivalents	6	N/A	11	10
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	297,445	229,657
Financial liabilities				
Payables	9	Payables (measured at amortised cost)	21	22
Total			**297,435**	**229,645**

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 18.00 per cent (2020: 0.11 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.

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.

10. FINANCIAL INSTRUMENTS (continued)

Other price risk

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

The LMMC holds units in the following:

	Investment Sectors	**Investment Horizon**	**2021 $'000**	**2020 $'000**
TCorpIM LTGF	Cash, money market instruments, Australian bonds, listed property, Australian & International shares	7 years and over	297,445	229,657

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**	
	2021 %	**2020 %**	**2021 $'000**	**2021 $'000**
TCorpIM LTGF	+/- 10.0	+/- 10.0	+/-29,745	+/- 22,965

Currency risk

The LMMC has indirect foreign currency exposure within its investment in the TCorpIM LTGF. The TCorpIM LTGF has approximately 45% foreign currency exposure (30% of TCorpIM LTGF is allocated to unhedged international shares, 10% 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 payables. 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 $297.45 million as at the reporting date (2020: $229.66 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 (2020: Nil).

12. BUDGET REVIEW

The TCorpIM LTGF full year investment revenue of $43.43 million reflected an investment return of 18.00% pa which is significantly higher than the budgeted return rate of 6.30%pa.

The Fund's performance was primarily driven by its 60% allocation to shares (including listed property), which experienced one of the strongest rallies on record. Other growth-oriented assets, such as credit and alternative assets, also performed well. Consistent with the strong risk-on market sentiment, our downside protection exposures, that is foreign currency exposures and Australian government bonds, dampened overall fund performance.

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 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.

Finance officers of NSW Treasury provide administrative services, including the preparation of financial statements for the Corporation. The total cost of these services for the year was $198,894 incl. GST (2020: $199,788), the expense is shown as an administration charge by the Corporation.

14. EVENTS AFTER THE REPORTING DATE

There are no material events after reporting date requiring disclosure.

End of audited financial statements

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 by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows.

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 (including Independence Standards)' (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 2021 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 Accountable Authority.

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, the GSF Act, GSF Regulations and Treasurer's Directions. The Secretary's responsibility also includes 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.

The scope of my audit does not include, nor 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

13 September 2021
SYDNEY

Ports Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2021

Ports Assets Ministerial Holding Corporation

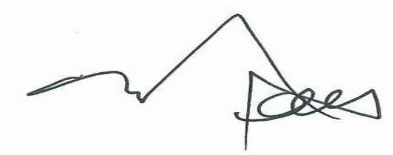
Financial Statements
for the year ended 30 June 2021

STATEMENT BY THE ACCOUNTABLE AUTHORITY

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* (‘the Act’), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer’s directions, and

- present fairly Ports Assets Ministerial Holding Corporation’s financial position, financial performance and cash flows.



Michael Pratt AM
Secretary

8 September 2021

Ports Assets Ministerial Holding Corporation

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	Budget Consolidated 2021 $'000	Actual Consolidated 2021 $'000	Actual Consolidated 2020 $'000	Actual Parent 2021 $'000	Actual Parent 2020 $'000
Expenses excluding losses						
Operating expenses	3	42,265	41,931	40,221	382	382
Total expenses excluding losses		**42,265**	**41,931**	**40,221**	**382**	**382**
Revenue						
Investment revenue	4	17,495	17,514	16,371	11	13
Grants and contributions	5	1,725	1,725	600	450	300
Contract service revenue	6	40,440	40,637	39,224	-	-
Total Revenue		**59,660**	**59,876**	**56,195**	**461**	**313**
Net result		**17,395**	**17,945**	**15,974**	**79**	**(69)**
Other comprehensive income						
Other comprehensive income		-	-	-	-	-
Total comprehensive income		**17,395**	**17,945**	**15,974**	**79**	**(69)**

The accompanying notes form part of these financial statements.

Ports Assets Ministerial Holding Corporation

Consolidated Statement of Financial Position
as at 30 June 2021

	Notes	Budget Consolidated 2021 $'000	Actual Consolidated 2021 $'000	Actual Consolidated 2020 $'000	Actual Parent 2021 $'000	Actual Parent 2020 $'000
Assets						
Current assets						
Cash and cash equivalents	7	2,020	2,857	4,160	885	772
Receivables	8	86	225	2,061	35	17
Total current assets		**2,106**	**3,082**	**6,221**	**920**	**789**
Non-current assets						
Other financial assets	9	266,220	266,220	248,725	-	-
Investments	10	-	-	-	156,983	156,983
Total non-current assets		**266,220**	**266,220**	**248,725**	**156,983**	**156,983**
Total assets		**268,326**	**269,302**	**254,946**	**157,903**	**157,772**
Liabilities						
Current liabilities						
Payables	11	117	542	4,131	111	59
Total current liabilities		**117**	**542**	**4,131**	**111**	**59**
Total liabilities		**117**	**542**	**4,131**	**111**	**59**
Net assets		**268,209**	**268,760**	**250,815**	**157,792**	**157,713**
Equity						
Accumulated funds		268,209	268,760	250,815	157,792	157,713
Total equity		**268,209**	**268,760**	**250,815**	**157,792**	**157,713**

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 2021

	Consolidated Accumulated Funds $'000	Consolidated Total $'000	Parent Accumulated Funds $'000	Parent Total $'000
Balance at 1 July 2020	**250,815**	**250,815**	**157,713**	**157,713**
Net result for the year	17,945	17,945	79	79
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**17,945**	**17,945**	**79**	**79**
Balance at 30 June 2021	**268,760**	**268,760**	**157,792**	**157,792**
Balance at 1 July 2019	**234,841**	**234,841**	**157,782**	**157,782**
Net result for the year	15,974	15,974	(69)	(69)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**15,974**	**15,974**	**(69)**	**(69)**
Balance at 30 June 2020	**250,815**	**250,815**	**157,713**	**157,713**

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 2021

	Notes	Budget Consolidated 2021 $'000	Actual Consolidated 2021 $'000	Actual Consolidated 2020 $'000	Actual Parent 2021 $'000	Actual Parent 2020 $'000
Cash flows from operating activities						
Payments						
Operating payments		44,160	50,566	38,687	1,077	1,186
Total payments		**44,160**	**50,566**	**38,687**	**1,077**	**1,186**
Receipts						
Interest received		-	6	26	2	13
Grants and contributions		1,725	1,725	600	450	300
Other operating receipts		40,295	47,532	39,703	738	803
Total Receipts		**42,020**	**49,263**	**40,329**	**1,190**	**1,116**
Net cash flows from operating activities	12	(2,140)	(1,303)	1,642	113	(70)
Net cash flows from investing activities		-	-	-	-	-
Net cash flows from financing activities		-	-	-	-	-
Net increase/(decrease) in cash		**(2,140)**	**(1,303)**	**1,642**	**113**	**(70)**
Opening cash and cash equivalents		4,160	4,160	2,518	772	842
Closing cash and cash equivalent	7	**2,020**	**2,857**	**4,160**	**885**	**772**

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 2021

NOTES INDEX **Page**

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 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 (as profit is not its principal objective). It is controlled by the State of New South Wales, which is the ultimate parent. 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. STATEMENT 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

The 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)
- *Government Sector Finance Act 2018* (GSF Act)
- Treasurer's Directions issued under the GSF Act.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for cash flow information.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

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 estimation uncertainty at the reporting date, which present a significant risk of potentially 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 both observable markets and 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 9. At the end of the reporting period, management reviews whether there are any indicators of impairment. These indicators include factors such as the level of improvements undertaken by the lessee, volatility of land values, the rate of technological change and competitive conditions.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COVID-19

Management has considered the impact of COVID-19 on the PAMHC's revenue and receivables, including the impact on estimates and judgements used in the valuation of the lease receivable. Management has concluded that COVID-19 has not had a material impact on the PAMHC's operations and preparation of the financial statements for the year ended 30 June 2021.

Statement of compliance

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

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

i. Effective for the first time in 2020-21

A number of standards, amendments and interpretations apply for the first time in FY2020-21, most notably AASB 1059 *Service Concession Arrangements: Grantor*. AASB 1059 does not apply to the PAMHC's financial statements as it is not a grantor of a service concession asset.

ii. Issued but not yet effective

As mandated by Treasury Circular TC20-08 *Mandates of options and major policy decisions under Australian Accounting Standards 2020-21*, the Corporation has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

Management have assessed the impact of the new accounting standards and interpretations issued but not yet effective, listed below, and concluded there is no material impact to PAMHC:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (operative date 1 January 2022)
- AASB 2021-*2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023)

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.

<u>Revenue</u>

Revenue is recognised in accordance with the requirement of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities* dependent on whether there is an enforceable contract with specific performance obligation.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment revenue

Investment revenue relates to interest revenue and finance income from the lease. Interest revenue includes interest earned on cash held at the bank and is calculated by applying the effective interest rate to the gross carrying amount .

Finance income

Finance income is recognised reflecting a constant periodic rate of return on the PAMHC's net investment in the finance leases in accordance with AASB 16 *Leases*. It mainly relates to the unwinding of the interest rate on the finance lease receivable.

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.

Contract service revenue

Contract service revenue mainly consists of recoupment of lease outgoings. In this instance, revenue entitlement arises when the PBL, PKL and PNL pays the lease outgoing (performance obligation fulfilled) to the relevant government authorities and government trading enterprises.

Type of Service	Nature of Timing of Satisfaction of Performance Obligation, Including Significant Payment Terms	Revenue Recognition Policies
Lease outgoing recoupment	Relates to council rates, water rates, land tax and other lease outgoings recouped from the lessees under the 98 and 99-year finance leases. The performance obligation in relation to lease outgoing recoupment is typically satisfied when the PBL, PKL and PNL pays the lease outgoing to the relevant government authorities and government trading enterprises. Payment from the customer is typically due within 30 days after the service provision.	Revenue is recognised when the PBL, PKL and PNL pays the lessee's outgoings and is measured based on the amount paid. No significant element of financing is deemed present as on average, payments are made no more than six months after the service delivery.

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 and other personnel of the NSW Treasury provide administrative services, including the preparation of PAMHC's financial statements. The cost of these services is shown as an administration charge in Note 3.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $190,567 incl. GST (2020: $154,399 incl. GST). As the Memorandum of Understanding (MoU) is between the PAMHC and PNSW, it is impractical to calculate and ascertain the cost for each of the three lessor companies individually. Accordingly, no charge out was made to them.

Assets

Cash and cash equivalents

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

Receivables

Trade and other receivables (excluding finance lease receivable)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. It represents unconditional rights to contractual cash flows and considerations accrued as at the reporting date. 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.

The PAMHC 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 PAMHC expects to receive, discounted at the original effective interest rate. For trade receivables, the PAMHC applies a simplified approach in calculating ECLs. The PAMHC recognises a loss allowance based on lifetime ECLs at each reporting date.

Other financial assets - Leases

The other non-current financial 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 and 98-year lease terms.

Finance Leases - PAMHC 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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<u>Liabilities</u>

Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to the PAMHC 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.

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.

Administered activities

The PAMHC administers, but does not control, certain activities on behalf of the State. 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). Refer to Note 14 for details.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Income tax equivalent and other taxes

The PAMHC is wholly owned by the NSW Government and is exempt from all forms of taxation except Fringe Benefits Tax and the Goods and Services Tax.

Accounting for the 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 an asset or as part of an item of expenses; 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.

Statement of Cash Flows

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.

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 16.

Going Concern

The financial statements have been prepared on a going concern basis. It is expected that the PAMHC has adequate cash holding and cash inflows to continue operations for the foreseeable future. Further, the NSW Treasurer has provided a letter of comfort confirming the provision of financial support to the subsidiary Lessor Companies as may be required to meet its debts as and when they become due and payable.

3. OPERATING EXPENSES

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Operating Expenses				
Land tax	28,647	27,503	-	-
Audit fees	92	91	27	27
Property mangement fees	174	140	174	140
Council rates	10,829	10,497	-	-
Consultants	-	33	-	33
Administration Charge	723	727	181	182
Water costs	1,163	1,230	-	-
Valuation fee	303	-	-	-
	41,931	**40,221**	**382**	**382**

4. INVESTMENT REVENUE

Interest income	6	26	2	13
Finance income [(i)]	17,495	16,345	-	-
Other income	13	-	9	-
	17,514	**16,371**	**11**	**13**

(i) 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.

5. GRANTS AND CONTRIBUTIONS

Grants without sufficiently specific performance obligations	1,725	600	450	300
	1,725	**600**	**450**	**300**

The Corporation receives its grant funding from the Treasury Cluster through the annual Appropriation Bill from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year.

6. CONTRACT SERVICE REVENUE

Contract Service revenue				
Land tax recoverable from tenants [(i)]	28,647	27,503	-	-
Council rates recoverable from tenants [(i)]	10,829	10,497	-	-
Water recoupment [(ii)]	1,161	1,224	-	-
	40,637	**39,224**	**-**	**-**

6. CONTRACT SERVICE REVENUE (continued)

(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 Port Lessor Companies under the finance leases.

(ii) Water recoupment

The revenue recognised represents water costs recovered from the lessees under the 99-year finance lease.

7. CASH AND CASH EQUIVALENTS

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Current Assets - Cash and Cash Equivalents				
Cash at bank	2,857	4,160	885	772
	2,857	**4,160**	**885**	**772**

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)	2,857	4,160	885	772
Closing cash and cash equivalents (per Statement of Cash Flows)	2,857	4,160	885	772

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

8. RECEIVABLES

Current				
Recoupment receivable	118	2,061	-	-
GST receivable	107	-	35	17
	225	**2,061**	**35**	**17**

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 13.

9. OTHER FINANCIAL ASSETS

Non-Current				
Finance lease receivable (i)	266,220	248,725	-	-
	266,220	**248,725**	**-**	**-**

9. OTHER FINANCIAL ASSETS (continued)

(i) Finance lease receivable

The Port 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 $128.8 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 $17.495 million (2020: $16.345 million) was recognised in the year (refer to Note 4).

For the year ended 30 June 2021, PricewaterhouseCoopers (PwC) was engaged to perform a valuation to assess the estimated value of the property, plant and equipment assets of the three Port Lessor Companies. The PwC valuation report concluded there were no significant leading indicators of impairment as they considered the risk of impairment to be unlikely as at 30 June 2021. Management has performed an annual impairment indicators assessment and reviewed PwC’s valuation report and have concluded there is no 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 Port Lessor Companies immediately and are already included in the anticipated value of the assets that will revert to the Port 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 Port 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.

Reconciliation of net investment in leases

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Future undiscounted rentals receivable	-	-	-	-
Unguaranteed residual amounts - undiscounted	128,793,520	128,793,520	-	-
Less: unearned finance income	128,527,300	128,544,795	-	-
Net investment in finance leases	**266,220**	**248,725**	-	-

10. INVESTMENTS

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Investment in subsidiaries				
Opening balance as at 1 July	-	-	156,983	156,983
Closing balance as at 30 June	**-**	**-**	**156,983**	**156,983**

11. PAYABLES

Current				
Payables and accruals	542	1,927	111	59
GST Payables	-	2,204	-	-
	542	**4,131**	**111**	**59**

Payables are non-interest bearing and are generally on 30-day terms. Details regarding credit risk, liquidity risk and market risk are disclosed in Note 13.

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

Net cash flows from operating activities	**(1,303)**	**1,642**	**113**	**(70)**
Add back: non cash items and non-operating activities				
Finance income	17,495	16,345	-	-
Increase/(decrease) in receivables	(1,836)	1,956	18	(1)
(Increase)/decrease in payables	3,589	(3,969)	(52)	2
Net Result	**17,945**	**15,974**	**79**	**(69)**

13. FINANCIAL INSTRUMENTS

The PAMHC's principal financial instruments are cash deposits held with financial institutions as part of the NSW Treasury Banking System, 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 policies for managing risk.

13. FINANCIAL INSTRUMENTS (continued)

(a) Financial instrument categories

Financial instruments (i)	Note	Categories	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Financial Assets						
Cash and cash equivalents	7	N/A	2,857	4,160	885	772
Receivables	8	Amortised cost	118	2,061	-	-
Financial Liabilities						
Payables	11	Financial liabilities measured at amortised cost	542	1,927	111	59

(i) Excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 '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 default 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.

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.

13. 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 -0.25 per cent and +0.5 per cent (2020: +/-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 PAMHC 's exposure to interest rate risk follows.

2021	**Carrying amount $'000**	**-0.25% Net result $'000**	**-0.25% Equity $'000**	**+0.5% Net result $'000**	**+0.5% Equity $'000**
Conoslidated Company					
Cash and cash equivalents	2,857	(7)	(7)	14	14
Parent Company					
Cash and cash equivalents	885	(2)	(2)	4	4

2020	**Carrying amount $'000**	**-1% Net result $'000**	**-1% Equity $'000**	**1% Net result $'000**	**1% Equity $'000**
Conoslidated Company					
Cash and cash equivalents	4,160	(42)	(42)	42	42
Parent Company					
Cash and cash equivalents	772	(8)	(8)	8	8

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.

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 Port Lessor Companies stating that the State will provide financial support to enable the Port 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.

13. 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 Company	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
2021								
Payables	-	542	-	-	542	542	-	-
Total financial liabilities	**-**	**542**	**-**	**-**	**542**	**542**	**-**	**-**
2020								
Payables	-	1,927	-	-	1,927	1,927	-	-
Total financial liabilities	**-**	**1,927**	**-**	**-**	**1,927**	**1,927**	**-**	**-**

Parent Company	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
2021								
Payables	-	111	-	-	111	111	-	-
Total financial liabilities	**-**	**111**	**-**	**-**	**111**	**111**	**-**	**-**
2020								
Payables	-	59	-	-	59	59	-	-
Total financial liabilities	**-**	**59**	**-**	**-**	**59**	**59**	**-**	**-**

14. ADMINISTERED ITEMS

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Administered revenue				
Ports Logistics Contribution [(i)]	6,923	7,654	6,923	7,654
Newcastle Community Contribution [(ii)]	1,000	1,000	1,000	1,000
Total administered revenue	**7,923**	**8,654**	**7,923**	**8,654**

(i) Port Logistics Contribution (PLC)

The PLC is levied by the PBL (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.

It is levied on Twenty Foot Equivalent Units (TEUs) containers imported to or exported from the Port of Botany. The unit price is indexed to increase in line with CPI annually. 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.

14. 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 State. The NCC is passed on to the Consolidated Fund upon receipt and is recognised on an accrual basis as administered revenue.

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Administered assets				
Receivables	2,161	2,247	2,161	2,247
Total administered assets	**2,161**	**2,247**	**2,161**	**2,247**

15. CONTINGENT LIABILITIES AND CONTINGENT 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.
- A parcel of un-remediated land at Koorangang Island associated with the former BHP steelworks which is part of the Newcastle land included in the Newcastle 98-year finance lease was contaminated prior to it being owned by Newcastle Port Corporation. As part of the lease arrangements, liabilities in respect of the land remediation costs for the pre-existing land contamination is assumed by the Crown in right of the State of New South Wales (Crown).
- At balance date, there have been no breaches of the leases or other events that could result in lease termination.
- Under the Financier Side Deed and other transaction documents, the Port 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 Port 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.

Contingent assets

- The State has guaranteed the payment of any compensation by the Port Lessor Companies for the above contingent liability to financiers.
- If any Port Lease is terminated, the Port Lessor Companies can regain possession of the Port land and chattels, which are the subject of the existing leases and certain subleases. The Port Lessor’s rights to these assets are subject to the terms of the relevant transaction documents and applicable laws. The circumstances in which the Port Lessor may terminate the Port Lease are governed by the Port Lease and other transaction documents.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

- 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.

16. BUDGET REVIEW

Net result

The budget review is for the consolidated entity.

For the year ended 30 June 2021, PAMHC's net result is $17.9 million which is $0.6 million higher than the budget.

Operating expenses total $41.9 million which is slightly lower than the budget of $42.3 million.

Total revenue is $59.9 million which is $0.2 million higher than budget.

Assets and Liabilities

Total assets for the year were $269.3 million, which is not materially different from the budget of $268.3 million.

Total liabilities were $0.5 million which is slightly higher than the budget of $0.1 million. This is mainly driven by the valuation fee payable of $0.3m.

Cash flows

The actual net cash outflows from operating activities were $1.3 million, $0.8 million lower than budget mainly due to the valuation fee payable as at 30 June 2021 and lower than anticipated operating expenses.

Both cash payments of $50.6 million and cash receipts of $49.3 million were higher than budget by $6.4 million and $7.2 million, respectively. This is primarily due to the payments of deferred expenses ($4.2 million) relating to 30 June 2020 paid in the current financial year due to COVID-19 exemptions and GST paid and received were not included in the budget.

Closing cash and cash equivalents were $2.9 million, $0.8 million higher than budget. This is mainly due to the valuation fee payable and lower than anticipated operating expenses.

17. 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 PNSW and NSW Treasury which 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 is considered a related party of the Corporation because of its role in directing overall government policy and making 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 PAMHC Directors are employees of NSW Treasury and PNSW which is an agency of the Department of Planning, Industry and Environment (DPIE). No remuneration was paid, and no loans were made to any of the KMP by the PAMHC 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 related party transactions. The KMP are required to complete annual declarations in relation to any 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 $190,567 incl. GST during the year for the property lease management services provided by PNSW on behalf of the Port Lessor Companies (2020: $154,399 incl. GST).

(iii) Transactions with Directors of related entities

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

The Directors of the subsidiary Lessor Companies are employees of the NSW Treasury and DPIE. The following are transactions made in between these entities during the reporting period.

Mr. Peter Graham is a Director of the subsidiary lessor companies and an employee of the DPIE. 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 $190,567 incl. GST (2020: $154,399 incl. GST). As the Memorandum of Understanding (MoU) is between PAMHC and PNSW (effective from 1 July 2015), it is impractical to calculate and ascertain the cost for each of the three lessor companies individually. Accordingly, no charge was made to the lessor companies.

17. RELATED PARTY DISCLOSURES (continued)

Mr. Peter Wade is a Director of the subsidiary lessor Companies and an employee of the NSW Treasury. The Treasury Cluster has provided $1,725,000 (2020: $600,000) grants to the PAMHC and subsidiary Lessor Companies PBL, PKL and PNL to cover the recurrent costs in 2021. No other related party transaction occurred in this reporting period.

(iv) Transactions with other related entities

The PAMHC interacts with other government agencies who deliver 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.

Finance officers of NSW Treasury provide administrative services, including the preparation of financial statements for the Corporation and its subsidiary Lessor Companies. The total cost of these services for the year was $795,577 incl. GST (2020: $799,154), the expense is shown as an administrative charge by the Corporation.

18. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

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 by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Corporation and the consolidated entity.

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 (including Independence Standards)' (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 2021 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 Accountable Authority

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 GSF Act, GSF Regulations and Treasurer's Directions. The Secretary's responsibility also includes 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.

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.

The scope of my audit does not include, nor 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

13 September 2021
SYDNEY

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Financial Statements

for the year ended 30 June 2021

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Financial Statements
for the year ended 30 June 2021

CONTENTS

Electricity Retained Interest Corporation - Ausgrid
ABN 40 543 372 305

Financial Statements
for the year ended 30 June 2021

Statement by the Accountable Authority

Pursuant to Section 7.6(4) of the *Government Sector Finance Act 2018* (the Act), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions; and

- present fairly the Electricity Retained Interest Corporation – Ausgrid's financial position, financial performance and cash flows.

On behalf of the board

Director: ....
Belinda Gibson - Chair

Dated: 23 September 2021

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Report by Members of the Board
for the year ended 30 June 2021

The Directors present their report on the Electricity Retained Interest Corporation - Ausgrid (the Corporation) for the financial year ended 30 June 2021.

Information on Directors

The names of each person who has been a director during the year and to the date of this report are:

Belinda Gibson (Chair) (Appointed 18 July 2016)
Robert Wright (Appointed 18 July 2016)
Steven MacDonald (Appointed 13 November 2019)

Principal activities

The Corporation was established 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; and
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 $116.1 million for 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

There was nil distribution received during the year.

Review of operations

A review of the operations of the Corporation 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 the of NSW Treasury for the Corporation and its subsidiaries.

Significant changes in state of affairs

Ausgrid revenues have been adversely impacted by the deterioration of macro-economic factors – mostly from lower inflation and reduced cost of debt compared to the allowance approved by the regulator (Australian Energy Regulator – AER). With the objective of maintaining Ausgrid's current Baa1 (Moody's) and BBB (Standard & Poors) credit ratings, the Ausgrid Board resolved to continue to give priority to debt repayment and support the Ausgrid Group's business objectives over payment of distributions to investors during the reporting period and subsequent FY2022 – FY2023 period, which will restrict cash flow to the Corporation over this period. In the absence of Ausgrid distribution income, the State provided funding to the Corporation for operating expenditure.

Electricity Retained Interest Corporation - Ausgrid
ABN 40 543 372 305

Report by Members of the Board
for the year ended 30 June 2021

Whilst the COVID-19 pandemic suppressed business activity, under-recovery of FY2021 revenue was minor and will be recovered in FY2022.

Significant events after the balance date

The COVID-19 pandemic is a continuing event post the end of the reporting date and, whilst not expected to have a material impact on Ausgrid, the extent of impact on the Ausgrid Group's future operations will depend on the duration and actions taken to address the pandemic, which are uncertain as at the date that the Ausgrid accounts were signed on 23 August 2021 and these accounts are signed on 23 September 2021.

No matters or circumstances other than disclosed above 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 23 November 2016 (in the case of Belinda Gibson and Robert Wright) and Deed of Indemnity dated 13 November 2019 (in the case of Steven MacDonald), 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.

Signed in accordance with a resolution of the Directors:

Director: ....
Belinda Gibson - Chair

Dated: 23 September 2021

INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation - Ausgrid

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Electricity Retained Interest Corporation - Ausgrid (the Corporation), which comprise the Statement by the Accountable Authority, the Statements of Comprehensive Income for the year ended 30 June 2021, the Statements of Financial Position as at 30 June 2021, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes to the consolidated financial statements 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Corporation and the consolidated entity.

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 (including Independence Standards)' (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 2021 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 Statement by the Accountable Authority and Report by Members of the Board.

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 are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulations and Treasurer's Directions. The Directors' responsibility also includes 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 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.

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/ar5.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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

27 September 2021
SYDNEY

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	Budget 2021 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2020 Consolidated $'000	Actual 2021 Parent $'000	Actual 2020 Parent $'000
Share of profit/(loss) in associate	4	70,226	116,064	95,278	-	-
Grants and other contributions	4	993	808	860	792	845
		71,219	116,872	96,138	792	845
Directors fees	5	368	368	369	368	369
Other expenses	5	625	440	491	424	476
		993	808	860	792	845
Net result for the year		**70,226**	**116,064**	**95,278**	**-**	**-**
Other comprehensive income:						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		-	144,336	(110,112)	-	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		-	7,936	(4,464)	-	-
Share of associate's changes in revaluation surplus of property, plant and equipment		-	1,083,000	-	-	-
Total share of associate's other comprehensive income/(loss)	6	-	1,235,272	(114,576)	-	-
Total comprehensive income/(loss)		**70,226**	**1,351,336**	**(19,298)**	**-**	**-**

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 2021

	Notes	Budget 2021 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2020 Consolidated $'000	Actual 2021 Parent $'000	Actual 2020 Parent $'000
Total current assets		-	-	-	-	-
Non-current assets						
Investments	6	3,694,498	4,975,608	3,624,272	3,852,126	3,852,126
Total non-current assets		**3,694,498**	**4,975,608**	**3,624,272**	**3,852,126**	**3,852,126**
Total assets		**3,694,498**	**4,975,608**	**3,624,272**	**3,852,126**	**3,852,126**
Total current liabilities		-	-	-	-	-
Total non-current liabilities		-	-	-	-	-
Total liabilities		-	-	-	-	-
Net assets /(liabilities)		**3,694,498**	**4,975,608**	**3,624,272**	**3,852,126**	**3,852,126**
Equity						
Reserves	7	(352,863)	871,431	(355,905)	-	-
Accumulated surplus	7	4,047,361	4,104,177	3,980,177	3,852,126	3,852,126
Total equity		**3,694,498**	**4,975,608**	**3,624,272**	**3,852,126**	**3,852,126**

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 2021

	Budget 2021 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2020 Consolidated $'000	Actual 2021 Parent $'000	Actual 2020 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 2021

	Consolidated				Parent			
	Contributed Capital $'000	Accumulated Surplus $'000	Reserves $'000	Total $'000	Contributed Capital $'000	Accumulated Surplus $'000	Reserves $'000	Total $'000
Balance at 1 July 2020	**-**	**3,980,177**	**(355,905)**	**3,624,272**	**-**	**3,852,126**	**-**	**3,852,126**
Net result for the period	-	116,064	-	116,064	-	-	-	-
Other comprehensive income								
Investment in associate	-	7,936	1,227,336	1,235,272	-	-	-	-
Total other comprehensive income	-	7,936	1,227,336	1,235,272	-	-	-	-
Total comprehensive income	-	124,000	1,227,336	1,351,336	-	-	-	-
Balance at 30 June 2021	**-**	**4,104,177**	**871,431**	**4,975,608**	**-**	**3,852,126**	**-**	**3,852,126**
Balance at 1 July 2019	**-**	**3,889,363**	**(245,793)**	**3,643,570**	**-**	**3,852,126**	**-**	**3,852,126**
Net result for the period	-	95,278	-	95,278	-	-	-	-
Other comprehensive income								
Investment in associate	-	(4,464)	(110,112)	(114,576)	-	-	-	-
Total other comprehensive income	-	(4,464)	(110,112)	(114,576)	-	-	-	-
Total comprehensive income	-	90,814	(110,112)	(19,298)	-	-	-	-
Balance at 30 June 2020	**-**	**3,980,177**	**(355,905)**	**3,624,272**	**-**	**3,852,126**	**-**	**3,852,126**

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

NOTES INDEX **Page**

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 (the Partnerships):

1. Ausgrid Network Asset Partnership (NAP) which holds the regulated network assets;
2. Ausgrid Operator Partnership (NOP) which operates the regulated network assets; and
3. Plus ES Partnership (AUP) which owns and conducts unregulated activities.

The Corporation holds a 49.6 per cent interest in each of the NAP, NOP and AUP via controlled entities.

The Corporation 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 were authorised for issue in accordance with a resolution of the Directors on the date the accompanying Report by Members of the Board was signed.

The Corporation is a NSW Government entity and 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 (refer to "Entities within the Group") as at the reporting date. 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 (the Corporation), 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.

NAPTs:

- ERIC Alpha Asset Corporation 1 Pty Ltd (ACN 612 974 044) as trustee for the ERIC Alpha Asset Trust 1
- ERIC Alpha Asset Corporation 2 Pty Ltd (ACN 612 975 023) as trustee for the ERIC Alpha Asset Trust 2
- ERIC Alpha Asset Corporation 3 Pty Ltd (ACN 612 975 032) as trustee for the ERIC Alpha Asset Trust 3
- ERIC Alpha Asset Corporation 4 Pty Ltd (ACN 612 975 078) as trustee for the ERIC Alpha Asset Trust 4

NOPTs:

- ERIC Alpha Operator Corporation 1 Pty Ltd (ACN 612 975 096) as trustee for the ERIC Alpha Operator Trust 1
- ERIC Alpha Operator Corporation 2 Pty Ltd (ACN 612 975 121) as trustee for the ERIC Alpha Operator Trust 2
- ERIC Alpha Operator Corporation 3 Pty Ltd (ACN 12 975 185) as trustee for the ERIC Alpha Operator Trust 3
- ERIC Alpha Operator Corporation 4 Pty Ltd (ACN 612 975 210) as trustee for the ERIC Alpha Operator Trust 4

NAUPTs:

- ERIC Alpha AUP Corporation 1 Pty Ltd (ACN 621 524 374) as trustee for the ERIC Alpha AUP Trust 1
- ERIC Alpha AUP Corporation 2 Pty Ltd (ACN 621 524 454) as trustee for the ERIC Alpha AUP Trust 2
- ERIC Alpha AUP Corporation 3 Pty Ltd (ACN 621 524 525) as trustee for the ERIC Alpha AUP Trust 3
- ERIC Alpha AUP Corporation 4 Pty Ltd (ACN 621 524 605) as trustee for the ERIC Alpha AUP Trust 4

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. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The entity's financial statements are general purpose financial statements prepared on an accrual basis and in accordance with the following requirements:

- applicable Australian Accounting Standards (including Australian Accounting Interpretations)
- *Government Sector Finance Act 2018* (GSF Act)
- *Government Sector Finance Regulation 2018*
- Treasurer's Directions issued under the GSF Act.

The presentation of these financial statements is consistent with the not-for-profit classification of the General Government entity.

All amounts are presented in Australian dollars which is the entity's presentation and functional currency and rounded to the nearest thousand dollars ($'000), unless otherwise stated.

Comparative information

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.

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.

Statement of compliance

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

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

i. Effective for the first time in FY2020-21

AASB 1059 *Service Concession Arrangements: Grantors*

AASB 1059 does not apply to the Corporation's financial statements as the long-term lease of the electricity transmission and distribution networks is not a service concession arrangement. The key reason is that the arrangement is more in the nature of a privatisation than a service concession arrangement.

The arrangement involves the operator providing services that are regulated using assets that are not controlled by the State.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Several other standards, amendments and interpretations apply for the first time in FY2020-21, but do not have a material impact on the financial statements of the Corporation.

ii. Issued but not yet effective

As mandated by Treasury Circular TC20-08 *Mandates of Options and major policy decisions under Australian Accounting Standards*, the Corporation 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 Corporation:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (operative date 1 January 2022)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023).

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

Revenue

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 consideration contractually defined terms of payment.

Revenue is recognised in accordance with the requirement of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is an enforceable contract with specific performance obligation.

Distribution income

Distribution income is recognised reflecting the quarterly distributions from the Partnerships. It is recognised when distribution has been approved by the Ausgrid Board. As the distribution income is deposited into the SDA and remitted to Consolidated Fund subsequently, and the SDA is controlled and reported by the Treasury Cluster, the cash inflow and outflow from the distribution income is not disclosed in the Statement of Cash Flows for the Corporation. Refer to Note 4.

Grants and other contributions

Grants and contributions are recognised when the Corporation obtains control of the contributions. All expenses are paid by the SDA since the Corporation does not have a bank account. When expenses are incurred, a grant is recognised at the same time as the economic benefit has been obtained.

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 cost of these services is shown as an administration charge in Note 5.

The contributions paid to the Consolidated Fund are shown under expenses in Note 5 as all financial returns must be deposited into the SDA. There were no contributions paid in FY2021 and FY2020.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents are not recognised in the Consolidated Statement of Financial Position as the cash and cash equivalents are held in a SDA controlled and reported by the Treasury Cluster.

Investment in subsidiary

The Corporation was established to hold 100 per cent interest in ERIC Alpha Holdings Pty Ltd. The parent's investment in subsidiary and the ERIC Alpha Holdings Pty Ltd's contributed capital is eliminated in full on the consolidation level. Refer to Note 6 and Note 7 for details.

Investment in associate

The State's retained interest in Ausgrid 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 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 (PPE) which are 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 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

A fair value analysis of the associate's PPE is performed annually. An external advisor was engaged to provide an opinion on the methodology and value adopted by the Corporation to account for its interest in Ausgrid as at 30 June 2021.

A value in use model was used applying a discounted cash flow (DCF) approach, discounting free cash flows using a long-term after tax weighted average cost of capital (WACC) and mid-period discounting. The model that forecasts the cash flow over a 6-year period from 1 July 2021 to 30 June 2027 is in accordance with the latest Ausgrid business plan at the reporting date. The fair value of PPE is determined by deducting the carrying value of working capital and intangible assets and goodwill not related to PPE from the DCF value of the consolidated Ausgrid business. Growth related EDITDA, movements of non-cash revenue items, changes in working capital and maintenance capital are excluded from operating cash flows to determine the DCF value of the consolidated Ausgrid business.

Key assumptions used by the external advisor in the discounted cash flow analysis were:

- The distributor licence and 10 per cent of the goodwill are not related to the network service provider;
- A post tax WACC of 5.7 – 6.1 per cent (mid-point of 5.9 per cent);
- A 6-year (to 30 June 2027) cashflow horizon and applying an EBITDA multiple of 15.3 to 17.0 times as a proxy for long term cashflows.

The Corporation applied a discount rate of 6.09 per cent (2020: 6.17 per cent). The table below shows the sensitivity on a value which is approximate to the valued fair value amount from a change in discount rate of +/- 0.25 per cent:

Discount Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
30 June 2021	18,100	19,114	20,252
30 June 2020	16,256	17,204	18,275

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation applied a terminal value growth rate of 1.75 per cent. The table below shows the sensitivity on a value which is approximate to the valued fair value amount from a change in the terminal value growth rate of +/- 0.25 per cent:

Discount Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
30 June 2021	20,056	19,114	18,274
Discount Sensitivity	**+0.50% ($M)**	**Valuation Amount ($M)**	**-0.50% ($M)**
30 June 2020	19,113	17,204	15,707

The current strategic environment presents several material risks and uncertainties to the Ausgrid business which could materially impact the medium-term business performance. These include regulatory value risks, COVID-19 and the economic environment resulting from government measures. The impact of these measures on future financing capacity, macro-economic measures such as GDP, inflation and interest rates, as well as supply and demand drivers are not fully known.

Due to the market volatility and economic uncertainty, the key parameters and assumptions used in the fair value model may be different with the actual results. Key inputs in the valuation model includes weighted average cost of capital which was used as discount rate and the business growth rate which was used for the projection of future cashflow. Sensitivities to the key assumptions for the fair value result are shown in the table above. The sensitivity analysis above has been modelled for the mid-point of the Ausgrid's PPE valuation range.

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.

Statement of Cash Flows

Cash flows are disclosed as nil in the Statement of Cash Flows. The Corporation does not have a bank account. Under Section 32 of the Act, the Electricity Retained Interest Corporation – Ausgrid (the Fund) was established as a Special Deposit Account (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 is prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation.

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 8.

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. Hence, the financial statements are prepared on a going concern basis.

4. INCOME

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Share of profit/(loss) in associate	116,064	95,278	-	-
Grants and other contributions[1]	808	860	792	845
Total	**116,872**	**96,138**	**792**	**845**

[1.] The Corporation does not have a bank account. The 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 and reported by the Treasury Cluster.

Dividend distributions from the Partnerships are paid into the Fund and subsequently remitted to the State's Consolidated Fund. Operational expenditures of the Corporation are to be met by the Fund which effectively is a grant contribution from the Treasury Cluster. The grant received is without sufficiently specific performance obligation.

5. EXPENSES

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Director fees				
Fees	320	321	320	321
Superannuation contribution	30	31	30	31
Committee fees	18	17	18	17
	368	**369**	**368**	**369**
Other expenses				
Audit fees	88	87	76	75
Admininstration charge	250	275	250	275
Other	102	129	98	126
	440	**491**	**424**	**476**
Total expenses	**808**	**860**	**792**	**845**

6. INVESTMENTS

Investment in subsidiary

The Corporation was established to hold 100 per cent interest in its subsidiary ERIC Alpha Holdings Pty Ltd and this holding structure implemented by the State to manage its retained interest in NAP and NOP. Refer to Note 2 for details.

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Investment in ERIC Alpha Holdings Pty Ltd	-	-	3,852,126	3,852,126
	-	**-**	**3,852,126**	**3,852,126**

6. INVESTMENTS (continued)

Investment in associate

The Corporation's Group investment in an associate represents 100 per cent interest in shares of ERIC Alpha Holdings Pty Ltd, which has an investment in associate consisting of the NSW Government's 49.6 per cent share in the Ausgrid Partnerships; IFM Investors and AustralianSuper holds the other 50.4 per cent.

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Investment in associate	4,975,608	3,624,272	-	-
	4,975,608	**3,624,272**	**-**	**-**

Paragraph 35 of AASB 128 requires that the financial statements of the investor (the Corporation) and the investee (Ausgrid) to be prepared using uniform accounting policies. Paragraph 36 states if the investee uses accounting policies other than those of the investor for like transactions and events in similar circumstances, adjustment shall be made to the investee's accounting policies conform to those of the investors. As Ausgrid carries its PPE at cost while the State applies the fair value model under TPP21-09 *Valuation of Physical Non-Current Assets at Fair Value*, a fair value assessment is conducted to Ausgrid PPE as at 30 June 2021 and an adjustment is made to the Corporation's investment carrying value.

The Corporation's share of associate's assets and liabilties

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Current assets	320,416	395,312	-	-
Non-current assets	10,514,704	10,920,432	-	-
	10,835,120	11,315,744	-	-
Current liabilities	952,816	278,752	-	-
Non-current liabilities	5,989,696	7,412,720	-	-
	6,942,512	7,691,472	-	-
Net assets	**3,892,608**	**3,624,272**	**-**	**-**

The Corporation's share of associate's profit

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Revenue	1,155,680	1,136,336	-	-
Profit before income tax	116,064	95,278	-	-
Profit after income tax	**116,064**	**95,278**	**-**	**-**
Other comprehensive income	152,272	(114,576)	-	-
Total comprehensive income	**268,336**	**(19,298)**	**-**	**-**

The Corporation's share of associate's commitments for expenditure

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Capital expenditure	73,904	94,736	-	-

6. INVESTMENTS (continued)

Reconciliation of movements

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Balance at the beginning of the financial year	3,624,272	3,643,570	-	-
Share of associates net profit/(loss)	116,064	95,278	-	-
Share in other comprehensive income	152,272	(114,576)	-	-
Dividends received	-	(14,880)	-	-
Dividends reinvestment	-	14,880	-	-
Share of associates PPE fair value changes	1,083,000	-	-	-
Balance at the end of the financial year	**4,975,608**	**3,624,272**	**-**	**-**

7. EQUITY

Contributed capital - retained interest in partnerships	-	-	-	-
Accumulated surplus	4,104,177	3,980,177	3,852,126	3,852,126
Reserves	871,431	(355,905)	-	-
Closing Balance	**4,975,608**	**3,624,272**	**3,852,126**	**3,852,126**

Contributed capital

The contributed capital disclosed in ERIC Alpha Holdings Pty Ltd has been eliminated in full on the consolidation level.

Accumulated Surplus

The Parent's accumulated surplus accounts for the ordinary shares issued by ERIC Alpha Holdings Pty Ltd transferred to the Corporation from the Treasurer on behalf of the Crown in right of the State of NSW, which is treated as equity transfer in accordance with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

8. BUDGET REVIEW

Net result

The net result of the Corporation was $116.1 million, representing the Corporation's 49.6 per cent share of Ausgrid Partnership's profit.

Total expenses for 2020-21 were $0.8 million, $0.2 million lower than budget mainly due to less consultancy expenses incurred during the year.

Total revenue was $116.9 million in 2020-21, $45.7 million higher than budget. This was mainly due to Ausgrid having a higher actual profit than the forecasted profit for FY2021.

Assets and Liabilities

Total assets for the year were $4,976 million, $1,281 million higher than budget due to the increase in the investment value in the Ausgrid Partnership, and the increment of $1,083 million to the investment in associate resulted from the Ausgrid's PPE fair value changes. Refer to note 6 for the details.

Total liabilities for the year were nil, which was consistent with the budget.

8. BUDGET REVIEW (continued)

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 in the Special Deposit Account (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 is 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 reported by the Treasury Administered Activity. This activity is not recognised by the Corporation.

9. LEGAL INTEREST IN THE NETWORK 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. Refer to Note 2 “Entities within the Group” for details.

All financial returns of the Partnerships 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 Partnerships in the Consolidated Statement of Financial Position using the equity method.

10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At the reporting date, the Corporation's contingent assets of $0.50 million (2020: nil) and contingent liabilities of $23.81 million (2020: $19.84 million) represent its 49.6% share in the associate's contingent assets and contingent liabilities.

11. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2021 Consolidated $'000	2020 Consolidated $'000
Short-term KMP benefits	320	321
Other KMP benefits	48	48
Total	**368**	**369**

Short-term KMP benefits include director salaries and Other KMP benefits include superannuation and committee fee.

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.

12. RELATED PARTIES (continued)

(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.

No loans were made to any of the KMP by the Corporation during the year. Refer to Note 11 Compensation of Key Management Personnel for total remuneration payable to the Directors

(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 Directors of related entities

The Directors of the Corporation are also Directors for the Partnerships. Distributions from the Partnerships to the Corporation during the year are reported in the Consolidated Statement of Comprehensive Income and there is nil distribution for the current year. No other transactions were made between the Corporation and the Partnerships during the year.

(iii) Transactions with other related entities

The Corporation interacts with a number of other government agencies. After the Ausgrid distribution network long term lease transaction, the Corporation retained 49.6 percent of the Ausgrid electricity network business, while the Alpha Distribution Ministerial Holding Corporation (ADMHC) is the Lessor for the Ausgrid network long-term lease. NSW Government is the ultimate controlling party of the ADMHC and the Corporation. The Treasurer has significant influence on the Corporation and has control over the ADMHC. There is no direct related party transaction between the ADMHC and the Corporation in the current reporting period.

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 for the year is $250,000 (2020: $275,000) and 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 Treasury Cluster as grant income.

13. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Financial Statements

for the year ended 30 June 2021

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Financial Statements
for the year ended 30 June 2021

CONTENTS **Page**

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Financial Statements
for the year ended 30 June 2021

Statement by the Accountable Authority

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions; and
- present fairly Electricity Retained Interest Corporation - Endeavour Energy's financial position, financial performance and cash flows.

On behalf of the Board

Trevor Danos AM
Chair

Dated : 29 September 2021

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Report by Members of the Board
for the year ended 30 June 2021

The Directors present their report on Electricity Retained Interest Corporation - Endeavour Energy (the Corporation) for the financial year ended 30 June 2021.

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) (Reappointed on 2 June 2020 for a three-year term)
Helen Conway (Reappointed on 2 June 2020 for a two-year term)
Scott Davies (Reappointed on 2 June 2020 for a three-year term)

Directors have been in office since the date of appointment to the date of this report unless otherwise stated.

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; and
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 $99 million for the year, representing the Corporation's 49.6 per cent share of Endeavour Energy Partnerships' 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 $34 million.

Review of operations

A review of the operations of the Corporation 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.

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Report by Members of the Board
for the year ended 30 June 2021

Significant changes in state of affairs

Endeavour Energy revenues were above budget and in line with expectations for the year. Reported EBITDA performance was strong and above budget resulting from above budget regulated revenue and operating costs (opex) savings versus budget. The Baa1 (Moody's) credit rating was maintained. To facilitate maintaining the credit rating and to support business objectives, the Endeavour Energy Boards resolved to maintain higher cash holdings and reduce distributions to investors over the reporting period and FY2022, which has reduced cash flow to the Corporation over the reporting period.

The COVID-19 pandemic had a short-term and minor financial impact over the reporting period and it is not anticipated that it will have a material impact on the long-term forecast drivers of Endeavour Energy. Endeavour Energy provides a regulated essential service and currently maintains a strong financial position, forecast cash balance, and available undrawn borrowing facilities.

Significant events after the balance date

The COVID-19 pandemic is a continuing event after the reporting date and, whilst not expected to have a material impact on Endeavour Energy, the extent of impact on Endeavour Energy future operations will depend on the duration of the pandemic and actions taken to address the pandemic, which are uncertain as at the date that the Endeavour Energy accounts were signed on 26 August 2021 and the date these accounts are signed on 29 September 2021.

In May 2021, Endeavour Energy accepted an offer from an interested party to acquire the property at 51 Huntingwood Drive, Huntingwood NSW. The offer remains subject to entry into a formal agreement acceptable to both parties and completion of satisfactory due diligence and consent from the lessor. The sale is expected to be completed within 3 months after the satisfactory completion of due diligence in November 2021.

No matters or circumstances have arisen after 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

Premiums have been paid to cover any legal liabilities relating to professional indemnity and directors' 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.

Signed in accordance with a resolution of the Directors:

Director: ....
Trevor Danos AM - Chair

Dated: 29 September 2021

INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation - Endeavour

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Electricity Retained Interest Corporation - Endeavour (the Corporation), which comprise the Statement by the Accountable Authority, the Statements of Comprehensive Income for the year ended 30 June 2021, the Statements of Financial Position as at 30 June 2021, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes to the consolidated financial statements 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Corporation and the consolidated entity.

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 (including Independence Standards)' (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 2021 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 Statement by the Accountable Authority and Report by Members of the Board.

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 are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulations and Treasurer's Directions. The Directors' responsibility also includes 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 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.

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/ar5.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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

30 September 2021
SYDNEY

Electricity Retained Interest Corporation-Endeavour Energy
ABN 61 573 737 242

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	Budget 2021 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2020 Consolidated $'000	Actual 2021 Parent $'000	Actual 2020 Parent $'000
Revenue						
Share of profit/(loss) of associates	4	149,098	130,299	113,288	-	-
Grants and other contributions	4	975	805	828	789	816
Other revenue	4	5,106	5,134	5,078	-	-
		155,179	**136,238**	**119,194**	**789**	**816**
Expenses						
Contributions paid	5	23,954	36,754	90,867	-	-
Directors' fees	5	350	351	353	351	353
Other expenses	5	625	454	476	438	463
		24,929	**37,559**	**91,696**	**789**	**816**
Net result		**130,250**	**98,679**	**27,498**	-	-
Other comprehensive income						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		-	96,571	(81,840)	-	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		-	4,762	(3,819)	-	-
Share of associate's changes in revaluation surplus of property, plant and equipment		-	511,000	-	-	-
Total other comprehensive income/(loss)	6	**-**	**612,333**	**(85,659)**	**-**	**-**
Total comprehensive income/(loss)		**130,250**	**711,012**	**(58,161)**	-	-

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 2021

	Notes	Budget 2021 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2020 Consolidated $'000	Actual 2021 Parent $'000	Actual 2020 Parent $'000
Current assets						
Receivables	7	2,762	1,400	2,761	-	-
Total current assets		**2,762**	**1,400**	**2,761**	**-**	**-**
Non-current assets						
Investments	6	2,048,827	2,630,954	1,918,578	1,946,448	1,946,448
Total non-current assets		**2,048,827**	**2,630,954**	**1,918,578**	**1,946,448**	**1,946,448**
Total assets		**2,051,589**	**2,632,354**	**1,921,339**	**1,946,448**	**1,946,448**
Current liabilities						
Payables	8	251	254	251	-	-
Total current liabilities		**251**	**254**	**251**	**-**	**-**
Total non-current liabilities		**-**	**-**	**-**	**-**	**-**
Total liabilities		**251**	**254**	**251**	**-**	**-**
Net assets		**2,051,338**	**2,632,100**	**1,921,088**	**1,946,448**	**1,946,448**
Equity						
Reserves	10	(262,621)	352,391	(255,180)	-	-
Accumulated surplus	10	2,313,959	2,279,709	2,176,268	1,946,448	1,946,448
Total equity		**2,051,338**	**2,632,100**	**1,921,088**	**1,946,448**	**1,946,448**

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 Cash Flows
for the year ended 30 June 2021

	Budget 2021 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2020 Consolidated $'000	Actual 2021 Parent $'000	Actual 2020 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 2021

	Consolidated				Parent			
	Contributed Capital $'000	Accumulated Surplus $'000	Reserves $'000	Total $'000	Contributed Capital $'000	Accumulated Surplus $'000	Reserves $'000	Total $'000
Balance at 1 July 2020	**-**	**2,176,268**	**(255,180)**	**1,921,088**	-	**1,946,448**	**-**	**1,946,448**
Net result for the year	-	98,679	-	98,679	-	-	-	-
Other comprehensive income								
Investment in associates	-	4,762	607,571	612,333	-	-	-	-
Total other comprehensive income	-	4,762	607,571	612,333	-	-	-	-
Total comprehensive income	-	103,441	607,571	711,012	-	-	-	-
Balance at 30 June 2021	**-**	**2,279,709**	**352,391**	**2,632,100**	**-**	**1,946,448**	**-**	**1,946,448**
Balance at 1 July 2019	**-**	**2,151,337**	**(173,340)**	**1,977,997**	**-**	**1,946,448**	**-**	**1,946,448**
Changes in accounting policy	-	**1,252**	-	**1,252**	-	-	-	-
Restated balance at 1 July 2019	**-**	**2,152,589**	**(173,340)**	**1,979,249**	**-**	**1,946,448**	**-**	**1,946,448**
Net result for the year	-	27,498	-	27,498	-	-	-	-
Other comprehensive income								
Investment in associates	-	(3,819)	(81,840)	(85,659)	-	-	-	-
Total other comprehensive income	-	(3,819)	(81,840)	(85,659)	-	-	-	-
Total comprehensive income	-	23,679	(81,840)	(58,161)	-	-	-	-
Balance at 30 June 2020	**-**	**2,176,268**	**(255,180)**	**1,921,088**	-	**1,946,448**	**-**	**1,946,448**

The accompanying notes form an integral part of the financial statements

Electricity Retained Interest Corporation-Endeavour Energy
ABN 61 573 737 242

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

NOTES INDEX		Page

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

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 (the Partnerships):

1. Endeavour Energy Network Asset Partnership (NAP) which holds regulated assets;
2. Endeavour Energy Network Operator Partnership (NOP) which operates the regulated assets; and
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 the NAP, NOP and NUP via controlled entities.

The Corporation is a 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 were authorised for issue in accordance with a resolution of the Directors on the date the accompanying Statement of Accountable Authority was signed.

The Corporation is a NSW Government entity and 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 (refer to "Entities within the Group"). 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 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 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 (the Corporation), 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. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general-purpose financial statements prepared on an accrual basis and in accordance with the following requirements:

- applicable Australian Accounting Standards (including Australian Accounting Interpretations)
- *Government Sector Finance Act 2018* (GSF Act)
- *Government Sector Finance Regulation 2018*
- Treasurer's Directions issued under the GSF Act.

The presentation of these financial statements is consistent with the not-for-profit classification of the General Government entity.

All amounts are presented in Australian dollars which is the entity's presentation and functional currency and rounded to the nearest thousand dollars ($'000), unless otherwise stated.

Comparative information

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.

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.

Statement of compliance

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i. Effective for the first time in 2020-21

AASB 1059 *Service Concession Arrangements: Grantors*

AASB 1059 does not apply to the Corporation's financial statements as the long-term lease of the electricity transmission and distribution networks is not a service concession arrangement. The key reasons being:

- The arrangement conveys to the operator a right to use and not a right to access the network assets
- The State does not control any significant residual interest in the network asset
- The arrangement is more in the nature of a privatisation than a service concession arrangement.

The arrangement involves the operator providing services that are regulated using assets that are not controlled by the State.

Several other standards, amendments and interpretations apply for the first time in FY2020-21, but do not have a material impact on the financial statements of the Corporation.

ii. Issued but not yet effective

As mandated by Treasury Circular TC20-08 *Mandates of options and major policy decisions under Australian Accounting Standards 2020-21*, the Corporation has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

Management have assessed the impact of the new accounting standards and interpretations issued but not yet effective, listed below, and concluded there is no material impact to the Corporation:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (operative date 1 January 2022)*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023)

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 consideration contractually defined terms of payment.

Revenue is recognised in accordance with the requirement of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is an enforceable contract with specific performance obligation.

Other revenue consists of the Partnerships share of the transition advisory fee paid by the Endeavour Energy back under the Transitional Asset Management Service Agreement (TAMSA). The rebate is received quarterly until 30 June 2022 and the revenue is recognised when the invoice is issued.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Distribution income

Distribution income is recognised reflecting the quarterly distributions from the Partnerships which the State retains. It is recognised when distributions have been approved by the Endeavour Energy Board. As the distribution income is deposited into the SDA and remitted to Consolidated Fund subsequently, and the SDA is controlled and reported by the Treasury Cluster, the cash inflow and outflow from the distribution income is not disclosed in the Statement of Cash Flows for the Corporation. Refer to Note 4.

Grants and other contributions

Grants and contributions are recognised when the Corporation obtains control of the contributions.
All expenses are paid by the SDA since the Corporation does not have a bank account. When expenses are incurred, a grant is recognised at the same time as the economic benefit has been obtained.

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 cost of these services is shown as an administration charge in Note 5.

The contributions paid to the Consolidated Fund are shown under expenses in Note 5 as all financial returns must be deposited into the SDA.

Cash and cash equivalents

Cash and cash equivalents are not recognised in the Corporation's Consolidated Statement of Financial Position as the cash and cash equivalents are held in a SDA controlled and reported by the Treasury Cluster.

Investment in subsidiary

The Corporation was established to hold 100 per cent interest in ERIC Epsilon Holdings Pty Ltd. The parent's investment in subsidiary and the ERIC Epsilon Holdings Pty Ltd's contributed capital is eliminated in full on the consolidation level. Refer to Note 6 and Note 10 for details.

Investment in associate

The State's retained interest in Endeavour Energy is accounted in the Corporation's investment in associate as per AASB 128 *Investments in Associates and Joint Ventures* 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 associate 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 (PPE) which are adjusted to fair value, in accordance with Treasury's Policy and Guidelines Paper TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value*, AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

A fair value analysis of the associate's PPE is performed annually. An external advisor was engaged to provide an opinion on the methodology and value adopted by the Corporation to account for its interest in Endeavour Energy as 30 June 2021.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A value in use model was used applying a discounted cash flow (DCF) approach, discounting free cash flows using a long-term after tax weighted average cost of capital (WACC) and mid-period discounting. The model that forecasts the cash flow over a 20-year period from 1 July 2021 to 30 June 2041 is in accordance with the latest Endeavour Energy business plan at the reporting date. The fair value of PPE is determined by deducting the carrying value of working capital and intangible assets and goodwill not related to PPE from the DCF value of the consolidated Endeavour Energy business. Growth related EBITDA, movements of non-cash revenue items, changes in working capital and maintenance capital are excluded from operating cash flows to determine the DCF value of the consolidated Endeavour Energy business.

Key assumptions used by the external advisor in the discounted cash flow analysis were:

- The distributor licence and goodwill equivalent to 23 per cent of total assets are not related to the network service provider;
- A post tax WACC of 4.7 – 5.3 per cent (mid-point of 5.0 per cent);
- A 6-year (to 30 June 2027) cashflow horizon and applying an EBITDA multiple of 14.9 to 15.5 times as a proxy for long term cashflows.

The Corporation applied a discount rate of 5.02 per cent (2020: 6.16 per cent). The sensitivity table below shows the fair value where a change in the discount rate of +/- 0.25 per cent is used:

Discount Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
30 June 2021	8,365	8,888	9,477
30 June 2020	7,499	7,981	8,525

The Corporation applied a terminal value growth rate of 0.5 per cent. The sensitivity table below shows the fair value where a change in the terminal value growth rate of +/- 0.25 per cent is used:

Terminal Value Growth Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
30 June 2021	9,372	8,888	8,459
Terminal Value Growth Sensitivity	**+0.50% ($M)**	**Valuation Amount ($M)**	**-0.50% ($M)**
30 June 2020	8,940	7,981	7,228

The current strategic environment presents several material risks and uncertainties to the Endeavour Energy business which could materially impact the medium-term business performance. These include regulatory value risks, COVID-19 and the economic environment resulting from government measures. The impact of these measures on future financing capacity, macro-economic measures such as GDP, inflation and interest rates, as well as supply and demand drivers are not fully known.

Due to the market volatility and economic uncertainty, the key parameters and assumptions used in the fair value model may be different with the actual results. Key inputs in the valuation model includes weighted average cost of capital which was used as discount rate and the business growth rate which was used for the projection of future cashflow. Sensitivities to the key assumptions for the fair value result are shown in the table above. The sensitivity analysis above has been modelled for the mid-point of the Endeavour Energy's PPE valuation range.

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

The Corporation's receivables consist of the TAMSA rebate which is due but not received as at the reporting date.

An allowance for expected credit losses (ECLs) is recognised if there is a material difference between the contractual cash flows and the cash flows that the Corporation expects to receive. The Corporation determines that the ECL is insignificant.

Goods and Services Tax

The Corporation is registered for goods and services tax (GST). Revenues are recognised net of the amount of GST. Expenses recognised are GST inclusive. The Corporation's principal business activity is the investment and management of the State's interest in the Endeavour Energy distribution network. As an investor, the Corporation is making a financial supply. Under the GST legislation, an entity cannot claim input tax credit associated with a financial supply activity.

Statement of Cash Flows

Cash flows are disclosed as nil in the Statement of Cash Flows. The Corporation does not have a bank account and under Section 32 of the ERIC Act, the Fund was established for the Corporation in the Special Deposit Account (SDA) to receive payment of all financial and investment returns of the Corporation and group, disburse the operational costs incurred by the Corporation and group and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report is prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation.

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 11.

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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2021

4. INCOME

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Share of profit / (loss) of associate	130,299	113,288	-	-
Grants and other contributions[1]	805	828	789	816
Other revenue[2]	5,134	5,078	-	-
Total	**136,238**	**119,194**	**789**	**816**

[1.] The Corporation does not have a bank account. The 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 SDA controlled and reported by the Treasury Cluster.

Dividend distributions from the Partnerships are paid into the Fund and subsequently remitted to the State's Consolidated Fund. Operational expenditures of the Corporation are met by the Fund which effectively is a grant contribution from the Treasury Cluster. The grant received is without sufficiently specific performance obligations.

[2.] The Partnerships receives its share of the transition advisory fee paid by Endeavour Energy back under the Transitional Asset Management Service Agreement (TAMSA). The rebate is received quarterly until 30 June 2022.

5. EXPENSES

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Contributions paid				
Contributions paid to the Consolidated Fund	36,754	90,867	-	-
	36,754	**90,867**	**-**	**-**
Director fees				
Fees	320	322	320	322
Superannuation contributions	31	31	31	31
	351	**353**	**351**	**353**
Other expenses				
Audit fees	88	87	76	76
Administration charge	250	275	250	275
Other	116	114	112	112
	454	**476**	**438**	**463**
Total expenses	**37,559**	**91,696**	**789**	**816**

6. INVESTMENTS

Investment in subsidiary

The Corporation was established to hold the 49.6 per cent retained interest in Endeavour Energy through its 100 per cent owned subsidiary ERIC Epsilon Holdings Pty Ltd which holds 100 per cent of the NAPTs, NOPTs and NUPTs as referred to in Note 2.

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Investment in ERIC Epsilon Holdings Pty Ltd	-	-	1,946,448	1,946,448
	-	**-**	**1,946,448**	**1,946,448**

6. INVESTMENTS

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 the Endeavour Energy Partnerships; the Edwards partner Consortium holding the other 50.4 per cent.

	2021	2020	2021	2020
	Consolidated $'000	Consolidated $'000	Parent $'000	Parent $'000
Investment in associate	2,630,954	1,918,578	-	-
Total	**2,630,954**	**1,918,578**	**-**	**-**

AASB 128 requires that the financial statements of the investor (the Corporation) and the investee (Endeavour Energy) to be prepared using uniform accounting policies. Where there is an inconsistency in the accounting policies between the investee and the investor for like transactions and events in similar circumstances, the investor makes adjustment to the relevant investee's accounting entry and valuations in the investor's book to conform with the investor's accounting policies. As Endeavour Energy carries its PPE at cost while the State applies the fair value model under TPP21-09 *Valuation of Physical Non-Current Assets at Fair Value*, a fair value assessment was conducted for the Endeavour Energy PPE as at 30 June 2021 and an adjustment was made to the Corporation's investment carrying value.

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
The Corporation's share of associate's assets and liabilities				
Current assets	261,542	298,295	-	-
Non-current assets	5,145,950	5,172,784	-	-
	5,407,492	5,471,079	-	-
Current liabilities	301,965	177,370	-	-
Non-current liabilities	2,985,573	3,375,131	-	-
	3,287,538	3,552,501	-	-
Net assets	**2,119,954**	**1,918,578**	**-**	**-**
The Corporation's share of associate's profit				
Revenue	690,779	667,021	-	-
Profit before income tax	130,299	113,288	-	-
Profit after income tax	**130,299**	**113,288**	**-**	**-**
Other comprehensive income	101,333	(85,659)	-	-
Total comprehensive income	**231,632**	**27,629**	**-**	**-**
The Corporation's share of associates's commitments for expenditure				
Capital expenditure	108,822	105,450	-	-

6. INVESTMENTS (continued)

Reconciliation of movements

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Balance at the beginning of the financial year	1,918,578	1,977,997	-	-
Share of associates net profit/(loss)	130,299	113,288	-	-
Share of associates other comprehensive income/(loss)	101,333	(85,659)	-	-
Dividends received	(33,867)	(87,048)	-	-
Dividends reinvested	3,611	-	-	-
Share of associates PPE fair value changes	511,000	-	-	-
Balance at the end of the financial year	**2,630,954**	**1,918,578**	**-**	**-**

7. RECEIVABLES

Current				
TAMSA rebate receivable	1,400	2,761	-	-
	1,400	**2,761**	**-**	**-**

8. PAYABLES

Current				
GST Payable	254	251	-	-
	254	**251**	**-**	**-**

9. FINANCIAL INSTRUMENTS

The Corporation’s principal financial instruments are receivables which arise from the Corporation’s operations. The receivables relate to TAMSA rebates which were invoiced but not received as at the reporting date.

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

The receivables expose the Corporation to credit risk which arises when there is the possibility that the Corporation’s debtors default on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is the carrying amount. This is shown in the table below.

Financial instruments [(i)]	Note	Categories	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Financial Assets						
Receivables	7	Amortised Cost	1,400	2,761	-	-

(i) Excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 'Financial Instruments: Disclosures’

10. EQUITY

	2021 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 Parent $'000
Contributed Capital - retained interest in Partnerships	-	-	-	-
Reserves	352,391	(255,180)	-	-
Accumulated surplus	2,279,709	2,176,268	1,946,448	1,946,448
Closing Balance	**2,632,100**	**1,921,088**	**1,946,448**	**1,946,448**

Contributed Capital

Contributed capital disclosed in ERIC Epsilon Holdings Pty Ltd has been eliminated in full on the consolidation level.

Accumulated Surplus

The Corporation’s accumulated surplus accounts for the ordinary shares issued by ERIC Epsilon Holdings Pty Ltd transferred to the Corporation from the Treasurer on behalf of the Crown in right of the State of NSW, which is treated as equity transfer in accordance with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

11. BUDGET REVIEW

Net result

The net result of the Corporation was $99 million at the end of the year, representing the Corporation’s 49.6 per cent share of Endeavour Energy Partnerships’ net result and the rebate of fees payable under the TAMSA. The Corporation’s expenses are paid by the State, while distributions received from its retained interest in Endeavour Energy are fully repatriated to the State.

Total expenses were $38 million, $13 million higher than budget mainly due to the June 2020 distribution of $13 million received after year end.

Total revenue was $136 million, $19 million lower than the Corporation’s budget forecast due to a decrease in the Corporation’s share of the Endeavour Energy’s net profit realised.

Assets and Liabilities

Total assets for the year were $2,632 million, $580 million higher than the budget due to the increase in the investment value in Endeavour Energy, and the increment of $511 million to the investment in associate resulted from the Endeavour Energy’s PPE fair value changes. Refer to Note 6 for the details.

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 Special Deposit Account (SDA) to facilitate all financial and investment returns of the Corporation, disburse the operational costs incurred by the Corporation and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report is 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 reported by the Treasury Administered Activity. This activity is not recognised by the Corporation.

12. LEGAL INTEREST IN THE NETWORK 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 (the Partnerships). Refer to Note 2 “Entities within the Group” for details.

All financial returns of the Partnerships 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 Endeavour Energy in the Consolidated Statement of Financial Position using the equity method.

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Corporation's contingent assets is nil (2020: $1.64 million) and contingent liabilities of $1.09 million (2020: $1.79 million) representing its 49.6 per cent share in the associate's contingent assets and contingent liabilities.

14. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2021 Parent $'000	2020 Parent $'000
Short-term KMP benefits	320	322
Other KMP benefits	31	31
Total	**351**	**353**

Short-term KMP benefits include director salaries and Other KMP benefits include superannuation.

15. 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 14 Compensation of Key Management Personnel for total remuneration payable to the Directors.

No loans were made to any of the KMP by the Corporation during the year.

15. RELATED PARTIES (continued)

(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 Directors of related entities

The Directors of the Corporation are also Directors for the Partnerships. 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.

(iii) Transactions with other related entities

The Corporation interacts with a number of other government agencies. After the Endeavour Energy distribution network long term lease transaction, the Corporation retained 49.6 per cent of the Endeavour Energy electricity network business, while the Epsilon Distribution Ministerial Holding Corporation (EDMHC) is the Lessor for the Endeavour Energy network long-term lease. NSW Government is the ultimate controlling party of the EDMHC and the Corporation. The Treasurer has significant influence on the Corporation and has control over the EDMHC. There is no direct related party transaction between the EDMHC and the Corporation in the current reporting period.

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 for the year is $250,000 (2020: $275,000) and 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 Treasury as grant income.

16. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Financial Statements

For the year ended 30 June 2021

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

CONTENTS

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Report by Members of the Board

The Directors present their report on the Roads Retained Interest Pty Ltd (RRIPL) for the year ended 30 June 2021.

Information on Directors

The names of each person who has been a director during the year and to the date of this report are:

Kerry Schott AO – Chair (Appointed 14 December 2020)
John O'Sullivan (Appointed 14 June 2018)
Cameron Robertson (Appointed 27 October 2018)
Peter McVean (Appointed 18 June 2018 and resigned 12 November 2020)

Directors have been in office since the date of appointment, to the date of this report unless otherwise stated.

Principal activities

RRIPL (the Corporation) was established on 1 June 2018 under the *Corporations Act 2001* to hold the State's 49 per cent retained interest in the WestConnex (WCX) 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 year.

Operating results

The Corporation reported a net loss of $295.1 million for the year. Total distributions received during the year from its retained interest in the WCX Group was $657.3 million. This includes distributions of $74.7 million and $533.6 million representing funds released from WCX Group debt refinancing and debt raising during the reporting period (and referred to below), each of which are a return of capital from the WCX Group.

Distributions paid or recommended

Total financial distributions paid to the NSW Generations Fund (NGF) at the reporting date was $95 million. In June 2021, the Board recommended payment of a $558.5 million financial distribution (funded by a capital return) which the shareholder approved on 29 July 2021.

Review of operations

A review of the operations of the Corporation and the results of those operations found that during the year, the Corporation continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. NSW Treasury provides financial and company secretariat support services for the Corporation.

Significant changes in state of affairs

Following the conclusion of a scoping study into the future ownership of the State's 49 per cent interest in WCX announced on 23 November 2020, the State commenced a sales process for its 49 per cent WCX interest via two tranches of 24.5 per cent each. The closing date for bids is after the reporting date.

The Corporation's associate WCX had some key changes in their state of affairs which has impacted the Corporation's financial statements in recognition of it's 49 per cent share through the equity method. These changes are:

1. the earlier than anticipated start of the operations of M8 (budget assumption of 1 October 2020) contributed materially to WCX Group's performance over the reporting period. The M8 toll motorway opened on Sunday 5 July 2020, and runs for 9km from Kingsgrove to the new St Peters Interchange. The M8 doubles the capacity of the existing M5 East Tunnels, saving motorists around 30 minutes on a journey from south west Sydney to the southern CBD.

2. WCX progressed implementing a funding strategy to enhance value by progressively restructuring its capital and reduce financing costs by borrowing at a group level (rather than by project stage) and

accessing global bond markets to secure lower-cost, long-term debt reducing reliance on bank debt facilities, and releasing capital back to investors. The WCX Group received a BBB+ credit rating from Standard & Poors and successfully raised additional $1.402 billion of net debt in debt capital markets during December 2020 and June 2021 to refinance existing debt. WCX plans to continue to optimise its capital structure.

3. COVID-19 has continued to impact the WCX Group's operating performance, particularly traffic volumes and toll revenue. Traffic improved during the year from low levels experienced during mid-April 2020 as government's COVID-19 restrictions eased. However, traffic volumes during the year and subsequent to 30 June 2021 continue to remain sensitive to government responses to COVID-19. Despite the impact on WCX Group's toll revenue and the related decline in cash receipts, the WCX Group's operations, liquidity and financial position have not been significantly impacted in the current reporting period by COVID-19. The WCX Group's concession assets have remained fully operational and investment into networks and development projects has continued throughout the period. The WCX Group maintains a strong financial position which has been bolstered by the recent refinancings and debt raising.

Mr Peter McVean resigned from the Board of the Corporation and WCX on 12 November 2020. Dr Kerry Schott AO was appointed a director and Chair of the Corporation with effect from 14 December 2020 and a director of WCX on 23 December 2020.

There have been no other significant changes in the state of affairs of the Corporation during the year.

Significant events after the balance date

During the year, the State launched the sales process for its 49 per cent stake in WCX. The sales transaction is being conducted in two tranches of 24.5 per cent each.

The NSW Government is expected to receive unconditional bids in relation to its remaining 49 per cent interest in WCX on 9 September (Tranche one) and 20 September (Tranche two). The bids will be assessed and relevant approvals obtained. At the time of signing the financial statements, no approvals have been obtained.

A description of the nature and estimates of financial effect of the divestment has been included in Note 17. Events After The Reporting Date.

No other matters or circumstances have arisen since the end of the reporting year which significantly affected or may significantly affect the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in future financial years.

Indemnification and insurance of Directors and officers

Premiums were paid to cover any legal liabilities relating to professional indemnity and directors liability during or since the end of the reporting year for any person who is or has been a director of the Corporation.

The Corporation has entered into Deeds of Indemnity with each of the Corporation's directors under which the Corporation has indemnified each director against:

(a) civil liability (other than a liability to the Corporation) for liability incurred in their 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.

Signed in accordance with a resolution of the Directors:

Chair and Director: ....

Dated: 16 September 2021

INDEPENDENT AUDITOR'S REPORT

Roads Retained Interest Pty Ltd

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Roads Retained Interest Pty Ltd (the Company), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Cash Flows and the Statement of Changes in Equity, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Company's financial position, financial performance and cash flows

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
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 Company's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Members of the Board 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 Report by Members of the Board .

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.

Members of the Board's Responsibilities for the Financial Statements

The Members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations and Treasurer's Directions. The Members of the Board's responsibility also includes such internal control as the Members of the Board 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 Members of the Board 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.

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.

The scope of my audit does not include, nor provide assurance:

- that the Company 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

16 September 2021
SYDNEY

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Financial Statements
For the year ended 30 June 2021

Statement by the Accountable Authority

In accordance with a resolution of Directors of Roads Retained Interest Pty Ltd, and pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

(a) have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018*, and the Treasurer's Directions; and

(b) present fairly the Roads Retained Interest Pty Ltd's financial position, financial performance and cash flows.

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

Chair and Director: ....

Dated: 16 September 2021

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Revenue				
Interest Income	3	6	402	499
Share of profit/(loss) in associate	3	(69,580)	(294,490)	(75,460)
		(69,574)	**(294,088)**	**(74,961)**
Expenses				
Directors fees	4	493	370	386
Operating expenses	5	834	627	567
		1,327	**997**	**953**
Net result/(loss)		**(70,901)**	**(295,085)**	**(75,914)**
Other comprehensive income				
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result	8	-	145,530	(43,120)
Total other comprehensive income/(loss)		**-**	**145,530**	**(43,120)**
Total comprehensive income/(loss)		**(70,901)**	**(149,555)**	**(119,034)**

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 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Current assets				
Cash and cash equivalents	6	1,619	562,700	943
Receivables	7	-	50	-
Total current assets		**1,619**	**562,750**	**943**
Non-current assets				
Investment in associate	8	6,419,737	5,733,963	6,322,492
Total non-current assets		**6,419,737**	**5,733,963**	**6,322,492**
Total assets		**6,421,356**	**6,296,713**	**6,323,435**
Current liabilities				
Payables	9	75	126	78
Total current liabilities		**75**	**126**	**78**
Total non-current liabilities		**-**	**-**	**-**
Total liabilities		**75**	**126**	**78**
Net assets		**6,421,281**	**6,296,587**	**6,323,357**
Equity				
Contributed capital	10	6,674,857	6,707,838	6,585,053
Accumulated surplus/(deficit)	10	(70,901)	(374,106)	(79,021)
Reserves	10	(182,675)	(37,145)	(182,675)
Total equity		**6,421,281**	**6,296,587**	**6,323,357**

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 year ended 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Actual 2020 $'000
Cash flows from operating activities				
Payments				
Directors fees	4	(493)	(370)	(382)
Other payments		(837)	(580)	(551)
Total payments		**(1,330)**	**(950)**	**(933)**
Receipts				
Interest received	3	6	352	499
Distribution income		50,960	-	-
Total receipts		**50,966**	**352**	**499**
Net cash flows from/(used in) operating activities		**49,636**	**(598)**	**(434)**
Cash flows from investing activities				
Investment to associate		(217,785)	(217,785)	(91,564)
Return of capital from associate		-	657,355	74,480
Net cash flows from/(used in) investing activities		**(217,785)**	**439,570**	**(17,084)**
Cash flows from financing activities				
Capital contribution		217,785	217,785	91,564
Financial distributions made to NGF		(48,960)	(95,000)	(117,790)
Net cash flows from financing activities		**168,825**	**122,785**	**(26,226)**
Net increase/(decrease) in cash		**676**	**561,757**	**(43,744)**
Opening cash and cash equivalents	14	943	943	44,687
Closing cash and cash equivalents	6	**1,619**	**562,700**	**943**

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 year ended 30 June 2021

	Contributed capital $'000	Accumulated surplus / (deficit) $'000	Reserves $'000	Total $'000
Balance at 1 July 2020	**6,585,053**	**(79,021)**	**(182,675)**	**6,323,357**
Net result for the year	-	(295,085)	-	(295,085)
Other comprehensive income				
Investment in associate	-	-	145,530	145,530
Total comprehensive result for the year	-	(295,085)	145,530	(149,555)
Owner related equity transactions				
Equity contribution from State	217,785	-	-	217,785
Return of Capital	(95,000)	-	-	(95,000)
Total owner related equity transactions	122,785	-	-	122,785
Balance at 30 June 2021	**6,707,838**	**(374,106)**	**(37,145)**	**6,296,587**
Balance at 1 June 2019	**6,611,279**	**(3,107)**	**(139,555)**	**6,468,617**
Net result for the year	-	(75,914)	-	(75,914)
Other comprehensive income				
Investment in associate	-	-	(43,120)	(43,120)
Total comprehensive result for the year	-	(75,914)	(43,120)	(119,034)
Owner related equity transactions				
Equity contribution from State	91,564	-	-	91,564
Return of Capital	(117,790)	-	-	(117,790)
Total owner related equity transactions	(26,226)	-	-	(26,226)
Balance at 30 June 2020	**6,585,053**	**(79,021)**	**(182,675)**	**6,323,357**

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 year ended 30 June 2021

NOTES INDEX **PAGE**

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Notes to the financial statements
for the year ended 30 June 2021

1. ROADS RETAINED INTEREST PTY LTD INFORMATION

Roads Retained Interest Pty Ltd (the Corporation) was established under the *Corporations Act 2001* to hold the State of New South Wales' (the State) retained interest in the WestConnex (WCX) Group.

The Corporation's function is to provide effective stewardship and oversight of the State's 49 per cent retained interest in the WCX Group. The Corporation is responsible for protecting the value of the State's investment and maximising returns.

Incorporated on 1 June 2018, the Corporation 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 in accordance with a resolution of the Directors on the date the accompanying Statement by Accountable Authority was signed.

The Corporation is a NSW Government entity and consolidated as part of the NSW Total State Sector Accounts. The Corporation is considered a GSF agency under the *Government Sector Finance Act 2018* (GSF Act).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are general-purpose financial statements prepared on an accrual basis and in accordance with the following requirements:

- applicable Australian Accounting Standards (including Australian Accounting Interpretations)
- *Government Sector Finance Act 2018*
- *Government Sector Finance Regulation 2018*
- Treasurer's Directions issued under the GSF Act.

The presentation of these financial statements is consistent with the not-for-profit classification of the General Government entity.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

Comparative information

In all cases, 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.

Going Concern

The State provided the Corporation with contributions to meet equity funding obligations as and when they become due and payable. As a result, the financial statements are prepared on a going concern basis.

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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, key assumption and estimations management have made are disclosed in the relevant notes to the financial statements.

Statement of compliance

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

Accounting for GST

The Corporation is not registered for GST due it being a government investment vehicle in nature, and the key activities relate to financial dealings for GST purpose. As a result, income, expenses, assets, and liabilities are recognised inclusive of GST, as it is not recoverable from the Australian Taxation Office (ATO).

Cash flows are included in the Statement of Cash Flows on a gross basis.

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

i. Effective for the first time in FY2020-21

A number of standards, amendments and interpretations apply for the first time in FY2020-21, most notably AASB 1059 *Service Concession Arrangements: Grantors*. AASB 1059 does not apply to the Corporation's financial statements as it is not a grantor of a service concession asset.

Other amendments and interpretations apply for the first time in FY2020-21, but do not have a material impact on the financial statements of the Corporation.

ii. Issued but not yet effective

As mandated by Treasury Circular TC20-08 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards 2020-21*, the Corporation has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

Management have assessed the impact of the new accounting standards and interpretations issued but not yet effective, listed below, and concluded there is no material impact to the Corporation:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (operative date 1 January 2022)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of COVID-19 on Financial Reporting for 2020-21

The Corporation's investment in the WCX Group was initially measured at fair value and subsequently adjusted to recognise the Corporation's share of total comprehensive income using the equity method of accounting less, where applicable, any impairment. COVID-19 does not have material impact on the Corporation's operation and financial performance through the share of the WCX Group's total comprehensive income. The annual impairment assessment also concludes that no impairment is required.

Revenue and other income

Revenue is recognised in accordance with the requirements of AASB 15 or AASB 1058 depending on whether there is an enforceable contract with specific performance obligation(s).

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Share of profit/(loss) in associate

The Corporation records its share of WCX Group's profit or loss for the financial year as per AASB *128 Investment in Associates and Joint ventures* using the equity method.

Expenses

Expenses are recognised when incurred.

Finance officers of the NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. The cost of these services is show as an administration charge in Note 5.

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 WCX Group reported by the Corporation is accounted as per *AASB 128 Investments in Associates and Joint Ventures* using the equity method.

The Corporation has significant influence through the Board who participate in the financial and operating policy decisions of the WCX Group as directors of the WCX Group entities, but do not have control or joint control over those policies.

Under the equity method, the Corporation initially measured the cost of its investment in the WCX Group at fair value in accordance with AASB 13 *Fair Value Measurement*. The fair value of the investment was determined by reference to the purchase price paid by Sydney Transport Partners Consortium (STP) for the 51 per cent controlling interest. The purchase price paid by STP includes a premium for the controlling stake. As the Corporation has a minority interest, its investment fair value in the WCX Group has been adjusted to reflect the minority interest and excludes the control premium paid by STP.

In the subsequent period, the carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets, results of operations and other comprehensive income of the WCX Group. When there has been a change recognised directly in the equity of the WCX Group, the Corporation recognises its share of those changes in the Statement of Changes in Equity.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment assessment is conducted annually as at the reporting date, where the Corporation measures and recognises the retained interest at its fair value. After application of the equity method, the Corporation determines whether it is necessary to recognise an impairment loss on its investment in the WCX Group.

At each reporting date, the Corporation determines whether there is objective evidence that the investment in the WCX Group is impaired. If there is such evidence, the Corporation calculates the amount of impairment as the difference between the recoverable amount of the investment in the WCX Group and its carrying value, and then if applicable recognises the loss within the Statement of Comprehensive Income.

The financial statements of the WCX Group are prepared for the same reporting period as the Corporation. When necessary, adjustments are made to bring the accounting policies in line with those of the Corporation.

Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to the Corporation prior to the period end 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 capital

Fully paid ordinary shares and partly paid ordinary shares are classified as equity.

Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

Reserves

The Corporation records its share of WCX's other comprehensive income for the financial year as per AASB 128 *Investment in Associates and Joint ventures* using the equity method. The nature of the reserves represent WCX's interest rate swap hedges.

Distributions

Unless the directors of WCX Group unanimously resolve otherwise within 45 days of the end of the relevant quarter, WCX Group makes a quarterly distribution to each investor/unit holder within 90 days after the end of each quarter of at least 85 per cent of the surplus cash as required by clause 14.2 of the WCX Investor Agreement. WCX Group may also make a capital distribution which represents return of capital in excess of any accumulated profit or loss. The Corporation recognises its share of the WCX Group's distributions when it is declared or received. Distributions attributed to the current financial year but declared post reporting date will be recognised in the following year. Distributions received from WCX Group reduce the carrying amount of the investment.

Under rule 75 of the Corporation's constitution, all financial distributions made by the Corporation are to be paid to the shareholder by making payment into the NSW Generations Fund (NGF). Financial distributions paid by the Corporation to date have been from capital reductions which are permitted by rule 29 of the Constitution and require shareholder approval under the Corporations Act.

The Corporation accounts for financial distributions paid to the NGF once shareholder approval has been obtained.

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Notes to the financial statements
for the year ended 30 June 2021

3. INCOME

	2021 $'000	2020 $'000
Interest Income	402	499
Share of profit/(loss) in associate	(294,490)	(75,460)
Total	**(294,088)**	**(74,961)**

4. DIRECTORS FEES

Directors fees	335	347
Superannuation contribution	35	39
Total	**370**	**386**

5. OPERATING EXPENSES

Audit fees	72	72
Consultants	103	9
Administration charge	400	440
Other	52	46
Total	**627**	**567**

6. CASH AND CASH EQUIVALENTS

Cash at bank	562,700	943
Total	**562,700**	**943**
Cash and cash equivalents (per Statement of Financial Position)	562,700	943
Closing cash and cash equivalents (per Statement of Cash Flows)	562,700	943

7. RECEIVABLES

Current		
Other receivable	50	-
Total	**50**	**-**

8. INVESTMENT IN ASSOCIATE

The Corporation's investment in associate represents 49 per cent interest in the WCX Group, with STP holding the other 51 per cent interest. The principal place of business of the associate is in Australia.

Investment in associate	5,733,963	6,322,492
	5,733,963	**6,322,492**

8. INVESTMENT IN ASSOCIATE (continued)

Share of associate's assets, liabilities and net results

	2021 $'000	2020 $'000
Current assets	487,550	495,390
Non-current assets	10,274,793	10,217,992
	10,762,343	**10,713,382**
Current liabilities	104,370	103,390
Non-current liabilities	4,924,010	4,287,500
	5,028,380	**4,390,890**
Net assets	**5,733,963**	**6,322,492**
Revenue	516,950	704,620
Loss before income tax	(284,200)	(68,110)
Loss after income tax	**(294,490)**	**(75,460)**
Other comprehensive income (loss)	145,530	(43,120)
Total comprehensive loss	**(148,960)**	**(118,580)**

The Corporation's share of profit/(loss) is based on 49 per cent of the operating results of the WCX Group for the current and comparative period.

Reconciliation of movements

	2021 $'000	2020 $'000
Opening balance	**6,322,492**	**6,423,988**
Additional investment in associate	217,785	91,564
Share of associates net profit/(loss)	(294,490)	(75,460)
Share in other comprehensive income	145,530	(43,120)
Return on capital received	(657,354)	(74,480)
Closing balance	**5,733,963**	**6,322,492**

The Corporation's share of associate's commitments for expenditure

	2021 $'000	2020 $'000
Capital expenditure	275,380	708,991

9. PAYABLES

	2021 $'000	2020 $'000
Current		
Payable and accruals	126	78
Total	**126**	**78**

10. EQUITY

Movements in issued shares:

	Number of ordinary shares fully paid	Number of ordinary shares partly paid	Total number of ordinary shares[1]
Balance 30 June 2020	8,921,747,886	980	8,921,748,866
Balance 30 June 2021	8,921,747,886	980	8,921,748,866

Reconciliation of unpaid shares outstanding at reporting date:

	Fully paid ordinary shares $'000	Partly paid ordinary shares $'000	Total $'000
Balance 1 July 2019	-	746,215	746,215
Contributed capital	-	(91,564)	(91,564)
Balance 30 June 2020	**-**	**654,651**	**654,651**

	Fully paid ordinary shares $'000	Partly paid ordinary shares $'000	Total $'000
Balance 1 July 2020	-	654,651	654,651
Contributed capital	-	(217,785)	(217,785)
Balance 30 June 2021	**-**	**436,866**	**436,866**

[1] Ordinary shares

The Corporation was initially capitalised at $1.00 on incorporation by the issue of one fully paid ordinary share. It was further capitalised on 26 September 2018 when the Corporation issued to its sole shareholder, the NSW Treasurer 8,921,747,885 fully paid ordinary shares of $1.00 each and 980 partly paid shares at an issue value of $907,000 each with an initial payment (on 26 September 2018) of $0.001 each ($0.98 in aggregate). These share issuances were funded by promissory notes issued by the State which were used to fund the purchase price (excluding stamp duty) for the Corporation's acquisition of the 49 per cent interest in the WCX Group.

Payments on the 980 partly paid shares by the shareholder are made pursuant to a defined payment schedule which directly corresponds to capital contributions the Corporation is obliged to make to the WCX Group through to March 2023 as part of the funding structure for the construction of the Stage 3 M4-M5 tunnel project.

Both of the fully paid and partly paid shares carry the right to receive dividends and to share in the proceeds of winding up of the Corporation. In the case of the partly paid shares, the entitlements are pro-rata to the amount paid-up on those shares (to the issue value) at the relevant date.

11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Corporation is a party to an Equity Commitment Deed (dated 27 September 2018), under which it is required to contribute equity when called upon for the funding of the Stage 3 (M4-M5 tunnel project) construction. The future capital amount is $227 million as at the reporting date (2020: $445 million), and will be contributed from funds provided to the Corporation by the State from calls on the 980 partly paid shares as outlined in Note 10.

In addition, with its 49 per cent investment in WCX Group, the Corporation assumes the responsibility for this portion of WCX Group's reported contingent liabilities as detailed below:

As at 30 June 2021, D&C contractor claims have been received with respect to the WCX M4-M5 group entities. The validity of these claims is currently being assessed and the outcome of these cannot be foreseen at present and cannot be reliably measured. Transport for NSW has been notified of claims where potential upstream claims exist in accordance with requirements of the Project Deed. Finalisation of these matters is subject to further discussion and negotiation.

12. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2021 $'000	2020 $'000
Short-term KMP benefits	335	347
Other KMP benefits	35	39
Total	**370**	**386**

Short-term KMP benefits include director salaries and other KMP benefits consist of 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

	Note	Category	2021 $'000	2020 $'000
Financial Assets				
Cash and cash equivalents	6	N/A	562,700	943
Receivables[1]	7	Amortised cost	50	-
Financial Liabilities				
Trade and other payables[2]	9	Financial liabilities measured at amortised cost	126	78

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

[2] Excludes statutory payables and unearned revenue (not within scope of AASB 7).

Financial Risk Management Overview

Financial instruments comprise of cash, receivables 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. The activities of the Corporation expose it to market and liquidity risks.

13. FINANCIAL INSTRUMENTS (continued)

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.

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 market 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 and receivables.

2021	Carrying amount $'000	Net result $'000	-0.25% Equity $'000	Net result $'000	+0.5% Equity $'000
Cash and cash equivalents	562,700	(1,407)	(1,407)	2,814	2,814
Receivables[1]	50	-	-	-	-
2020	**Carrying amount $'000**	**Net result $'000**	**-1% Equity $'000**	**Net result $'000**	**+1% Equity $'000**
Cash and cash equivalents	943	(9)	(9)	9	9
Receivables[1]	-	-	-	-	-

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.

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:

	2021 $'000	2020 $'000
Net result for the year	(295,085)	(75,914)
Non-cash items		
Share of loss in associate	294,490	75,460
	(595)	(454)
Change in operating assets and liabilities		
Increase/(decrease) in liabilties	47	20
Decrease / (increase) in receivables	(50)	-
Net cash inflow from operating activities	**(598)**	**(434)**

15. BUDGET REVIEW

Net result

The net result of the Corporation was a deficit of $295.1 million compared to a budget deficit of $70.9 million at the end of the reporting period, representing the Corporation's 49 per cent share in WCX Group's operating loss for the year.

Total expenses were $1.0 million, $0.3 million lower than budget due to lower than expected consultancy and directors fees incurred.

Total revenue for the year was a loss of $294.1 million, which was $224.5 million lower than budget. This resulted from the Corporation's 49 per cent share of WCX Group's operating loss, which was $294.5 million.

The Corporation's share of WCX Group's other comprehensive income was a gain of $145.5 million due to fair value movements of the WCX interest rate swaps.

Assets and Liabilities

Total assets for the year were $6.3 billion, $124.6 million lower than the budget due to the investment carrying value in the WCX Group being lower at 30 June 2021. The Corporation recognised it's share of the WCX Group's operating losses of $149.0 million, which was not fully anticipated at budget.

Total liabilities for the year were $0.1 million which mainly consists of payables accrued at year end. It is $0.05 million higher than budget due to accrued legal services fee not paid at year end.

Reserves is negative at $37.1 million compared to a budget of negative $182.7 million at reporting date, driven by the hedging gains on interest rate swap movements.

Cash flows

The actual net cash flows used in operating activities was $0.6 million, which was $50.2 million below budget. This is mainly due to distribution income budgeted for $51.0 million, which was treated as a return of capital rather than dividend income. This amount was received from the WCX Group and subsequently paid into NGF.

Net cash inflow from investing activities of $439.6 million consists of capital injections of $217.8 million to WCX Group (as equity contributions for funding of Stage 3 M4-M5 tunnel project construction) which was offset by capital distributions of $657.4 million received from the WCX Group. The WCX Group capital distribution of $657.4 million was achieved upon successful debt refinancing, which was not anticipated at budget.

Net cash inflow from financing activities of $122.8 million was due to payments of $95.0 million of financial distributions from the Corporation to the NGF which was offset by $217.8 million of equity injection received from the State to meet the Corporation's share of capital contribution to WCX Group for funding of Stage 3 M4-M5 tunnel project construction. The Corporation's share of capital contributions is in accordance with the Equity Commitment Deed.

Cash and cash equivalents held at reporting date was $562.7 million, which was $561.1 million above budget attributed by additional capital distribution of $533.6 million received in June upon WCX Group's recent debt raising.

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

16. 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 (in addition to the Directors). 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's 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.

(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 Corporation'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*.

17. EVENTS AFTER THE REPORTING PERIOD

As noted in the report by members of the Board, the State launched the sales process for its 49 per cent stake in the WCX and is in the process of evaluating bids. At the time of signing the financial statements, a preferred bidder has not been selected.

Once bids are approved this will result in a reclassification of the Corporation's retained interest in WCX from non-current assets to current assets, as assets will be held for sale until completion. Any gain and loss on sale will be recognised in the subsequent financial year. In addition, the commitment for future capital contribution of $227 million as at the reporting date may be transferred from the State to the successful acquirer.

On 29 July 2021, the Treasurer approved a financial distribution to NGF of $558.5 million which the Corporation paid on 6 August 2021.

On 13 August 2021, the Corporation received a $122.5 million distribution from the WCX Group.

17. EVENTS AFTER THE REPORTING PERIOD (continued)

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

End of audited financial statements


Way out


NO LEFT TURN
50
TAP ROOMS

Special Deposit Accounts Administered by NSW Treasury Financial Reports

NSW GOVERNMENT | Treasury

Restart NSW Fund

Financial Report

for the year ended 30 June 2021

INDEPENDENT AUDITOR'S REPORT

Restart NSW Fund

To Members of the New South Wales Parliament

Opinions

Opinion on the audit of the financial report

I have audited the accompanying special purpose financial report (the financial report) of the Restart NSW Fund (the Fund), which comprises the Statement by the Treasurer, the Statement of the Fund's Activities for the year ended 30 June 2021, the Statement of the Fund's Position as at 30 June 2021 and notes to the financial report. The financial report has been prepared by the Treasurer, using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 9 of the *Restart NSW Fund Act 2011* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2021 and its activities for the year then ended, in accordance with the basis of accounting described in Note 2 to the financial report.

Opinion on whether payments complied with the Act

I have undertaken an audit to provide reasonable assurance on whether payments from the Fund have, in all material respects, been made in accordance with the Act for the year ended 30 June 2021.

In my opinion, in all material respects, payments from the Fund have been made in accordance with the Act for the year ended 30 June 2021.

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

Basis for Opinions

I conducted my audit in accordance with Australian Auditing Standards and Standards on Assurance Engagements, including ASAE 3100 'Compliance Engagements' (ASAE 3100). My responsibilities under the standards are described in the 'Auditor's Responsibilities' section of my report.

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

- Australian Auditing Standards and Standards on Assurance Engagements
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 the auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Treasurer's Responsibilities for the Financial Report

The Treasurer is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Treasurer's responsibility also includes such internal control as the Treasurer determines 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. The Treasurer has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

The Treasurer's Responsibilities under the *Restart NSW Fund Act 2011*

The Treasurer is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Treasurer's responsibility also includes such internal control as the Treasurer determines is necessary to comply with the requirements of the Act.

Auditor's Responsibilities

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/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- 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.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 requires that I plan and perform procedures to obtain reasonable assurance whether payments from the Fund have, in all material respects, complied with specific requirements of the Act.

This audit involved performing procedures to obtain audit evidence on whether payments from the Fund complied with the Act. The procedures selected depend on my judgement, including the identification and assessment of the risks of material non-compliance with specific requirements of the Act.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, together with the Fund's internal control structure it is possible that fraud, error or non-compliance with the Act may occur and not be detected.

An audit for the year ended 30 June 2021 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 October 2021
SYDNEY

Restart NSW Fund

Financial Report
for the year ended 30 June 2021

STATEMENT BY THE TREASURER

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

(a) The accompanying financial report provides details of the transactions of the Restart NSW Fund for the year ended 30 June 2021; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

The Hon. Matt Kean MP
Treasurer

13 October 2021

Restart NSW Fund

Statement of the Fund's Activities and Position
for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Receipts			
Proceeds from issue of bonds	3	147,000	60,000
Interest earned	3	13,015	22,869
Other authorised transfers	3	5,376	2,162
Total receipts		**165,391**	**85,031**
Payments			
Infrastructure projects	4	3,765,790	4,338,587
Administrative expenses	4	14	9
Total payments		**3,765,804**	**4,338,596**
Net receipts/(payments)		**(3,600,413)**	**(4,253,565)**

Statement of Fund's Position as at 30 June

	Note	2021 $'000	2020 $'000
Opening balance of the Fund		15,049,096	18,983,856
Net receipts/(payments)		(3,600,413)	(4,253,565)
Income/(loss) from investments	5	982,559	318,805
Closing balance of the Fund		**12,431,242**	**15,049,096**
Balance of Fund held in			
Cash and cash equivalents		403,292	1,203,705
Investment in NSW Infrastructure Future Fund investment	5	12,027,950	13,845,391
		12,431,242	**15,049,096**

The accompanying notes form part of the financial report.

Restart NSW Fund

Notes to the Financial Report for the year ended 30 June 2021

1. INFORMATION ON THE RESTART NSW FUND

Reporting entity

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

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

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

Section 5 of the Act establishes the Fund as a Special Deposit Account (SDA). Section 4.15 of the *Government Sector Finance Act 2018* defines an SDA to consist of all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund, and all accounts of money that are directed or authorised to be paid to the SDA by or under legislation.

The Treasurer is responsible for the Act and the Fund.

The financial report for the Fund is a Special Purpose Financial Report with the "financial year" being from 1 July to 30 June. The Fund is administered by NSW Treasury on behalf of the State of New South Wales.

The financial report was authorised for issue by the Treasurer on the date the accompanying Statement by the Treasurer was signed.

Key Activities

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

Funding Sources for Restart NSW Fund

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

a) all money advanced by the Treasurer or appropriated by Parliament for the purposes of the Fund, including any such money that is certified by the Treasurer as windfall tax revenue in excess of Budget forecasts, and

b) money borrowed for the purposes of the Fund, including by the issue of special bonds to the people of the State and others, and

c) the proceeds of the investment of money in the Fund, and

d) all money directed or authorised to be paid into the Fund by or under this or any other Act or law, and

e) all money received from voluntary contributions to the Fund made by a government agency or other person or body.

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

1. INFORMATION ON THE RESTART NSW FUND (continued)

Payments out of the Fund

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

a) any money approved by the Minister on the recommendation of Infrastructure NSW to fund all or any part of the cost of any project that the Minister is satisfied promotes a purpose of the Fund, and

b) any money required to meet administrative expenses related to the Fund, and

c) any money directed or authorised to be paid from the Fund by or under this or any other Act or law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

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

Value of the Fund

The total balance of the Fund consists of cash and funds invested in the NSW Infrastructure Future Fund (NIFF).

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

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

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

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2021

3. RECEIPTS

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

	2021 $'000	2020 $'000
Section 7(1)(b) receipts - issue of bonds		
Proceeds from Waratah bonds	147,000	60,000
Section 7(1)(c) receipts - interest earned		
Interest earned	13,015	22,869
Section 7(1)(d) receipts - other monies authorised to be paid into the Fund		
GST received	5,376	2,162
Total Receipts	**165,391**	**85,031**

Proceeds from Waratah bonds issued were paid into the Fund and the Fund has no obligation to repay these bonds. The liability is assumed by the Crown in right of the State of New South Wales (Crown).

The Fund holds all its cash in the Treasury Banking System. Interest is paid monthly by the Crown and the interest receivable by the Fund and not yet received was nil as at 30 June 2021 (2020: Nil).

4. PAYMENTS

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

	2021 $'000	2020 $'000
Section 8(a) payments - infrastructure projects		
Restart NSW (excluding Rebuilding NSW)		
Additional support Tourism Infrastructure	3,049	8,611
Batemans Bay Bridge Replacement	52,746	78,281
Bridges for the Bush Program	531	21,499
Cobbora Transition Fund	-	280
Dubbo Base Hospital Redevelopment	2,332	34,423
Fixing Country Roads	-	992
Grafton Bridge	-	16,765
Housing Acceleration Fund (HAF 4)	15,763	35,119
Housing Acceleration Fund (HAF 5)	11,298	9,058
Hunter Infrastructure and Investment Fund	6,516	7,981
Illawarra Infrastructure Fund	2,010	13,537
Lismore Hospital Redevelopment	8,636	31,806
Maitland Hospital Development	110,570	34,000
Newcastle Inner Bypass (Rankin Park to Jesmond)	19,267	-
North-South Metro Rail Link	2,506	32,464
NSW Cycling Infrastructure Initiative	15,405	1,556
Parramatta Light Rail	325,250	(11,999)
Port Eden Wharf	-	3,000
Queanbeyan Ring Road	-	3,028
Redevelopment of Circular Quay	23,405	8,662
Regional Freight Pinch Point Program and Safety Program	2,133	28,522
Regional Growth: Economic Activation Fund - Connecting Country Communities	2,138	5,252
Regional Growth: Economic Activation Fund - Doppler Radar Network	1,684	14,688
Regional Growth: Economic Activation Fund - First Class Food and Fibre	23,000	2,371
Regional Growth: Economic Activation Fund - Growing Local Economies	89,479	35,539
Regional Growth: Economic Activation Fund-other significant Infrastructure	1,001	-
Regional Growth: Economic Activation Fund - Resources for Regions	13,009	12,152
Regional Growth: Environment and Tourism Fund	94	-
Regional Health Infrastructure Program	1,324	11,462
Regional Tourism Infrastructure Program	4,755	12,673
Resources for Regions Program	7,027	9,204
Royal Flying Doctor Service Multipurpose Facility	-	317
South Western Sydney Housing Acceleration Fund (HAF3)	5,421	38,119
Sydney Metro West	1,034,108	185,521
Water Security for Regions Program	26,965	69,297
Western Sydney Centre of Innovation in Plant Sciences	29,460	5,626
Western Sydney roads for Sydney's Second Airport	18,813	61,778
	1,859,695	821,584

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2021

4. PAYMENTS (continued)

	2021 $'000	2020 $'000
Rebuilding NSW		
Bridges for the Bush Program	29,098	48,405
Bus Priority Infrastructure (including B-Line)	0	580
Corridor Identification and Reservation	8,492	8,879
Culture and Arts	242,863	155,387
Fixing Country Rail	26,789	32,464
Fixing Country Roads	76,282	87,712
Future Focused Schools	150,890	147,538
Gateway to the South	49,156	47,378
Hospitals Growth Program	74,084	93,900
Parramatta Light Rail	185,450	300,688
Pinch Points and Clearways	39,902	70,234
Primary and Integrated Care Strategy	24,466	21,228
Regional Growth Roads	190,472	289,730
Regional Growth - Environment and Tourism fund	34,667	29,568
Regional Multipurpose Services (MPS) Health Facilities	32,227	67,637
Regional Road Freight Corridor	246,950	284,802
Regional School Renewal Program	23,681	966
Safe & Secure Water Program	47,237	35,204
Smart Motorways	21,619	40,967
Sports Stadia	(6,918)	3,690
Sydney Metro City and Southwest	-	1,220,597
Traffic Management Upgrades	2,177	26,097
Water Security for Regions Program	22	-
Western Harbour Tunnel and F6	87,400	54,945
	1,587,006	3,068,596
Equity contributions		
Equity contribution to Transport Asset Holding Entity (TAHE)	319,089	448,407
	319,089	448,407
Total Section 8(a) payments	**3,765,790**	**4,338,587**
Section 8(b) payments - administrative expenses		
Auditor's remuneration	13	9
GST payments	1	-
	14	**9**
Total payments	**3,765,804**	**4,338,596**

Section 9(2) payments – percentage of the total amount of payments for infrastructure projects in rural and regional areas outside the metropolitan areas of Sydney, Newcastle and Wollongong

	2021	2020
Total amount of payments on infrastructure projects since inception of the Fund	24,102,034	20,336,244
Total amount of payments made from the Fund for infrastructure projects in rural and regional areas since inception of the Fund	5,542,396	4,407,395
Cumulative % of total payments from the Fund for infrastructure projects in rural and regional areas since inception of the Fund	23.00%	21.67%

5. INVESTMENT IN NSW INFRASTRUCTURE FUTURE FUND

	2021 $'000	2020 $'000
Opening balance	13,845,391	18,276,586
(Less)/add: Investments - cash transferred (out)/in (to)/from the operating bank account	(2,800,000)	(4,750,000)
Add/(Less): Net income/(loss) from investments:		
Distribution reinvested	722,078	849,751
Unrealised (loss)/gain on other financial assets	155,808	(599,449)
Realised (loss)/gain on other financial assets	104,673	68,503
Closing balance	**12,027,950**	**13,845,391**

The Fund is authorised to invest in accordance with Section 10 of the Act. Implemented since 2017-18, NIFF is the investment vehicle for the Fund in assisting the NSW Government to meet its infrastructure objectives. NIFF is managed by TCorp.

Asset allocation and investment instructions of NIFF are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp in December 2016, benchmark and guidelines further revised in March 2021.

Asset allocation

Actual NIFF asset allocation as at the reporting date:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value ($'000)
Australian Shares	5.5	5.6	673,565
International Shares	18.5	19.1	2,297,339
Emerging Market Debt	7.0	7.2	866,012
Alternatives	6.0	5.8	697,621
Bank Loans	3.5	3.3	396,922
Australian Bonds	11.0	10.9	1,311,046
Global credit	5.5	5.3	637,481
Cash & short term income strategies	43.0	42.8	5,147,964
Total	**100**	**100**	**12,027,950**

5. INVESTMENT IN NSW INFRASTRUCTURE FUTURE FUND (continued)

Performance returns

NIFF investment return objective is to achieve CPI + 2.0% over the life of the trust. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return *(after fees)*	7.87	5.64
Strategic Asset Allocation (SAA) benchmark	7.57	5.41
Net relative to SAA benchmark	**0.30**	**0.23**

6. FINANCIAL INSTRUMENTS

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

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

The Fund's other financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in interest earned of approximately $4.03 million (2020: $12.04 million).

Risk management

TCorp actively manages financial instrument risks, and the ISA is reviewed regularly and updated to include changes in market conditions and/or management's direction. The documents clearly set out investment management objectives, restrictions, and establish performance benchmarks. The ISA is authorised and approved at the Senior Executive Level within NSW Treasury and/or the Treasurer.

Proposed changes to the ISA must go through a consultative process between TCorp and the Strategic Balance Sheet Management (SBSM) team at NSW Treasury. Regular meetings take place between TCorp, SBSM and the Chief Financial Officer to monitor the performance and management of the investment.

7. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

NSW GOVERNMENT | Treasury

Social and Affordable Housing NSW Fund

Financial Report
for the year ended 30 June 2021

INDEPENDENT AUDITOR'S REPORT

Social and Affordable Housing NSW Fund

To Members of the New South Wales Parliament

Opinions

Opinion on the audit of the financial report

I have audited the accompanying special purpose financial report (the financial report) of the Social and Affordable Housing NSW Fund (the Fund), which comprises the Statement by the Treasurer, the Statement of the Fund's Activities for the year ended 30 June 2021, the Statement of the Fund's Position as at 30 June 2021 and notes to the financial report. The financial report has been prepared by the Treasurer using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 12 of the *Social and Affordable Housing NSW Fund Act 2016* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2021 and its activities for the year then ended, in accordance with the basis of accounting described in Note 2 to the financial report.

Opinion on whether payments complied with the Act

I have undertaken an audit to provide reasonable assurance on whether payments from the Fund have, in all material respects, been made in accordance with the Act for the year ended 30 June 2021.

In my opinion, in all material respects, payments from the Fund have been made in accordance with the Act for the year ended 30 June 2021.

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

Basis for Opinions

I conducted my audit in accordance with Australian Auditing Standards and Standards on Assurance Engagements, including ASAE 3100 'Compliance Engagements' (ASAE 3100). My responsibilities under the standards are described in the 'Auditor's Responsibilities' section of my report.

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

- Australian Auditing Standards and Standards on Assurance Engagements
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 the auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Treasurer's Responsibilities for the Financial Report

The Treasurer is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Treasurer's responsibility also includes such internal control as the Treasurer determines 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. The Treasurer has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

The Treasurer's Responsibilities under the *Social and Affordable Housing NSW Fund Act 2016*

The Treasurer is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Treasurer's responsibility also includes such internal control as the Treasurer determines is necessary to comply with the requirements of the Act.

Auditor's Responsibilities

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/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- 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.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 requires that I plan and perform procedures to obtain reasonable assurance whether payments from the Fund have, in all material respects, complied with specific requirements of the Act.

This audit involved performing procedures to obtain audit evidence on whether payments from the Fund complied with the Act. The procedures selected depend on my judgement, including the identification and assessment of the risks of material non-compliance with specific requirements of the Act.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, together with the Fund's internal control structure it is possible that fraud, error or non-compliance with the Act may occur and not be detected.

An audit for the year ended 30 June 2021 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 October 2021
SYDNEY

Social and Affordable Housing NSW Fund

Financial Report
for the year ended 30 June 2021

STATEMENT BY THE TREASURER

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

(a) The accompanying financial report provides details of the transactions of the Social and Affordable Housing NSW Fund for the year ended 30 June 2021; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

The Hon. Matt Kean MP
Treasurer

13 October 2021

Social and Affordable Housing NSW Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Receipts			
Government contribution	3	-	178,000
Interest earned	3	88	552
Recovery of financial risk management costs	3	1,755	-
GST received	3	6	1
Total receipts		**1,849**	**178,553**
Payments			
Grant expenses	4	23,014	10,691
Administrative expenses	4	17	23
Financial management expenses	4	10,339	10,073
Total payments		**33,370**	**20,787**
Net receipts/(payments)		**(31,521)**	**157,766**
Statement of Fund's Position as at 30 June			
Opening balance of the Fund		1,494,436	1,317,091
Net receipts/(payments)		(31,521)	157,766
(Loss)/income from investments	5	209,546	19,579
Closing balance of the Fund		**1,672,461**	**1,494,436**
Balance of Fund held in			
Cash and cash equivalents		13,417	9,938
Investment in Social and Affordable Housing NSW Fund investment trust	5	1,659,044	1,484,498
		1,672,461	**1,494,436**

The accompanying notes form part of the financial report.

Social and Affordable Housing NSW Fund

Notes to the Financial Report
for the year ended 30 June 2021

1. INFORMATION ON THE SOCIAL AND AFFORDABLE HOUSING NSW FUND

Reporting entity

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

Section 4 of the Act establishes the Fund as a Special Deposit Account (SDA). Section 4.15 of the *Government Sector Finance Act 2018* defines an SDA to consist of:

a) all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund, and

b) all accounts of money that are directed or authorised to be paid to the SDA by or under legislation.

The Treasurer is responsible for the funding and investment operations of the Fund and the Department of Communities and Justice (DCJ) is responsible for procurement and commissioning functions of the Fund.

The financial report for the Fund is a Special Purpose Financial Report with the "financial year" being from 1 July to 30 June. The Fund is administered by NSW Treasury on behalf of the State of New South Wales.

The financial report was authorised for issue by the Treasurer on the date the accompanying Statement by the Treasurer was signed.

Key Activities

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

Funding Sources for Social and Affordable Housing NSW Fund

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

a) all money appropriated by Parliament, or advanced by the Treasurer, for payment into the Fund,

b) all money appropriated by Parliament to the Treasurer for the general purposes of the Government (and not for the purposes of individual government agencies) and directed by the Treasurer to be paid into the Fund,

c) the proceeds of the investment of money in the Fund,

d) any money borrowed by the Treasurer for the purpose of the Fund,

e) any grant, gift, bequest or other contribution of money to the Fund made by a government agency or other person or body,

f) the payment or repayment of principal or interest on money loaned from the Fund (including fees associated with the loan),

g) any money payable arising from a financial adjustment (or other financial risk management strategy) effected by the Treasurer for the purpose of the Fund,

h) all other money directed or authorised to be paid into the Fund by or under any Act or law.

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

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

1. INFORMATION ON THE SOCIAL AND AFFORDABLE HOUSING NSW FUND (continued)

Payments out of the Fund

Section 8(1) of the Act prescribes the payments from the Fund. These are:

a) all or any part of the cost of any project, program or initiative that the Treasurer is satisfied promotes the purpose of the Fund,

b) administrative expenses relating to the control and management of the Fund,

c) the payment or repayment of principal or interest on money borrowed by the Treasurer for the purpose of the Fund (including any costs associated with the borrowing),

d) any payment or repayment of money from the Fund referred to in section 7(3),

e) any money payable arising from a financial adjustment (or other financial risk management strategy) effected by the Treasurer for the purpose of the Fund,

f) any money directed or authorised to be paid from the Fund by or under this Act or any other Act or law.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

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

Value of the Fund

The total balance of the Fund consists of cash and funds invested in the Social and Affordable Housing NSW Fund.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds invested in the Social and Affordable Housing NSW Fund are investments held in the Social and Affordable Housing NSW Fund Investment Trust (SAHF), a unit trust investment facility administered by the NSW Treasury Corporation (TCorp). The SAHF's investment strategy is designed to best meet scheduled funding commitments to boost the delivery of social and affordable housing across NSW.

3. RECEIPTS

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

	2021 $'000	2020 $'000
Section 7(1)(a) receipts		
Government contribution	-	178,000
Section 7(1)(c) receipts		
Interest earned	88	552
Section 7(1)(g) receipts		
Recovery of financial risk management costs	1,755	-
Section 7(1)(h) receipts		
GST received	6	1
Total receipts	**1,849**	**178,553**

4. PAYMENTS

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

	2021 $'000	2020 $'000
Section 8(1)(a) payments - grant expenses		
Grants to DCJ for project, program or initiative	20,804	9,385
Grants to DCJ for employee related expenses related to program project or initiative	2,210	1,306
Section 8(1)(b) payments - administrative expenses		
Auditor's remuneration	17	23
Section 8(1)(e) payments - financial management expenses		
Financial risk management costs	10,339	10,073
Total payments	**33,370**	**20,787**

5. INVESTMENT IN SOCIAL AND AFFORDABLE HOUSING NSW FUND

	2021 $'000	2020 $'000
Opening balance	**1,484,498**	**1,216,919**
(Less)/Add: Investments - cash transferred (out)/in (to)/from the operating bank account account	(35,000)	248,060
Add/(Less): Net income/(loss) from investments		
Distribution reinvested	82,010	69,012
Unrealised gain/(loss) on other financial assets	124,815	(49,493)
Realised gain/(loss) on other financial assets	2,721	-
Closing balance	**1,659,044**	**1,484,498**

The Fund is authorised to invest in accordance with Section 9 of the Act. Implemented since 2017-18, SAHF is the investment vehicle for the Fund in assisting the NSW Government to meet its delivery of social and affordable housing objective. SAHF is managed by TCorp.

Asset allocation and investment instructions of SAHF are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp in July 2017. The ISA was last reviewed in March 2021.

Asset allocation

Actual SAHF asset allocation as at the reporting date:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value ($'000)
Cash	5.0	5.4	89,588
Australian Bonds	17.0	17.0	282,038
Inflation Linked Bonds	5.0	4.7	77,975
Australian Shares	11.0	11.2	185,813
International Shares	27.0	27.6	457,896
Emerging Market Shares	6.0	6.2	102,861
Alternatives	5.0	4.9	81,293
Emerging Market Debt	6.0	6.0	99,543
Bank Loans	6.0	5.8	96,225
High Yield	2.0	2.0	33,181
Unlisted Property	6.0	6.0	99,543
Unlisted Infrastructure	4.0	3.2	53,089
Total	**100.0**	**100.0**	**1,659,045**

Social and Affordable Housing NSW Fund

Notes to the Financial Report
for the year ended 30 June 2021

5. INVESTMENT IN SOCIAL AND AFFORDABLE HOUSING NSW FUND (continued)

Performance returns

SAHF investment return objective is to achieve CPI + 4.0% over rolling 10-year periods. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return *(after fees)*	14.24	8.74
Strategic Asset Allocation (SAA) benchmark	14.48	9.09
Net relative to SAA benchmark	**(0.24)**	**(0.35)**

6. FINANCIAL INSTRUMENTS

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

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

The Fund's other financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at 30 June 2021, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in interest earned of approximately $0.134 million (2020: $0.099 million).

Risk management

TCorp actively manages financial instrument risks, and the ISA is reviewed regularly and updated to include changes in market conditions and/or management's direction. The documents clearly set out investment management objectives, restrictions, and establish performance benchmarks. The ISA is authorised and approved at the Senior Executive Level within NSW Treasury and/or the Treasurer.

Proposed changes to the ISA must go through a consultative process between TCorp and the Strategy Balance Sheet Management (SBSM) team at NSW Treasury. Regular meetings take place between TCorp, SBSM and the Chief Financial Officer to monitor the performance and management of the investment.

7. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

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

Financial Report
for the year ended 30 June 2021

INDEPENDENT AUDITOR'S REPORT

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

To Members of the New South Wales Parliament

Opinions

Opinion on the audit of the financial report

I have audited the accompanying special purpose financial report (the financial report) of the Electricity Retained Interest Corporation – Ausgrid (ERIC-A) Fund (the Fund) which comprises the Statement by the Treasurer, the Statement of the Fund's Activities for the year ended 30 June 2021, the Statement of the Fund's Position as at 30 June 2021 and notes to the financial report. The financial report has been prepared by the Treasurer using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 35 of the *Electricity Retained Interest Corporations Act 2015* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2021, and its activities for the year then ended, in accordance with the basis of accounting described in Note 2 to the financial report.

Opinion on whether payments complied with the Act

I have undertaken an audit to provide reasonable assurance on whether payments from the Fund have, in all material respects, been made in accordance with the Act for the year ended 30 June 2021.

In my opinion, in all material respects, payments from the Fund have been made in accordance with the Act for the year ended 30 June 2021.

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

Basis for Opinions

I conducted my audit in accordance with Australian Auditing Standards and Standards on Assurance Engagements, including ASAE 3100 'Compliance Engagements' (ASAE 3100). My responsibilities under the standards are described in the 'Auditor's Responsibilities' section of my report.

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

- Australian Auditing Standards and Standards on Assurance Engagements
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 the auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Treasurer's Responsibilities for the Financial Report

The Treasurer is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Treasurer's responsibility also includes such internal control as the Treasurer determines 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. The Treasurer has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

The Treasurer's Responsibilities under the *Electricity Retained Interest Corporations Act 2015*

The Treasurer is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Treasurer's responsibility also includes such internal control as the Treasurer determines is necessary to comply with the requirements of the Act.

Auditor's Responsibilities

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/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- 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.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 requires that I plan and perform procedures to obtain reasonable assurance whether payments from the Fund have, in all material respects, complied with specific requirements of the Act.

This audit involved performing procedures to obtain audit evidence on whether payments from the Fund complied with the Act. The procedures selected depend on my judgement, including the identification and assessment of the risks of material non-compliance with specific requirements of the Act.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, together with the Fund's internal control structure it is possible that fraud, error or non-compliance with the Act may occur and not be detected.

An audit for the year ended 30 June 2021 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 October 2021
SYDNEY

ERIC–A Fund

Financial Report
for the year ended 30 June 2021

STATEMENT BY THE TREASURER

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

(a) The accompanying financial report provides details of the transactions of the Electricity Retained Interest Corporation – Ausgrid Fund for the year ended 30 June 2021; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

The Hon. Matt Kean MP
Treasurer

13 October 2021

ERIC–A Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Receipts			
Interest earned	3	1	4
Money appropriated by Parliament into the Fund	3	700	700
Total receipts		**701**	**704**
Payments			
Costs of operation of the Corporation	4	731	765
Administrative expenses of the Corporation	4	77	111
Total payments		**808**	**876**
Net receipts/(payments)		**(107)**	**(172)**
The Fund's position as at 30 June			
Opening balance of the Fund - Cash		584	756
Net receipts/(payments)		(107)	(172)
Closing balance of the Fund		**477**	**584**

The accompanying notes form part of the financial report.

ERIC–A Fund
Notes to the Financial Report
for the year ended 30 June 2021

1. INFORMATION ON THE ERIC-A FUND

Reporting entity

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

Section 4.15 of the *Government Sector Finance Act 2018* defines an SDA to consist of:

a) all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund, and

b) all accounts of money that are directed or authorised to be paid to the SDA by or under legislation.

The Fund is controlled by the State and is administered by NSW Treasury on behalf of the State.

The financial report for the Fund is a Special Purpose Financial Report with the "financial year" being from 1 July to 30 June. The Fund is administered by NSW Treasury on behalf of the State.

The financial report was authorised for issue by the Treasurer on the date the accompanying Statement by the Treasurer was signed.

Key Activities

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

The Corporation overseas the State's retained interest as a lessee of network infrastructure assets of Ausgrid for the purpose of protecting its value to the State.

Payments into the Fund

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

a) all financial returns (including dividend income, return of capital and any other financial distribution) derived by the Corporation or any subsidiary of the Corporation from that part of the retained interest for which the Corporation is responsible, and

b) the proceeds of investment of the Fund, and

c) such money as may be advanced by the Treasurer for payment into the Fund, and

d) such money as may be appropriated by Parliament for payment into the Fund, and

e) any money borrowed by the Corporation or a subsidiary of the Corporation.

1. INFORMATION ON THE ERIC-A FUND (continued)

Payments out of the Fund

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

a) such amounts as the Treasurer directs for payment into the Consolidated Fund, and

b) such amounts (if any) as the Corporation is required to pay the Treasurer under section 5.3 (Payment of tax-equivalents to Treasurer) of the *Government Sector Finance Act 2018*, and

c) such amounts as the Treasurer authorises for expenditure by the Corporation or a subsidiary of the Corporation in the exercise of the functions of the Corporation, and

d) such amounts as the Treasurer directs for payment of the costs of operation of the Corporation and any subsidiary of the Corporation, including remuneration, allowances, accommodation and other associated costs of the Board, General Manager and staff of the Corporation or a subsidiary of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

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

Value of the Fund

The total balance of the Fund consists of cash only.

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

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

ERIC–A Fund
Notes to the Financial Report
for the year ended 30 June 2021

3. RECEIPTS

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

	2021	2020
	$'000	$'000
Section 33 (b) receipts - interest earned	1	4
Section 33 (d) receipts		
Money appropriated by Parliament into the Fund	700	700
Total receipts	**701**	**704**

4. PAYMENTS

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

Section 34 (c) payments - administrative expenses of the Corporation		
Professional service fees	77	111
Total administrative expenses	**77**	**111**
Section 34 (d) payments - costs of operation of the Corporation		
ASIC fees	4	4
Auditor's remuneration	88	78
External recruitment fees	-	22
Travel & Treasury admin cost	250	277
Committee fees	18	17
Directors fees	228	225
Superannuation	31	30
PAYG	91	94
Miscellaneous expense	21	18
Total costs of operation	**731**	**765**
Total payments	**808**	**876**

5. FINANCIAL INSTRUMENTS

Risk management

The Fund's only financial instrument is the cash held in the Treasury Banking System which is subject to interest rate risk. As at 30 June 2021, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in the interest earned of approximately $4,765 (2020: $5,827).

6. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

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

Financial Report
for the year ended 30 June 2021

INDEPENDENT AUDITOR'S REPORT

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

To Members of the New South Wales Parliament

Opinions

Opinion on the audit of the financial report

I have audited the accompanying special purpose financial report (the financial report) of the Electricity Retained Interest Corporation – Endeavour (ERIC-E) Fund (the Fund) which comprises the Statement by the Treasurer, the Statement of the Fund's Activities for the year ended 30 June 2021, the Statement of the Fund's Position as at 30 June 2021 and notes to the financial report. The financial report has been prepared by the Treasurer using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 35 of the *Electricity Retained Interest Corporations Act 2015* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2021, and its activities for the year then ended, in accordance with the basis of accounting described in Note 2 to the financial report.

Opinion on whether payments complied with the Act

I have undertaken an audit to provide reasonable assurance on whether payments from the Fund have, in all material respects, been made in accordance with the Act for the year ended 30 June 2021.

In my opinion, in all material respects, payments from the Fund have been made in accordance with the Act for the year ended 30 June 2021.

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

Basis for Opinions

I conducted my audit in accordance with Australian Auditing Standards and Standards on Assurance Engagements, including ASAE 3100 'Compliance Engagements' (ASAE 3100). My responsibilities under the standards are described in the 'Auditor's Responsibilities' section of my report.

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

- Australian Auditing Standards and Standards on Assurance Engagements
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 the auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Treasurer's Responsibilities for the Financial Report

The Treasurer is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Treasurer's responsibility also includes such internal control as the Treasurer determines 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. The Treasurer has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

The Treasurer's Responsibilities under the *Electricity Retained Interest Corporations Act 2015*

The Treasurer is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Treasurer's responsibility also includes such internal control as the Treasurer determines is necessary to comply with the requirements of the Act.

Auditor's Responsibilities

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 reports 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.

The scope of my audit does not include, nor provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- 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.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 requires that I plan and perform procedures to obtain reasonable assurance whether payments from the Fund have, in all material respects, complied with specific requirements of the Act.

This audit involved performing procedures to obtain audit evidence on whether payments from the Fund complied with the Act. The procedures selected depend on my judgement, including the identification and assessment of the risks of material non-compliance with specific requirements of the Act.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, together with the Fund's internal control structure it is possible that fraud, error or non-compliance with the Act may occur and not be detected.

An audit for the year ended 30 June 2021 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 October 2021
SYDNEY

ERIC-E Fund

Financial Report
for the year ended 30 June 2021

STATEMENT BY THE TREASURER

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

(a) The accompanying financial report provides details of the transactions of the Electricity Retained Interest Corporation – Endeavour Fund for the year ended 30 June 2021; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

The Hon. Matt Kean MP
Treasurer
13 October 2021

ERIC-E Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Receipts			
Financial returns	3	37,265	91,249
Interest earned	3	6	95
Total receipts		**37,271**	**91,344**
Payments			
Funds transferred to NSW Consolidated Fund	4	34,669	90,016
Administrative expenses of the Corporation	4	93	100
Costs of operation of the Corporation	4	1,224	1,220
Total payments		**35,986**	**91,336**
Net receipts/(payments)		**1,285**	**8**
The Fund's Position as at 30 June			
Opening balance of the Fund - Cash		710	702
Net receipts/(payments)		1,285	8
Closing balance of the Fund		**1,995**	**710**

The accompanying notes form part of the financial report.

ERIC-E Fund

Notes to the Financial Report
for the year ended 30 June 2021

1. INFORMATION ON THE ERIC-E FUND

Reporting entity

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

Section 4.15 of the *Government Sector Finance Act 2018* defines an SDA to consist of:

a) all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund, and

b) all accounts of money that are directed or authorised to be paid to the SDA by or under legislation.

The Fund is controlled by the State and is administered by NSW Treasury on behalf of the State.

The financial report for the Fund is a Special Purpose Financial Report with the "financial year" being from 1 July to 30 June. The Fund is administered by NSW Treasury on behalf of the State.

The financial report was authorised for issue by the Treasurer on the date the accompanying Statement by the Treasurer was signed.

Key Activities

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

The Corporation oversees the State's retained interest as a lessee of network infrastructure assets of Endeavour Energy for the purpose of protecting its value to the State.

Payments into the Fund

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

a) all financial returns (including dividend income, return of capital and any other financial distribution) derived by the Corporation or any subsidiary of the Corporation from that part of the retained interest for which the Corporation is responsible, and

b) the proceeds of investment of the Fund, and

c) such money as may be advanced by the Treasurer for payment into the Fund, and

d) such money as may be appropriated by Parliament for payment into the Fund, and

e) any money borrowed by the Corporation or a subsidiary of the Corporation.

ERIC-E Fund

Notes to the Financial Report
for the year ended 30 June 2021

1. INFORMATION ON THE ERIC-E FUND (continued)

Payments out of the Fund

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

a) such amounts as the Treasurer directs for payment into the Consolidated Fund, and

b) such amounts (if any) as the Corporation is required to pay the Treasurer under section 5.3 (Payment of tax-equivalents to Treasurer) of the *Government Sector Finance Act 2018*, and

c) such amounts as the Treasurer authorises for expenditure by the Corporation or a subsidiary of the Corporation in the exercise of the functions of the Corporation, and

d) such amounts as the Treasurer directs for payment of the costs of operation of the Corporation and any subsidiary of the Corporation, including remuneration, allowances, accommodation and other associated costs of the Board, General Manager and staff of the Corporation or a subsidiary of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

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

Value of the Fund

The total balance of the Fund consists of cash only.

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

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

ERIC-E Fund

Notes to the Financial Report
for the year ended 30 June 2021

3. RECEIPTS

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

	2021 $'000	2020 $'000
Section 33 (a) receipts - financial returns		
Distributions from network partnership arrangements	37,265	91,249
Section 33 (b) receipts - interest earned	6	95
Total receipts	**37,271**	**91,344**

4. PAYMENTS

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

	2021 $'000	2020 $'000
Section 34 (a) payments - funds transferred to NSW Consolidated Fund	**34,669**	**90,016**
Section 34 (c) payments - administrative expenses of the Corporation		
Professional service fees	93	100
Total administrative expenses	**93**	**100**
Section 34 (d) payments - costs of operation of the Corporation		
ASIC fees	4	4
Auditor's remuneration	90	79
Travel & Treasury administration support	251	277
Miscellaneous expenses	19	13
GST remittance	511	498
Directors fees	228	225
Superannuation	30	30
Payroll tax & PAYG	91	94
Total costs of operation	**1,224**	**1,220**
Total payments	**35,986**	**91,336**

5. FINANCIAL INSTRUMENTS

The Fund's only financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in the interest earned of approximately $19,945 (2020: $7,100).

6. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

NSW Generations (Debt Retirement) Fund

Financial Report
for the year ended 30 June 2021

INDEPENDENT AUDITOR'S REPORT

NSW Generations (Debt Retirement) Fund

To Members of the New South Wales Parliament

Opinion

Opinion on the audit of the financial report

I have audited the accompanying special purpose financial report (the financial report) of the NSW Generations (Debt Retirement) Fund (the Fund), which comprises the Statement by the Treasurer, the Statement of the Fund's Activities for the year ended 30 June 2021, the Statement of the Fund's Position as at 30 June 2021 and notes to the financial report. The financial report has been prepared by the Treasurer, using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 7 of the *NSW Generations Funds Act 2018* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2021 and its activities for the year then ended, in accordance with the basis of accounting described in Note 2 to the financial report.

Opinion on whether payments complied with the Act

I have undertaken an audit to provide reasonable assurance on whether payments from the Fund have, in all material respects, been made in accordance with the Act for the year ended 30 June 2021.

In my opinion, in all material respects, payments from the Fund have been made in accordance with the Act for the year ended 30 June 2021.

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

Basis for Opinions

I conducted my audit in accordance with Australian Auditing Standards and Standards on Assurance Engagements, including ASAE 3100 'Compliance Engagements' (ASAE 3100). My responsibilities under the standards are described in the 'Auditor's Responsibilities' section of my report.

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

- Australian Auditing Standards and Standards on Assurance Engagements
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 the auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

In conducting my audit, I have applied ASQC 1 ‘Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements’.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer’s annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

Other Information

The Fund's annual report for the year ended 30 June 2021 includes other information in addition to the financial report and my Independent Auditor’s Report thereon. The Treasurer is responsible for the other information. At the date of this Independent Auditor’s Report, the other information I have received comprise the NSW Generations (Community Services and Facilities) Fund Financial Report.

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by section 7(3) of the Act, I have separately expressed an opinion on the NSW Generations (Community Services and Facilities) Fund Financial Report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Treasurer’s Responsibilities for the Financial Report

The Treasurer is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Treasurer’s responsibility also includes such internal control as the Treasurer determines 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. The Treasurer has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer’s annual reporting responsibilities under the Act.

The Treasurer’s Responsibilities under the *NSW Generations Funds Act 2018*

The Treasurer is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Treasurer’s responsibility also includes such internal control as the Treasurer determines is necessary to comply with the requirements of the Act.

Auditor’s Responsibilities

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/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- 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.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 requires that I plan and perform procedures to obtain reasonable assurance whether payments from the Fund have, in all material respects, complied with specific requirements of the Act.

This audit involved performing procedures to obtain audit evidence on whether payments from the Fund complied with the Act. The procedures selected depend on my judgement, including the identification and assessment of the risks of material non-compliance with specific requirements of the Act.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, together with the Fund's internal control structure it is possible that fraud, error or non-compliance with the Act may occur and not be detected.

An audit for the year ended 30 June 2021 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 October 2021
SYDNEY

NSW Generations (Debt Retirement) Fund

Financial Report
for the year ended 30 June 2021

STATEMENT BY THE TREASURER

Pursuant to Section 7 of the *NSW Generations Funds Act 2018*, I declare that in my opinion:

(a) The accompanying financial report provides details of the transactions of the NSW Generations (Debt Retirement) Fund for the year ended 30 June 2021; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

The Hon. Matt Kean MP
Treasurer

13 October 2021

NSW Generations (Debt Retirement) Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Receipts			
Government contribution	3	1,932,284	-
Distributions	3	95,000	117,790
Interest earned	3	2,289	727
GST received	3	1	-
Taxation revenue	3	-	296,000
Total receipts		**2,029,574**	**414,517**
Payments			
Administrative expenses	4	16	11
Total payments		**16**	**11**
Net receipts/(payments)		**2,029,558**	**414,506**
Statement of the Fund's Position as at 30 June			
Opening balance of the Fund		11,279,877	10,890,728
Net receipts/(payments)		2,029,558	414,506
(Loss)/income from investments	5	1,864,272	(25,357)
Closing balance of the Fund		**15,173,707**	**11,279,877**
Balance of Fund held in			
Cash and cash equivalents		2,866	17,442
Investment in NSW Generations (Debt Retirement) Fund Investment Trust	5	15,170,841	11,262,435
		15,173,707	**11,279,877**

The accompanying notes form part of the financial report.

NSW Generations (Debt Retirement) Fund

Notes to the Financial Report
for the year ended 30 June 2021

1. INFORMATION ON THE NSW GENERATIONS (DEBT RETIREMENT) FUND

Reporting entity

NSW Generations (Debt Retirement) Fund (the Fund) is required to prepare an annual report under Section 7 of the *NSW Generations Funds Act 2018* (the Act). Section 8 of the Act states that the purpose of the Fund is to provide funding for reducing the debt of the State in accordance with the principles of sound financial management set out in section 7 of the *Fiscal Responsibility Act 2012*.

Section 4 of the Act establishes the Fund as a Special Deposit Account (SDA). Section 4.15 of the *Government Sector Finance Act 2018* defines an SDA to consist of:

a) all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund, and

b) all accounts of money that are directed or authorised to be paid to the SDA by or under legislation.

The Treasurer is responsible for the Act and the Fund.

The financial report for the Fund is a Special Purpose Financial Report with the "financial year" being from 1 July to 30 June. The Fund is administered by NSW Treasury on behalf of the State of New South Wales.

The financial report was authorised for issue by the Treasurer on the date the accompanying Statement by the Treasurer was signed.

Key Activities

The Fund was established to provide funding for reducing the debt of the State in accordance with the principles of sound financial management set out in section 7 of the *Fiscal Responsibility Act 2012*.

Funding Sources for the NSW Generations (Debt Retirement) Fund

Section 9(1) of the Act prescribes the amounts payable into the Fund. These are:

a) all money appropriated by Parliament, or advanced by the Treasurer, for payment into the Fund,

b) all money appropriated by Parliament to the Treasurer for the general purposes of the Government (and not for the purposes of individual Government Sector Finance agencies) and directed by the Treasurer to be paid into the Fund,

c) any money that is directed by the Treasurer under section 9(2) to be paid into the Fund,

d) all money that is income (including distributions, dividends and interest) paid to the holder of any relevant NSW equity interest,

e) the proceeds of the sale of any relevant NSW equity interest,

f) the proceeds of the investment of money in the Fund,

g) all other money directed or authorised to be paid into the Fund by or under any Act or law.

Section 9(2) of the Act provides that the Treasurer may direct that an amount of money be paid into the Debt Retirement Fund if the Treasurer is satisfied that it is windfall tax revenue in excess of Budget forecasts.

Section 9(3) of the Act provides that the Treasurer is taken to have been given an appropriation out of the Consolidated Fund under the authority of this section, on the day a direction is given under section 9(2), for the amount specified in the direction for the purpose of its payment into the Debt Retirement Fund.

1. INFORMATION ON THE NSW GENERATIONS (DEBT RETIREMENT) FUND (continued)

Payments out of the Fund

Section 10 of the Act prescribes payments from the Fund. These are:

a) the payment of all or any part of a debt of the State that the Treasurer is satisfied is a payment that promotes the purpose of the Fund,

b) administrative expenses relating to the control and management of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

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

Value of the Fund

The total balance of the Fund consists of cash and funds invested in the NSW Generations (Debt Retirement) Fund.

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

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

NSW Generations (Debt Retirement) Fund

Notes to the Financial Report
for the year ended 30 June 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds invested in the NSW Generations (Debt Retirement) Fund Investment Trust (Investment Trust) are investments held in the NSW Generations (Debt Retirement) Fund, a unit trust investment facility administrated by the NSW Treasury Corporation (TCorp). The Investment Trust's strategy is designed to provide funding for reducing the debt of the State of New South Wales.

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 9 of the Act.

	2021 $'000	2020 $'000
Section 9(1)(a) receipts		
Appropriation	1,932,284	-
Section 9(1)(d) receipts		
Distributions from Roads Retained Interest Pty Ltd	95,000	117,790
Section 9(1)(f) receipts		
Interest earned	2,289	727
Section 9(1)(g) receipts		
GST received	1	-
Section 9(2) receipts		
Taxation revenue*	-	296,000
Total receipts	**2,029,574**	**414,517**

**Higher taxation revenue collected in 2018-19 compared to budget forecast primarily from payroll tax.*

4. PAYMENTS

Section 10(b) payments		
Administrative expenses - auditor's remuneration	16	11
Total payments	**16**	**11**

5. INVESTMENT IN NSW GENERATIONS (DEBT RETIREMENT) FUND INVESTMENT TRUST

	2021 $'000	2020 $'000
Opening balance	**11,262,435**	**10,883,973**
Add: Investments - cash transferred in from the operating bank account	2,044,134	403,820
Add/(Less): Net income/(loss) from investments:		
Distribution reinvested	648,019	556,714
Unrealised (loss)/gain on other financial assets	1,216,253	(582,071)
Closing balance	**15,170,841**	**11,262,435**

The Fund is authorised to invest in accordance with Section 11 of the Act. Implemented during 2018-19, the Investment Trust is the investment vehicle for the Fund in assisting the NSW Government to meet its objective of reducing the debt of the State. The Investment Trust is managed by TCorp.

Asset allocation and investment instructions of the Investment Trust are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp on 1 November 2018. The ISA was last reviewed in March 2021.

Asset Allocation

The actual asset allocation of the Investment Trust as at the reporting date:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value ($'000)
Australian Shares	12.0	12.0	1,820,501
International Shares	22.0	22.4	3,398,268
Emerging Market Shares	6.0	5.8	879,909
Alternatives	26.0	25.5	3,868,565
Unlisted Property & Infrastructure	10.0	9.7	1,471,572
Opportunistic	1.5	1.6	242,733
Emerging Market Debt	6.0	6.1	925,421
Bank Loan	5.0	4.9	743,371
High Yield	3.0	3.0	455,125
Cash	8.5	9.0	1,365,376
Total	**100**	**100**	**15,170,841**

5. INVESTMENT IN NSW GENERATIONS (DEBT RETIREMENT) FUND INVESTMENT TRUST (continued)

Performance returns

The investment return objective of the Investment Trust is to achieve CPI plus 4.5% p.a over rolling 10-year periods. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return *(after fees)*	15.62	9.38
Strategic Asset Allocation (SAA) benchmark	14.11	9.60
Net relative to SAA benchmark	**1.51**	**(0.22)**

6. FINANCIAL INSTRUMENTS

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

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

The Fund's other financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at 30 June 2021, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in interest earned of approximately $28,659 (2020: $174,416).

Risk management

TCorp actively manages financial instrument risks, and the ISA is reviewed regularly and updated to include changes in market conditions and/or management's direction. The documents clearly set out investment management objectives, restrictions, and establish performance benchmarks. The ISA is authorised and approved at the Senior Executive Level within NSW Treasury and/or the Treasurer.

Proposed changes to the ISA must go through a consultative process between TCorp and the Strategy Balance Sheet Management (SBSM) team at NSW Treasury. Regular meetings take place between TCorp, SBSM and the Chief Financial Officer to monitor the performance and management of the investment.

7. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

NSW Generations (Community Services and Facilities) Fund

Financial Report
for the year ended 30 June 2021

INDEPENDENT AUDITOR'S REPORT

NSW Generations (Community Services and Facilities) Fund

To Members of the New South Wales Parliament

Opinion

Opinion on the audit of the financial report

I have audited the accompanying special purpose financial report (the financial report) of the NSW Generations (Community Services and Facilities) Fund (the Fund), which comprises the Statement by the Treasurer, the Statement of the Fund's Activities for the year ended 30 June 2021, the Statement of the Fund's Position as at 30 June 2021 and notes to the financial report. The financial report has been prepared by the Treasurer, using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 7 of the *NSW Generations Funds Act 2018* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2021 and its activities for the year then ended, in accordance with the basis of accounting described in Note 2 to the financial report.

Opinion on whether payments complied with the Act

I have undertaken an audit to provide reasonable assurance on whether payments from the Fund have, in all material respects, been made in accordance with the Act for the year ended 30 June 2021.

In my opinion, in all material respects, payments from the Fund have been made in accordance with the Act for the year ended 30 June 2021.

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

Basis for Opinions

I conducted my audit in accordance with Australian Auditing Standards and Standards on Assurance Engagements, including ASAE 3100 'Compliance Engagements' (ASAE 3100). My responsibilities under the standards are described in the 'Auditor's Responsibilities' section of my report.

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

- Australian Auditing Standards and Standards on Assurance Engagements
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 the auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

Other Information

The Fund's annual report for the year ended 30 June 2021 includes other information in addition to the financial report and my Independent Auditor's Report thereon. The Treasurer is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the NSW Generations (Debt Retirement) Fund Financial Report.

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by section 7(3) of the Act, I have separately expressed an opinion on the NSW Generations (Debt Retirement) Fund Financial Report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Treasurer's Responsibilities for the Financial Report

The Treasurer is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Treasurer's responsibility also includes such internal control as the Treasurer determines 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. The Treasurer has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

The Treasurer's Responsibilities under the *NSW Generations Funds Act 2018*

The Treasurer is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Treasurer's responsibility also includes such internal control as the Treasurer determines is necessary to comply with the requirements of the Act.

Auditor's Responsibilities

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/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- 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.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 requires that I plan and perform procedures to obtain reasonable assurance whether payments from the Fund have, in all material respects, complied with specific requirements of the Act.

This audit involved performing procedures to obtain audit evidence on whether payments from the Fund complied with the Act. The procedures selected depend on my judgement, including the identification and assessment of the risks of material non-compliance with specific requirements of the Act.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, together with the Fund's internal control structure it is possible that fraud, error or non-compliance with the Act may occur and not be detected.

An audit for the year ended 30 June 2021 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 October 2021
SYDNEY

NSW Generations (Community Services and Facilities) Fund

Financial Report
for the year ended 30 June 2021

STATEMENT BY THE TREASURER

Pursuant to Section 7 of the *NSW Generations Funds Act 2018*, I declare that in my opinion:

(a) The accompanying financial report provides details of the transactions of the NSW Generations (Community Services and Facilities) Fund for the year ended 30 June 2021; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

The Hon. Matt Kean MP
Treasurer

13 October 2021

NSW Generations (Community Services and Facilities) Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Receipts			
Government contributions	3	-	27,500
Interest earned	3	333	396
GST received	3	1	-
Total receipts		**334**	**27,896**
Payments			
Project payments	4	4,522	17,625
Administrative expenses	4	112	463
Total payments		**4,634**	**18,088**
Net receipts/(payments)		**(4,300)**	**9,808**

The Fund's Position as at 30 June

	2021 $'000	2020 $'000
Opening balance of the Fund - cash	37,553	27,745
Net receipts/(payments)	(4,300)	9,808
Closing balance of the Fund	**33,253**	**37,553**

The accompanying notes form part of the financial report.

NSW Generations (Community Services and Facilities) Fund

Notes to the Financial Report for the year ended 30 June 2021

1. INFORMATION ON THE NSW GENERATIONS (COMMUNITY SERVICES AND FACILITIES) FUND

Reporting entity

The NSW Generations (Community Services and Facilities) Fund (the Fund) is required to prepare an annual report under Section 7 of the *NSW Generations Funds Act 2018* (the Act). Section 12(1) of the Act states that the purpose of the Fund is to provide funding for cost-effective facilities and services throughout New South Wales that improve the wellbeing of communities and the lives of the people of New South Wales, including facilities and service for the purposes of:

(a) protecting public health and preventing disease, illness, injury, disability or premature death, and

(b) promoting conditions in which persons can be healthy and safe, and

(c) promoting involvement with community or culture, and

(d) increasing participation in programs, services or activities that aim to improve the overall wellbeing of the community, and

(e) any other purposes prescribed by the regulations.

Section 12(2) of the Act provides that the Treasurer is not to recommend the making of a regulation for the purposes of subsection 12(1)(e) of the Act unless the Treasurer certifies that the Treasurer is satisfied that the purpose to be prescribed is a purpose that relates to the improvement of the wellbeing of communities and the lives of the people of New South Wales.

Section 4 of the Act establishes the Fund as a Special Deposit Account (SDA). Section 4.15 of the *Government Sector Finance Act 2018* defines an SDA to consist of:

a) all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund, and

b) all accounts of money that are directed or authorised to be paid to the SDA by or under legislation.

The Treasurer is responsible for the funding and investment operations of the Fund.

The financial report for the Fund is a Special Purpose Financial Report with the "financial year" being from 1 July to 30 June. The Fund is administered by NSW Treasury on behalf of the State of New South Wales.

The financial report was authorised for issue by the Treasurer on the date the accompanying Statement by the Treasurer was signed.

Key Activities

The Fund was established for the provision of funding for cost-effective facilities and services throughout New South Wales that improve the wellbeing of communities and lives of people of New South Wales.

1. INFORMATION ON THE NSW GENERATIONS (COMMUNITY SERVICES AND FACILITIES) FUND (continued)

Funding Sources for the Fund

Section 13 of the Act prescribes the amounts payable into the Fund. These are:

a) all money appropriated by Parliament, or advanced by the Treasurer, for payment into the Fund,

b) all money appropriated by Parliament to the Treasurer for the general purposes of the Government (and not for the purposes of individual Government Sector Finance agencies) and directed by the Treasurer to be paid into the Fund,

c) the repayment of the principal, or payment of interest, on money loaned from the Fund (including fees associated with the loan),

d) the repayment of any other money provided from the Fund by way of any other financial assistance,

e) all other money directed or authorised to be paid into the Fund by or under any Act or law.

Payments out of the Fund

Section 14(1) of the Act prescribes payments from the Fund. These are:

a) all or any part of the cost of any project, program or initiative that the Treasurer is satisfied promotes the purpose of the Fund,

b) administrative expenses relating to the control and management of the Fund,

c) any money directed or authorised to be paid from the Fund by or under this Act or any other Act or law.

Section 14(2) provides that payments from the Fund for the cost of a project, program or initiative may be provided by way of a grant, subsidy, loan or other financial assistance and may be subject to such conditions as the Treasurer thinks fit to impose.

Section 14(3) prescribes, without limiting Section 14(2), those conditions may relate to the following:

a) meeting specified performance targets or outcomes,

b) repayments of the whole or any part of such financial assistance (including repayment if specified performance targets or outcomes are not met as required under a condition of the provision of the financial assistance),

c) the payment of interest on financial assistance provided by way of a loan,

d) the periods or intervals at which repayments are to be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

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

Value of the Fund

The total balance of the Fund consists of cash only.

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

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

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 13 of the Act.

	2021 $'000	2020 $'000
Section 13(b) receipts		
Government contributions	-	27,500
Section 13(c) receipts		
Interest earned	333	396
Section 13(e) receipts		
GST received	1	-
Total receipts	**334**	**27,896**

NSW Generations (Community Services and Facilities) Fund

Notes to the Financial Report
for the year ended 30 June 2021

4. PAYMENTS

Payments from the Fund are in accordance with Section 14 of the Act.

	2021 $'000	2020 $'000
Section 14(1)(a) payments		
Project payments	4,522	17,625
Section 14(1)(b) payments		
Directors fees	96	185
Auditor's remuneration	16	11
Operating expenses	-	267
Total administrative expenses	**112**	**463**
Total payments	**4,634**	**18,088**

5. FINANCIAL INSTRUMENTS

Risk management

The Fund's only financial instrument is the cash held in the Treasury Banking System which is subject to interest rate risk. As at 30 June 2021, a rise or fall of 1 percent in interest rate over the course of the year would result in an increase or decrease in interest earned of approximately $332,534 (2020: $375,528).

6. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

Published by NSW Treasury

treasury.nsw.gov.au

FIRST PUBLISHED NOVEMBER 2021

T21/54182

NSW
GOVERNMENT