NSW Treasury Annual Report

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

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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

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27 January 2022
ISSN 1322-8102

Letter of submission to the NSW Treasurer

The Hon. Matt Kean MP
Treasurer

GPO Box 5341
Sydney, NSW 2001

Dear Treasurer,

I have the pleasure of submitting NSW Treasury's Annual Report for financial year ended 30 June 2021, for presentation to the NSW Parliament in accordance with the *Annual Report (Departments) Act 1985*.

This volume reports on the operations and performance of the NSW Treasury, together with the consolidated financial statements for the period 1 July 2020 to 30 June 2021.

The financial statements for the NSW Treasury agency will follow. The financial statements for the Crown Related Entities and the Special Deposit Accounts Administered by NSW Treasury are included at pages 133 to 469.

Yours sincerely,

Michael Pratt AM
Secretary
27 January 2022

Contents

Foreword

The 2021-22 NSW Budget was released the same month—June 2021—that parts of NSW entered their first stay-at-home restrictions since the Northern Beaches lockdown at the end of 2020. At the time, despite the challenges of bushfires, flood and COVID-19, the Budget remained firmly under control. The forecast deficit for 2020-21 was halved and we committed to get our Budget back to surplus by 2024-25.

I am proud of the way NSW Treasury has responded to the crises of 2020-21. As stewards of the public sector financial system, our focus has been putting the needs of the people and businesses at the centre of decision-making across the sector.

While we must acknowledge the reality of our situation, it's important to recognise the significant achievements we've made in 2020-21.

Key highlights over the past financial year include:

- producing two full Budgets in one year, the **2020-21 NSW Budget** (delayed to November 2020 due to COVID-19) and **2021-22 NSW Budget** (June 2021), as well as the **2020-21 Half Yearly Budget Review** (February 2021)
- producing the **Total State Sector Financial Statements** on the same day as the Budget in November (never done previously) with an unqualified audit opinion from the NSW Auditor General
- embedding **Outcome Budgeting** to ensure consistent focus and accountability for the outcomes achieved from Government's entire expenditure, including use of Outcomes to inform **budget priorities and assessments**, a new **Budget Paper 2**: **Outcomes Statement**, and ongoing development of **Outcome** and **Business Plans and performance reporting**
- release of the **Productivity Commission White Paper 2021—*Rebooting the economy*** which identified 60 recommendations to improve the productivity of the NSW economy, boosting economic output by two per cent by 2041. The NSW Government is already progressing more than 25 of these opportunities
- the publication of **the 2021-22 NSW Intergenerational Report**—a snapshot of our future State to inform the policies that will continue to make NSW the best place to live, work, run a business and raise a family
- leading the NSW Government's strategy for **managing the economic and fiscal impacts of COVID-19**
- continued engagement on the **NSW 2040 Economic Blueprint** through the NSW Chief Economist's ongoing research, engagement and consultation with industry and government stakeholders on the vision for our State
- **supporting small businesses** impacted by COVID-19 through grant programs, the COVID-19 commercial leasing scheme, and securing additional funding for the Small Business Commission to expand mediation services and call centre support
- releasing **The Visitor Economy Strategy 2030** in January 2021—a roadmap to support all industries involved in the visitor economy to recover from the impact of drought, bushfires and COVID-19, and grow in the future
- overseeing the implementation of the Aboriginal Procurement Policy (updated January 2021) that **has tripled NSW Government spend with Aboriginal businesses** since its introduction in 2018
- maintaining Moody's Triple-A credit rating at end of 2020
- successfully retaining or creating jobs across the State, including:
  - securing **Qantas** global headquarters to remain in Sydney and **retaining 3,500 jobs**
  - announcement of the **$250 million Jobs Plus program** to attract existing NSW businesses to grow, or new Australian or international business to set up and grow jobs in NSW

- securing additional funding for the **Global NSW Strategy** in November 2020 Budget to allow for initiative development, trade facilitation and investment attraction, including funding for the **Advanced Manufacturing Strategy, Cyber Security Strategy, NSW Defence and Industry Strategy**, development of **Tech Central and Westmead precincts**, support for innovation and start-ups, and the implementation of the **24-Hour Economy Strategy**
- the set up and administration of the **$5 million grants** scheme to locally manufacture critical Personal Protective Equipment (PPE)
- the set up and administration (with Service NSW) of a **$20 million support package** for international students.

As these achievements demonstrate, we are well on the way to supporting the government in delivering its key policy priorities and realising our outcomes-focused mandate.

Our plan is benchmarked across three key outcomes:

- **Economic performance**: a strong, resilient and diverse economy
- **Fiscal performance**: a sustainable fiscal environment enabling delivery of outcomes
- **Public sector performance**: stewardship of the public sector performance and financial management system.

Our Outcome and Business Plan focuses on four change priorities that will be at the core focus of our organisation for the next three years:

- delivering an outcome focus across the sector
- developing and implementing innovative and strategic policy and service reform
- cultivating a highly capable, collaborative and diverse customer-centric team
- enabling an agile, inclusive and future-focused Treasury.

Our people continue to be our most important asset. As you'll read in this Report, we are committed to supporting all employees, both professionally and personally, so they can support you—the people and businesses of NSW. This includes the development of our recognition program, the implementation of our Diversity and Inclusion Program and Reconciliation Action Plan, additional training opportunities for leaders and employees, significant measures to support employee engagement and wellbeing and an effective internal communications program designed to bring to life our Culture Plan.

This is all supported by the adoption of new and improved technology to ensure we deliver a world-class service.

The Delta and Omicron strains have shown us we can't always know what is around the corner, but we have never wavered from supporting the people, businesses and communities of NSW so that everyone has access to services and infrastructure that deliver outcome based social and economic benefits.

Despite the difficulties we have experienced this year, this Report contains sound evidence that Treasury is living its outcome-oriented goals and achieving for the people of NSW.

Michael Pratt AM
NSW Treasury Secretary

01.

NSW's fiscal and economic environment

2020-21 was a remarkable period for the state's fiscal and economic environment.

The financial year commenced with New South Wales in lockdown and unemployment at 7.1 per cent. State Final Demand had just fallen by 8.7 per cent in the June 2020 quarter—the largest contraction ever recorded in the state. Almost 270,000 people had lost their jobs in the preceding few months. The Government was in the midst of implementing a major response and recovery package—one that not only supported our health system but which supported workers and encouraged investment.

The tabling of the State Budget was deferred to 17 November 2020. At the time of its release, restrictions were easing and there were early signs of economic recovery. The expectation was that the economic recovery would be gradual, particularly given the drag effects of low population growth and closed international borders. The Government's support and capital programs were supporting people stay in jobs, albeit with an impact on the State's balance sheet and operating statement. The Government deficit was expected to be $16 billion for 2020-21, before tapering and returning to surplus in 2024-25.

The second half of the financial year delivered a turnaround of historic proportions. As reported in the 2021-22 Budget—in the second half of the year individuals, businesses and communities were largely able to continue their lives in a way that many around the world had not. By the end of June, the state economy had not only recovered all lost jobs, more had been added. The state's economy was actually larger than before the pandemic. The Government's operating position had improved in line with the economy and New South Wales was the only state in Australia to have a triple-A credit rating (Moody's, December 2020).

At the conclusion of the financial year the forecast deficit for 2020-21 had been halved ($7.9 billion) and the Budget was expected to return to surplus by 2024-25 ($0.5 billion). Net debt had also improved—projected to trend back down towards 7 per cent of GSP over the medium-term. The NSW Government was using its balance sheet to support a record infrastructure program of $108.5 billion.

At the time of this annual report's release, the state has had to deal with successive waves of COVID-19, first Delta, now Omicron. The Government has stepped in to provide fiscal support. The impacts of this were reported in the 2021-22 Half-Year Review and impacts since then will be reported in the 2022/23 Budget.

02.

COVID-19: Recovery for a sustainable future

Throughout 2020-21, as state-wide and interstate movement restrictions eased, the NSW Government continued its program of COVID-19 recovery. The recovery program focused on long-term, sustainable growth, through skilling and job creation schemes, and providing targeted support for the industries and regions hit hardest by the 2020 stay-at-home orders, including hospitality, tourism, the arts and the Sydney CBD.

The NSW Government has focused on driving jobs growth through a significant infrastructure agenda, as well as targeted schemes to attract businesses to NSW. This has included the $250 million Jobs Plus program to support companies that want to expand their footprint in the State.

Support for highly impacted industries and places has included the launch of the $500 million state-wide Dine & Discover scheme to drive tourism, recreation and hospitality spend, grants to live music venues through the Live Music Support Package, and CBD revitalisation initiatives spanning live performances across the CBD, the Culture Up Late program, and al fresco dining through a partnership with the City of Sydney.

The NSW Government supported businesses affected by public health orders through the COVID-19 Small Business Recovery Grant, the Small Business Southern Border Grant, and the Northern Beaches Small Business Hardship Grant.

As the financial year drew to a close, the Delta outbreak paused many recovery initiatives to allow the NSW Government to focus on targeted support packages to keep people in jobs, businesses in business and support local communities through the restrictions. As restrictions ease across the State, the focus is once again on recovery and reform to help NSW to rebuild stronger than ever before.

SUPPORT IN 2020-21 INCLUDED:

An estimated **$2.1bn** in savings to businesses as a result of the temporary two-year reduction in the payroll tax rate

$136m in support grants paid to more than 38,000 small businesses

$9.5m in Dine & Discover vouchers redeemed with a total onward spend of $392.5m

More than **6,000** international students and dependents supported with temporary crisis accommodation

More than **600** grants provided to exporters to help them promote their products overseas aimed at defending, retaining and growing trade and industry

440 social sector organisations supported with transformation grants of up to $20,000

03.

About NSW Treasury

NSW Treasury is proudly the oldest continuing government agency in Australia, established in 1824.

Treasury's aim is to ensure the people of NSW have access to services and infrastructure that deliver social and economic benefits, underpinned by a strong and sustainable economic and financial position.

We manage the State's finances and assets, monitor the performance of its commercial agencies and develop its performance and financial management policies. We are known for the provision of quality advice and influence, particularly economic, excellence in delivery, and strong and transparent risk management.

OUR CORE RESPONSIBILITIES

Management of NSW finances

Management of NSW assets

Administrate a range of Acts and Regulations

Administer the Crown Entity and other entities

Analysis, advice and delivery support

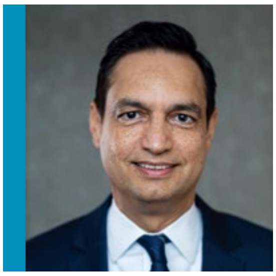
Economic analysis and strategy

04.

Treasury leadership team as at 30 June 2021

MICHAEL PRATT AM
Secretary

JOANN WILKIE
Deputy Secretary – Economic Strategy and Productivity

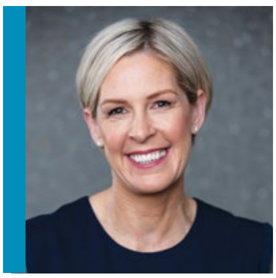


SAN MIDHA
Deputy Secretary – Policy and Budget

PHIL GARDNER
Deputy Secretary – Commercial and Procurement

KIM CURTAIN
Chief Operating Officer - Corporate Services

ANDREW HUBRECHSEN-YUNG
A / Chief People Officer



TRACY WILSON
Chief Information Officer

STEWART WALTERS
Chief Finance and Operations Officer

CHARLES CHO
General Counsel

VICTORIA JONES
Chief of Staff – Office of the Secretary

05.

Treasury's structure and responsibilities

Headed up by the Secretary, Michael Pratt AM, Treasury's structure consists of five divisions responsible for delivering Treasury's strategy and goals. These include:

Economic Strategy and Productivity

Shapes the NSW economic strategy and influences the future direction of economic policy, productivity reform, small business strategy, tax policy and federal financial relations.

Policy and Budget

Provides advice to NSW Government and agencies on financial management, policy reform and resource allocation.

Commercial and Procurement

Provides specialist governance, commercial, procurement and risk advice and implementation to support the State's fiscal and social outcomes and balance sheet

Chief Operating Officer

Bringing together the General Counsel, IT, HR, Communications, Finance and Operations, and Banking and Financial Services, this division provides corporate services support to Treasury. The division was formed following the Machinery of Government changes in March 2021, consolidating previously autonomous areas.

Office of the Secretary

Provides internal support and advice, central agency leadership and engagement and coordinates engagement and support for the Treasurer's Office.

Machinery of Government changes

The following divisions were part of NSW Treasury until March 2021, when they moved to the NSW Department of Premier and Cabinet through the Machinery of Government changes:

Jobs, Investment and Tourism

Focuses on job creation, investment, industry development, precinct development and tourism.

Trade

Focuses on trade (including Study NSW), outbound growth and the international network.

06.

Machinery of Government

We took the opportunity to review our organisational structure following the Machinery of Government process in March 2021 that saw several Treasury agencies transition to the NSW Department of Premier and Cabinet (DPC). A key focus was streamlining our systems, platforms and processes to build a strong foundation for a world-class Treasury.

OUR LEADERSHIP TEAM HAS BEEN STREAMLINED TO FOUR KEY AREAS:

- Economic Strategy and Productivity Group
- Policy and Budget Group
- Commercial and Procurement Group
- Chief Operating Officer

OUTGOING AGENCIES/TEAMS INCLUDED:

- Jobs, Investment and Tourism
- Trade, including international teams
- Destination NSW
- Western Parkland City Authority

The following autonomous entities produce their own annual report:

- NSW Procurement Board
  - Develops and implements a government-wide strategic approach to procurement. The NSW Procurement Board's 2020-21 annual report can be found on page 47 of the Appendices in this annual report.
- NSW Small Business Commission
  - Helps resolve issues affecting NSW small businesses and acts as an advocate to government. A copy of the Annual Report for the NSW Small Business Commissioner can be found at https://www.smallbusiness.nsw.gov.au/news/read-commissions-2020-annual-report.

07.

Our performance

Our vision

To be world-class amongst Treasuries globally, stewarding innovative, strategic policy reform underpinned by strong economic and financial management.

Our purpose

Providing central agency leadership so the people of NSW have access to services and infrastructure that deliver outcomes based social and economic benefits.

	OUTCOME 1 A strong, resilient and diverse economy	OUTCOME 2 A sustainable fiscal environment enabling delivery of outcomes	OUTCOME 3 Stewardship of the public sector performance and financial system
OUTCOME INDICATORS	Growth in real GSP per capita Jobs created in NSW since April 2019	Maintaining the triple-A credit rating Annual expense growth below long-term revenue growth Reducing the long-term fiscal gap Fully funding the State's unfunded defined benefit superannuation liabilities by June 2030	Provision of effective tools and frameworks (including technology) to enable sector to strengthen their performance and financial management, and promote efficient, effective and economical use of government resource No material adverse findings in Audit Office reports to Parliament A voice of the customer survey of the support provided by Treasury and the effectiveness of Treasury performance and financial management stewardship
OUR PROGRAMS TO DELIVER OUR OUTCOMES	Building a Strong and Productive Economy Delivering the Global NSW Strategy Growing the NSW Visitor Economy	Commercial and Commissioning Fiscal Planning and Management Sector Support and Resource Allocation Sector Procurement Services, Analytics and Systems Evidence Informed Investment and Policy Financial Reporting and Systems Management	Performance and Financial Systems Stewardship Digitally Focussed Treasury Highly Capable, Collaborative and Diverse Team

CHANGE PRIORITIES

- Delivering an 'outcome' focus across the sector
- Developing and implementing innovative and strategic policy and service reform
- A highly capable, collaborative and diverse customer-centric team
- An agile, inclusive and future-focussed Treasury

OUR BEHAVIOURS

COLLABORATIVE	FLEXIBLE	INCLUSIVE

Following the Machinery of Government changes in March 2021, Treasury amended its Outcome and Business Plan.

Transfer to Investment NSW

The following Outcome Indicator, two Outcome Programs and associated Program Performance Measures were transferred to Investment NSW in the DPC Cluster:

OUTCOME INDICATOR	OUTCOME PROGRAMS
• Jobs Created in New South Wales since April 2019	• Delivering the Global NSW Strategy • Growing the NSW Visitor Economy.

Outcome One changes

The remaining Outcome Program in Outcome One was split into two components, with the overarching programs' intent remaining intact:

- Building a Strong, Productive and Diverse Economy
- Improving Economic Wellbeing.

Outcome Two changes

Within Outcome Two, the Outcome Program named 'Commercial and Commissioning' has been renamed 'Commercial and Balance Sheet Management'.

The fourth Outcome Indicator , 'Fully funding the State's unfunded defined benefit superannuation liabilities by June 2030' was updated and published in the 2021-22 NSW Budget Papers as 'Fully funding the State's unfunded defined benefit superannuation liabilities by June 2040'.

Outcome Three changes

Within Outcome Three, an additional Outcome Program named 'Supporting First Nations wellbeing, outcomes and prosperity' has been created to provide focus to work previously incorporated within other programs.

Treasury provides sector leadership to help NSW be a recognised leader in economic analysis and strategy, fiscal management, productivity, business reform, infrastructure delivery and innovative strategic policy reform.

The subsequent chapters provide a summary of our 2020-21 performance.

OUTCOME 1
A strong, resilient and diverse economy

Treasury established its series of publications comprising peer-reviewed research on a range of topics related to the economy. Eight papers related to the *2021-22 NSW Intergenerational Report* were published ahead of its release, including on the 'three Ps' of economic growth—population, participation, and productivity, the impact of climate risks on the NSW economy and budget, health expenses growth, Sydney's urban structure, and global secular stagnation. Treasury also published *Regulating for NSW's future*, a report that drew on data and insights using artificial intelligence and identified opportunities for NSW to future-proof regulation, keeping it flexible, fit-for-purpose, and responsive in times of change. Papers on property tax reform including a *Progress Paper—Making Home Ownership More Achievable in NSW*, and a technical research paper, *The economic costs of transfer duty: A literature review* were also published in June 2021.

These publications received widespread coverage, advancing public understanding of the longer-term structural trends impacting our economy and society, and provide an evidence base to inform future policy prioritisation and development.

Building a strong and productive economy

The labour market was heavily impacted by COVID-19 disruptions. Employment in NSW fell by almost 270,000 at the height of the pandemic in 2020. However, the strong rebound in the economy towards the end of the financial year saw the level of employment also recover strongly, with more than 300,000 jobs added since May 2020. Consequently, employment in June 2021 was around 27,000 above its February 2020 pre-pandemic level.

Engaging the NSW 2040 Economic Blueprint

Continued engagement on the *NSW 2040 Economic Blueprint* (launched by The Treasurer and NSW Chief Economist in November 2019) will guide the next phase of growth for the State. Despite delays in planned workshops and discussions due to COVID-19, Treasury has driven efforts to further identify challenges and risks and highlight major opportunities for the NSW Government to grow industries, innovate and improve our economy. Actions include the NSW Chief Economist:

- undertaking ongoing research, engagement, and consultation with industry and government stakeholders on the vision for NSW and how this may be affected by the impacts of COVID-19
- planning a series of targeted roundtables with relevant stakeholders to identify opportunities and challenges faced by the NSW economy to achieve or update the aspirations outlined in the *NSW 2040 Economic Blueprint*. To work around COVID-19 delays, the discussion moved towards the second half of 2021 and first half of 2022, with the intention of publishing an updated **Economic Blueprint 2.0** in late 2022.

The Federal Financial Relations Review

The Federal Financial Relations Review is a practical pathway to reform the federation and the tax system that supports it and to improve the capacity of NSW to fund the services and infrastructure that its residents expect.

The final report was released in November 2020, setting out a clear blueprint for refreshing the federation—a blueprint that, if implemented, can provide a pathway to support the nation's economic recovery. This will involve keeping taxes as low as possible, ensuring that value is maximised from every dollar raised, and recalibrating the federation so that it continues to serve this nation well.

The Review Chair, Mr David Thodey AO, led a subsequent discussion with the Board of Treasurers on broader opportunities for reform of Commonwealth-state relations and fiscal federalism – reinforcing NSW Government's leadership role in the federation.

As a result, the NSW Treasury Tax Taskforce was established to pursue recommendations relating to property tax reform and a new electric vehicle charging regime.

Productivity-enhancing reforms

The *Continuing the Productivity Conversation Green Paper*, was released in August 2020 and identified both big and small measures that the NSW Government can take in the short, medium and long term.

Following public consultation to test the draft recommendations with stakeholders, the NSW Productivity Commission White Paper, *Rebooting the Economy*, was released in May 2021. The release of the White Paper came at a pivotal time for NSW, as we continued to manage the health and economic impacts of the COVID-19 pandemic and recover from the impact of bushfires and floods.

The White Paper identifies 60 opportunities to guide the choices we make today to set up the foundations for long-term productivity and economic growth. Economic modelling indicates that these reforms could boost Gross State Product (GSP) by two per cent per annum by 2041; an increase of $19.4 billion in today's dollars, and equivalent to each NSW citizen over the age of 15 receiving an additional $2,000 per year by 2041.

Supporting small businesses

The NSW Small Business Commission (the Commission) supports the sustainability of small businesses in NSW. The Commissioner's role has never been more important than during the pandemic, with many small businesses across the State heavily impacted by the fallout. The Commission received additional funding to meet the strong demand for services in 2021, including mediation of commercial lease disputes under the National Leasing Code, and call centre support for small businesses in need of information and assistance.

The Commission:

- began the delivery of a new education program to assist small businesses in developing better tenders for NSW Government and private sector opportunities
- significantly boosted its engagement with small businesses, to provide real time insights and support advocacy to Government. Activities included enhanced industry liaison and engagement, monthly surveys of small business confidence and performance, and targeted policy advice aimed at improving the regulatory environment for small business.

A legislative review of the Small Business Commissioner Act was also completed.

Job creation and retention

Last financial year, Treasury continued to prioritise initiatives that support job retention and creation across the State. These included:

- the launch of the $250 million Jobs Plus program, designed to support companies that want to establish and expand their footprint in NSW. The NSW Treasury set up the governance structure, drafted the guidelines and assessment framework and worked with the business community to generate interest in the program. A pipeline of over 100 potential investors was developed
- successfully ensuring that Qantas global headquarters remained in Sydney, retaining 3,500 jobs and growing jobs into the future
- obtaining government support to commence an industry-led, industry-funded pilot to return international students to universities in NSW, supporting more than 95,000 jobs
- approval of additional funding for the Global NSW Strategy in the November 2020-21 NSW Budget. This included funding for the Advanced Manufacturing Strategy, Cyber Security Strategy, NSW Defence and Industry Strategy, development of Tech Central and Westmead precincts, support for innovation and start-ups, implementation of the 24-Hour Economy strategy, as well as investment attraction—all of which have job creation at their core.

Strengthening our global network

Global NSW was under Treasury's management until March 2021. The goals of the Global NSW network expansion are to:

- maintain a deep understanding of priority international markets
- advance economic development priorities internationally
- provide in-market 'behind the border' support for exporters
- assist more NSW exporters to reach target markets at scale.

The rollout of the Global NSW network was delayed in 2019-20 due to COVID-19. Despite this, significant work was progressed during 2020-21 to prepare for the expansion.

Supporting the State's visitor economy

Destination NSW was within the Treasury Cluster until March 2021. The agency is the lead government agency for the NSW tourism and major events sectors.

The Visitor Economy Strategy 2030 was released in January 2021—a roadmap to support all industries involved in the visitor economy to recover from the impact of drought, bushfires and COVID-19, and grow in the future.

OUTCOME 2
A sustainable fiscal environment enabling delivery of outcomes

The 2021-22 NSW Intergenerational Report

The *2021-22 NSW Intergenerational Report* (the Report), published on 7 June 2021, provides a picture of the state in 40 years' time, based on changes to our population, economy, and environment. The Report was prepared by Treasury based on its long-term economic and fiscal projections, to identify both the risks and opportunities facing the state. It provides a snapshot detailing how NSW will change over the next 40 years (to 2060-61) and highlights a range of policy areas that could be addressed to improve our long-term economic and fiscal outlook.

The key finding of the Report (and the core reporting requirement under the *Fiscal Responsibility Act 2012*) is our long-term fiscal position, if corrective policy action is not taken. The Report finds that a fiscal gap of 2.6 per cent of GSP will emerge, indicating that expenditure is expected to grow faster than revenue.

The most effective way to address this fiscal gap is to grow the economy. Higher productivity growth and workforce participation, particularly amongst women are key opportunities. The Report also includes modelling on key physical and transitional climate risks and opportunities particularly in relation to renewable energy. The Report includes new analysis around the fiscal benefits of improving health outcomes to enable healthy ageing, through effective action and investment in preventative health.

Accurate expense forecasts

Treasury has continued efforts to improve the accuracy of expense forecasts across the sector throughout the year.

Total expenses in 2020-21 were originally budgeted at $98.1 billion in the 2020-21 NSW Budget. This was subsequently revised down to $95.5 billion in the 2021-22 NSW Budget, following collaboration with agencies to re-profile their expense forecasts to better align with planned service and project delivery schedules. By year-end, actual expenditure of $95.0 billion was made, representing a small variation of just 0.5 per cent from the revised projection.

This marginal difference demonstrates the progress made towards more accurate expense forecasts, despite the highly uncertain environment faced in 2020-21. Treasury will continue this focus moving forward, helping to strengthen the State's financial management and better inform government decision-making.

Asset optimisation and financial risk management

The Asset and Liability Committee (ALCO) provides advice to the Treasury Secretary and the NSW Government on key decisions regarding the State's assets and liabilities. The ALCO's priorities during 2020-21 included:

- optimising the state's self insurance profile to balance investment, premiums and reinsurance strategies
- reviewing total state liquidity management, including seeking efficiencies through centralisation of cash
- optimising debt to minimise interest costs over the longer term, including lengthening of debt profile over the year
- advising on the risk appetite and investment strategy for Treasury's investment funds.

Social impact investment

During 2020-21, Treasury continued to grow the social impact investment (SII) market in NSW and oversee the existing NSW SII portfolio, including:

- securing $30 million to pilot new social impact investments with a focus on women facing disadvantage and indigenous youth
- collaborating with agencies to deliver two innovative, early-intervention, outcome-focused programs:
  - Foyer Central to provide a safe, affordable home to young people with lived experience of out-of-home care while they develop skills to lead independent and fulfilling lives, and
  - the Youth Employment Social Impact Program to support young people with high barriers to employment to find and sustain employment
- leading the publication of the NSW Sustainability Bond Program (SBP) Annual Report and supporting TCorp to grow and diversify the SBP, with $5.2 billion in Sustainability Bonds currently on issue.

Debt management

COVID-19 saw the 2020-21 NSW Budget forecast a record borrowing requirement of $29.7 billion for the Crown. In reality, the Crown's actual borrowings for 2020-21 were $18.6 billion, with a material amount of the expected borrowings being pushed into the 2021-22 financial year. The 2021-22 Crown borrowing requirement was forecast to be $28.4 billion at the 2021-22 NSW Budget.

2020-21 was also a period of record low interest rates and the Crown took advantage of this fact to borrow in longer tenors, locking in low rates for the longest possible time. This has resulted in an increase in the weighted average life (WAL) of the Crown's combined debt portfolio increasing from 7.2 years to 8.0 years, while the weighted average yield (WAY) of the portfolio fell from around 2.6 per cent to under 2.2 per cent.

Managing established funds

Treasury has continued managing and supporting established funds including:

- NSW Infrastructure Future Fund (NIFF)—investing the net proceeds from the State's asset recycling program to support the Restart NSW and Rebuilding NSW infrastructure programs
- Social and Affordable Housing Fund (SAHF)—provides funding for social and affordable housing and associated support services. The SAHF programs are expected to deliver more than 3,400 social and affordable homes to those in need
- NSW Generations Fund (NGF)—a dual-purpose intergenerational fund that helps future generations by supporting sustainable debt levels through time.

During 2020-21, the funds generated returns well in excess of long-term return targets as financial markets continued their strong growth following the COVID-induced downturn. While this outcome is pleasing, Treasury continues its strong focus on risk management to ensure the funds can remain robust over the long-term to sustainably support their policy objectives.

Sustainable finance

NSW Treasury drives a whole of state and collaborative approach to managing sustainable finance, including environmental, social and governance risks and opportunities across government. This approach is consistent with Treasury's central responsibility to manage risks to the State's balance sheet and fiscal position in a coordinated and consistent manner and involves close partnerships with entities across the sector.

In 2020-21, this included:

- updating or releasing a range of policy guidance incorporating climate risks, including: *Internal Audit and Risk Management Policy for the General Government Sector* (TPP20-08)
- the production of a nation-leading capability uplifting guide, C*limate Risk Ready NSW Guide* and associated training course by the Department of Planning, Industry and Environment, in partnership with Treasury.

Whole of Government cost savings

NSW Treasury monitors Whole of Government (WoG) cost savings in line with Election Commitments and 2020-21 NSW Budget decisions.

Progress on Cluster Procurement Savings Plans to track delivery of procurement savings will be reported periodically (as required) to the Expenditure Review Committee, Minister for Finance and Small Business, the Secretaries Board and the Procurement Board.

Ongoing engagement and analysis will be undertaken with clusters to investigate further procurement spend optimisation opportunities.

Procurement practices

Treasury continued to refine our approach to Procurement to deliver an efficient and well governed process, including identification and delivery of further savings. This included:

- progressing numerous procurement reforms such as review of procurement governance, simplifying procurement policies, developing best practices processes/procedures, capability development and digitisation of procurement processes
- procuring and project-managing the Hotel Quarantine program for NSW over 2020 and 2021, including negotiating commercial deals with hotels and caterers, and collaborating with NSW Police, NSW Health and the Public Works Advisory
- establishing the Electricity Retail Services contract with integrated capacity agreement to establish a fast-response storage capacity
- providing strategic advice and WoG accountability on the impact and implications of transitioning the NSW Government fleet to battery electric vehicles
- delivering a refreshed WoG tiered Waste Management category and contract
- supporting construction procurement reform through implementation of initiatives within the 'NSW Action Plan: A ten point commitment to the construction sector' in partnership with the Construction Leadership Group.

Evidence informed investment and policy

Treasury continued to work in partnership with clusters to drive evidence informed decision making, implement plans of action to develop business cases, prepare cost-benefit analyses, and conduct process, outcome and economic evaluations of government initiatives in accordance with NSW Treasury guidelines.

Closing the Gap

NSW Treasury is committed to working in partnership with Aboriginal and Torres Strait Islander communities to achieve progress under the National Agreement on Closing the Gap (the Agreement).

As a signatory to the Agreement, NSW Government Clusters are required to report progress against the five Priority Reforms and 17 socio-economic targets. NSW Treasury, through its role as principal financial and economic advisor to government, has an important role in the delivery of the priority reforms and supporting other agencies to implement processes that achieve improved outcomes for First Nations peoples.

To support **Priority Reform one—Formal partnership and shared decision-making** and **Priority Reform three—Transforming Government Organisations**, Treasury continues to:

- deliver on its Reconciliation Action Plan
- work on establishing an Indigenous Advisory Council consisting of Treasury executives and senior Aboriginal and Torres Strait Islander leaders across a range of industries and sectors.

Treasury started work in April 2021 on the State's first **Interim Indigenous Expenditure Report** (the Report) that quantifies and analyses Indigenous-specific expenditure across all government agencies. The aim of the Report is to identify duplication, gaps and opportunities for increased evaluation and reprioritisation of funding towards the Aboriginal Community Controlled Sector, in support of **Priority Reform two—Building the Aboriginal Community Controlled Sector** and **Priority Reform four—Data Sharing**.

Treasury is also supporting the development of First Nations businesses, employment opportunities and economic prosperity for First Nations communities under **Priority Reform five—Employment, business growth and economic prosperity**. This included:

- the utilisation of the Business Connect program, a dedicated and personalised NSW Government program that provides trusted independent business advice and event. The program has provided services to 283 Aboriginal customers in 2020-21, an increase of 18 per cent year-on-year
- the development of the State of Aboriginal Businesses Sector Report
- overseeing the implementation of the Aboriginal Procurement Policy (updated January 2021) that has tripled NSW Government spend with Aboriginal businesses since its introduction in 2018.

An Aboriginal Economic Prosperity Outcomes Framework and Cost Benefit Analysis Framework developed in consultation with Aboriginal and Torres Strait Islander communities are being finalised. These will give agencies insights into key indicators for First Nations economic development.

OUTCOME 3

Stewardship of the public sector performance and financial management system

Treasury Stewardship survey

Treasury plays a critical role as the performance and financial steward for the NSW Government sector.

In 2021, Treasury conducted its first annual Treasury Stewardship survey. The survey sought to understand Treasury's general government customers' views on the stewardship support provided by Treasury to drive effective performance and financial management. Treasury has used the survey result to report performance and identify continuous improvement opportunities.

Treasury has achieved:

- an average score of 3.9 out of 5.0 for Treasury Outcome 3 Indicator, "A voice of the customer survey of the support provided by Treasury"
- an average score of 3.3 out of 5.0 for Outcome 3 Indicator, "Provision of effective tools and frameworks (including technology)".

Treasury will conduct this survey annually and will target improvement against this baseline each year. Treasury will continue to refine its Customer Relationship Model to provide stronger and improved support to the sector.

Supporting financial decision-making

During 2020-21, Treasury focused on developing and implementing effective tools and frameworks, including technology, to support timely and effective decision-making across the public sector in respect of financial and performance reporting. This included:

- guidance on business plans and implementation of outcomes budgeting released, and providing training and support
- guidance on accounting standards also issued with supporting training and advice
- outcomes portal developed, tested and now operational
- piloting a Risk Maturity Tool, which is now being operationalised for the sector
- development of a Supplementary Returns Module of Prime to assist agencies to make year-end financial statements submissions more efficient.

Optimising outcomes and performance

Treasury continues to lead the implementation of Outcome Budgeting, focused on strengthening the performance and delivery of Outcomes to achieve greater public value for money of every dollar.

This included:

- implementation and use of Cluster Outcome and Business Plans across the sector as part of the regular performance reporting cycle that assists in Government priority issue identification and decision making
- enhanced use of Outcome Budgeting as a key tool to shape and inform priority areas for direct support, such as the Government's COVID-19 response and recovery measures
- improved data visualisation tools across State Outcomes to show levels of government investment and prioritisation in identified focus areas.

CFO of the Sector

Treasury's CFO of the Sector initiative was materially progressed this year. It includes a framework to better utilise the collective power of all finance professionals across the sector to:

- solve shared challenges
- drive a sustainable fiscal environment
- enable the delivery of state outcomes.

Key to implementing this framework was the establishment of a Finance Strategy Board comprised of the cluster Deputy Secretaries with finance responsibility and convened by Treasury. This group will oversight the key strategic initiatives to achieve the CFO of the Sector outcomes and drive the uplifting of the sector's finance capability.

Customer-centric climate

We have continued to embed customer-centric behaviours across Treasury to deliver both relationship and specialist skills advice to our customers. This included:

- delivering a review of State-Owned Corporations (SOCs), which includes recommendations for driving stronger commercial performance of SOCs and better alignment with government policy (implementation of recommendations underway)
- leading the support for the icare Independent Review, which was well-received by the NSW Government
- continuing close monitoring of and engagement with icare, focused on delivering the recommendations of the Independent Review.

Improving banking arrangements

Treasury has continued to implement the new banking arrangements for government, leveraging significant technology developments in the sector. This included:

- establishing a formal governance model to ensure uplift in outcomes from the banking relationships, effective management of contract commitments and relevant risk and compliance oversight
- completing the transition of banking from Westpac to ANZ for Treasury, while the process continues for NSW Health, NSW Department of Customer Services, NSW Department of Premier and Cabinet, Essential Energy, Hunter Water and Forestry Commission
- transitioning of supplier payments to card payment methods, supporting faster payment terms for suppliers and reducing cash handling and invoice processing activities with associated efficiency benefits
- reaching almost 20 per cent shift away from non-digital payment methods with further targeted focus on cash and cheque removal planned for FY 2021-22
- reviewing digital technologies to support digitisation of Bank Guarantees and Supply Chain
- establishing COVID-19 data sharing arrangements with the banks to provision underlying consumer spend and financial stress data to the state to support COVID-19 response analysis
- establishing cross sector Banking and Payments Council and Banking Reform program to deliver expected annual run-rate benefits of $250 million once implemented.

OneTreasury Culture

Treasury is committed to leading by example with a culture that focuses on three pillars: collaboration, inclusivity and flexibility. In August 2020 we launched OneTreasury Culture—a Culture Plan that builds on our continued success as OneTreasury. It includes a commitment to the development of all leaders, world-class engagement and a future-focused workforce.

Progress included:

- leadership and employee programs refreshed to embed OneTreasury culture
- building awareness of cultural values through Cultural Conversation events attended by more than 800 employees.

Our communication approach was refreshed to ensure all information reflects our cultural pillars and staff can easily embed its key drivers into everything they do.

Our Treasury Culture focuses on collaboration, inclusion and flexibility underpinning the outcome of highly capable, collaborative and diverse teams

HOW WE'LL DO IT

DEVELOPMENT OF ALL LEADERS | COMMITMENT TO WORLD CLASS ENGAGEMENT | FUTURE FOCUSED WORKFORCE

OUR COMMITMENTS

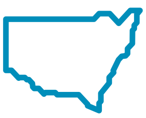
COLLABORATION We work in **partnership**	INCLUSIVITY We value all contributions	FLEXIBILITY We consider all options
We gather broad input from our colleagues to solve problems We let people know when they're doing a great job We think and act together with the customer top of mind	We communicate early and regularly beyond our local team We treat each other with respect and honesty We welcome other points of view and capabilities	We embrace change and respond quickly to stay ahead We balance work and life so we can be our best at both We review priorities according to required outcomes
I feel like I can work with my manager and make working arrangements that suit me, our team and Treasury	**I feel a sense of belonging and appreciate that diversity is valued at Treasury**	**I feel like I can work with my manager and make working arrangements that suit me, our team and Treasury**

WHY WE'RE DOING THIS

Our Treasury behaviours and ways of working underpin our shared ambition to be recognised as world-class amongst Treasuries globally

Our people

Our Customers



Our State

Diversity and inclusion

Our State is made up of a diverse community with different needs. It is crucial for us to understand and involve the voices of the communities that we serve, design and create policies for. We believe a diverse workplace, where the best people for the job collaborate towards great outcomes, is a world-class workplace. Progress included:

- launching Treasury's Reconciliation Action Plan (RAP), with a focus on implementing its key actions through dedicated resources
- making the SBS Inclusion e-learning modules available to all Treasury staff, with a focus on the Aboriginal and Torres Strait Islander module as a priority following the launch of our RAP
- embedding our Diversity and Inclusion network, with working groups and Band 2 (Executive Director level) sponsors established to champion project streams
- an ongoing commitment to disability inclusion, which remains Treasury's greatest diversity and inclusion opportunity in terms of achieving the Premier's priorities
- delivering key events, including NAIDOC Week 2020, Wear It Purple Day 2020, Reflect Reconciliation Action Plan Launch, Carer's Week 2020, International Day of People with Disability 2020, International Women's Day 2021, Mardi Gras 2021, Harmony Day 2021, National Reconciliation Week (27 May-3June 2021) and The Business Case for Inclusion with Dr Jane O'Leary.

Enhancing the Employee Experience

During a year which has asked a lot from employees with ongoing restrictions and work from home measures, Treasury supported staff balance their work and personal life commitments, recognised their achievements, and encouraged learning opportunities. This included:

- delivery of an updated Flexible Work policy and a new Hybrid Work policy and tools to support hybrid working at Treasury
- delivery of fortnightly employee engagement communication
- delivery of the OneTreasury Recognition program
- a renewed focus on learning and development opportunities
- targeted level-based leadership programs to support our leaders to engage with their teams more effectively and support productivity and engagement.

CURRENT DIVERSITY METRICS BASED ON PREMIER'S PRIORITIES

Women Senior Leaders

44.4% vs. target of 50%

Aboriginal Senior Leaders

2 vs. stretch target of 4

Disability Employment

2.8% vs. target of 5.6%

People Matter Employee Survey

In 2020-21, we delivered focused activities aimed at responding to employees' key feedback areas:

- Leadership Development
- Learning and Development for job success.

The approach put in place both organisation-wide and specific divisional action plans. This included:

- ongoing delivery of a suite of leadership programs for people managers, those who lead teams and those who lead a business
- increasing visibility of mobility opportunities across Treasury
- launch of a Lunch and Learn series (wellbeing, financial, career & recruitment)
- managing my career session piloted for employees
- People Manager Fundamentals online program available for 9/10 employees.

Delivering strategic communications

NSW Treasury develops external communication and internal engagement strategies to support its world-class vision. A well-balanced calendar of speaking engagements with key organisations allows NSW Secretary and key internal stakeholders to inform, educate and engage audiences on the work and projects delivered by Treasury divisions. In 2020-21, NSW Treasury Secretary speaking engagements included: CEDA, Infrastructure Partnerships and ANZ Trans-Tasman Business Circle, Institute of Public Administration (IPAA), First State Super (FSS), Community of Finance Professionals (COFP) and Australian Chamber of Commerce and Industry.

Strategic communications set the direction and guided the implementation of:

- designing, launching and promoting key documents, including the 2020-21 and 2021-22 NSW Budget, 2020-21 Budget Half- Yearly Review, the final report of the Federal Financial Relations Review, the 2021-22 NSW Intergenerational Report, Productivity Commission Papers, and numerous technical research and insights papers
- a wide range of industry event series including business summits, community meetings and report launches
- a digital strategy to improve digital capability across Treasury, including upgrading and improving the website and social media program
- internal communication strategies to engage team members and nurture two-way dialogue between employees by utilising face-to-face and digital platforms, including Town Hall events, regular newsletters with video content, fortnightly all-staff calls with the Secretary and guests.

Digitally driven Treasury

In 2019-20 we continued to implement and expand our use of technology to meet employee and sector needs, including meeting workforce flexibility requirements. This included:

- continuing to implement and upgrade systems to support digital and hybrid working
- enhancing the budgeting and outcomes tracking tools used throughout the sector
- improving cyber security awareness and controls.

Internal Audit and Risk Management Attestation Statement for the 2020-2021 Financial Year for NSW Treasury

I, Michael Pratt, am of the opinion that NSW Treasury has internal audit and risk management processes in operation that are compliant with the seven core requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

Core Requirements		**For each requirement, please specify whether compliant, non-compliant, or in transition**
Risk Management Framework		
1.1	The agency head shall accept ultimate responsibility and accountability for risk management in the agency	**Compliant**
1.2	The agency head shall establish and maintain a risk management framework that is appropriate for the agency. The agency head shall ensure the framework is consistent with AS/NZS ISO 31000:2018	**Compliant**
Internal Audit Function		
2.1	The agency head shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose	**Compliant**
2.2	The agency head shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	**Compliant**
2.3	The agency head shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	**Compliant**
Audit and Risk Committee		
3.1	The agency head shall establish and maintain efficient and effective arrangement for independent Audit and Risk Committee oversight to provide advice and guidance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	**Compliant**
3.2	The agency head shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	**Compliant**

Membership

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

- Independent Chair, Victoria Weekes, appointed April 2017, second term expires April 2022
- Independent Member, Paul Ruiz, appointed December 2017, second term expires December 2023
- Independent Member, Deborah O'Toole, appointed December 2017, term expired December 2020
- Independent Member, Julie Elliott, appointed September 2019, first term expires September 2022
- Independent Member, Jeremy Chandler, appointed July 2021, first term expires July 2024

Michael Pratt
Secretary
Date: 6/10/21

Su-Lin Macdonald
Director of Internal Audit and Risk
Date: 06/10/21

Internal Audit and Risk Management Attestation Statement for the 2020-2021 Financial Year for Liability Management Ministerial Corporations (LMMC)

I, Michael Pratt, am of the opinion that LMMC has internal audit and risk management processes in operation that are compliant with the seven core requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

Core Requirements		For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework		
1.1	The agency head shall accept ultimate responsibility and accountability for risk management in the agency	**Compliant**
1.2	The agency head shall establish and maintain a risk management framework that is appropriate for the agency. The agency head shall ensure the framework is consistent with AS/NZS ISO 31000:2018	**Compliant**
Internal Audit Function		
2.1	The agency head shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose	**Compliant**
2.2	The agency head shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	**Compliant**
2.3	The agency head shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	**Compliant**
Audit and Risk Committee		
3.1	The agency head shall establish and maintain efficient and effective arrangement for independent Audit and Risk Committee oversight to provide advice and guidance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	**Compliant**
3.2	The agency head shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	**Compliant**

Membership

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

- Independent Chair, Victoria Weekes, appointed April 2017, second term expires April 2022
- Independent Member, Paul Ruiz, appointed December 2017, second term expires December 2023
- Independent Member, Deborah O'Toole, appointed December 2017, term expired December 2020
- Independent Member, Julie Elliott, appointed September 2019, first term expires September 2022
- Independent Member, Jeremy Chandler, appointed July 2021, first term expires July 2024

Michael Pratt
Secretary 6/10/21
Date:

Su-Lin Macdonald
Director of Internal Audit and Risk
Date: 06/10/21

Internal Audit and Risk Management Attestation Statement for the 2020-2021 Financial Year for State Rail Authority Residual Holding Corporation (SRARHC)

I, Michael Pratt, am of the opinion that SRARHC has internal audit and risk management processes in operation that are compliant with the seven core requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

Core Requirements		**For each requirement, please specify whether compliant, non-compliant, or in transition**
Risk Management Framework		
1.1	The agency head shall accept ultimate responsibility and accountability for risk management in the agency	**Compliant**
1.2	The agency head shall establish and maintain a risk management framework that is appropriate for the agency. The agency head shall ensure the framework is consistent with AS/NZS ISO 31000:2018	**Compliant**
Internal Audit Function		
2.1	The agency head shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose	**Compliant**
2.2	The agency head shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	**Compliant**
2.3	The agency head shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	**Compliant**
Audit and Risk Committee		
3.1	The agency head shall establish and maintain efficient and effective arrangement for independent Audit and Risk Committee oversight to provide advice and guidance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	**Compliant**
3.2	The agency head shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	**Compliant**

Membership

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

- Independent Chair, Victoria Weekes, appointed April 2017, second term expires April 2022
- Independent Member, Paul Ruiz, appointed December 2017, second term expires December 2023
- Independent Member, Deborah O'Toole, appointed December 2017, term expired December 2020
- Independent Member, Julie Elliott, appointed September 2019, first term expires September 2022
- Independent Member, Jeremy Chandler, appointed July 2021, first term expires July 2024

Michael Pratt
Secretary
Date: 6/10/21.

Su-Lin Macdonald
Director of Internal Audit and Risk
Date: 06/10/21

NSW Treasury Cyber Security Annual Attestation Statement for the 2020-2021 Financial Year

I, Michael Pratt, am of the opinion that NSW Treasury has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy:

- Governance is in place to manage cyber security maturity and initiatives.
- Risks to information and systems have been assessed and are managed.
- There is a cyber incident response plan which has been tested during the reporting period.
- There is an information security management system.
- There is an approved and funded cyber security uplift program to increase maturity and address known gaps.

This attestation covers systems managed by the NSW Treasury Information Technology Team. A separate attestation for GovConnect systems will be provided by the Department of Customer Service.

The following separate legal entities will provide their own attestations; Western Parkland City Authority, Destination NSW, State Super, icare, and TCorp.

Michael Pratt
Secretary, NSW Treasury
13/8/21

INDEPENDENT AUDITOR'S REPORT

The Treasury

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of The Treasury (Treasury), which comprise the Statement by the Secretary, 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 Summary 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 Treasury'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 Treasury 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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2021. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Crown Entity reform	
The convention of preparing separate Crown Entity financial statements ceased in FY2020-21. This resulted in Treasury: • applying AASB 1050 'Administered Items' to disclose certain transactions and balances that Treasury administers on behalf of the State • recognising additional revenue and expenses related to the activities Treasury controls, not administers • restating comparatives to provide comparability and transparency on the effects of the reporting change. I consider this to be a key audit matter because of the: • financial significance of transactions and balances that Treasury administers on behalf of the State • complexity and level of judgement involved in the reform • magnitude of changes required to the financial statements and the number of stakeholders involved in managing these transactions and balances on behalf of the State.	Key audit procedures included the following: • reviewing management's assessments of the appropriate accounting for these balances and transactions • assessing the reasonableness of management's judgements and estimates used to determine whether the transactions and balances were treated as controlled or administered by Treasury • assessing the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.
Accounting for stimulus packages	
Treasury was responsible for managing a number of financially significant stimulus packages. These included: • quarantine of incoming international travellers ($195 million) • small business recovery grant ($150 million) • global NSW strategy ($72.4 million) • summer summit / CBD revitalisation grants ($50.0 million) • southern border small business support grant ($45.0 million) • COVID-19 stimulus 3: support for international students ($20.1 million) • assistance package for NSW exporters and the domestic manufacturing sector ($17.8 million). Several agencies were engaged by Treasury to administer these packages on its behalf. I consider this to be a key audit matter because:	Key audit procedures included the following: • reviewing management's assessments of the appropriate accounting for these stimulus packages • obtaining an understanding of the processes and key controls Treasury and administering agencies had in place to manage these stimulus packages • testing the information technology general controls over systems used to administer the various stimulus packages • assessing the accuracy and completeness of source data from key systems • testing payments related to these stimulus packages on a sample basis, to ensure they were accurately and completely recorded • assessing the reasonableness of management's judgements and estimates used to determine whether the transactions and balances were treated as controlled or administered by Treasury • assessing the adequacy of the financial statement disclosures against the requirements

Key Audit Matter	How my audit addressed the matter
• these stimulus packages were financially significant and outside Treasury's normal operations • the accounting for these stimulus packages was required judgement as to whether the related transactions and balances should be treated as controlled or administered by Treasury • the complexity and urgency involved in processing the large volume of transactions in a short period of time.	of applicable Australian Accounting Standards and Treasurer's Directions.
Triennial review of superannuation and long service leave	
Treasury administers several financially significant liabilities on behalf of the State, in particular: • employee provisions primarily for long service leave ($11 billion) • unfunded superannuation liabilities ($57 billion) I consider this to be a key audit matter because of the: • financial significance of these liabilities to Treasury • the triennial review of the valuation of long service leave was performed this year • extent of significant management judgements used in estimating these liabilities • a minor change in assumptions can result in a material change in the liability • management engaged independent actuaries to determine Treasury's liabilities.	Key audit procedures included the following: • assessing the competence, capability and objectivity of the actuarial experts engaged by management • evaluating the nature and extent of management's oversight and review of the estimates determined by the actuaries • with the assistance of our own independent expert, assessing the reasonableness of the valuation methodology and key assumptions and judgements used by management's actuaries in estimating these liabilities • testing the completeness and accuracy of nominal superannuation and LSL data submitted to the actuary • assessing the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.

Other Information

The Treasury'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 Secretary and the financial reports of the following Funds:

- Electricity Retained Interest Corporation - Ausgrid Fund
- Electricity Retained Interest Corporation - Endeavour Fund
- NSW Generations (Community Services and Facilities) Fund
- NSW Generations (Debt Retirement) Fund
- Social and Affordable Housing NSW Fund
- Restart NSW Fund.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the enabling legislation of the above Funds, I have separately expressed an opinion on the Funds' Financial Reports.

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 Treasury'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/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that Treasury 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.

Margaret Crawford
Auditor-General for New South Wales

24 December 2021
SYDNEY

The Treasury

Financial Report
for the year ended 30 June 2021

Statement by the Secretary

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 Treasury's financial position, financial performance and cash flows.

Michael Pratt AM
Secretary

24 December 2021

Statement of Comprehensive Income for the year ended 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Restated Actual 2020* $'000
Continuing operations				
Expenses excluding losses				
Employee-related expenses	2(a)	214,253	133,697	134,176
Operating expenses	2(b)	150,679	692,881	162,882
Depreciation and amortisation	2(c)	24,026	16,925	19,440
Grants and subsidies	2(d)	1,366,841	281,755	754,810
Finance costs	2(e)	2,375	1,775	2,641
Other expenses		6,830	-	-
Total expenses excluding losses		**1,765,004**	**1,127,033**	**1,073,949**
Revenue				
Appropriation	3(a)	1,855,379	1,075,185	961,610
Sale of goods and services	3(b)	28,138	85,356	32,782
Grants and contributions	3(c)	1,400	2,370	138,652
Acceptance by the Crown of employee benefits and other liabilities	3(d)	2,745	1,714	4,768
Investment revenue	3(e)	(80)	184	276
Other income	3(f)	-	3,657	1,739
Total revenue		**1,887,582**	**1,168,466**	**1,139,827**
Operating result		**122,578**	**41,433**	**65,878**
Gains / (losses)				
Losses on disposal of plant and equipment		-	(708)	(1,635)
Impairment losses on financial assets		-	-	(7,141)
Impairment losses on ROU assets		-	(2,136)	(11,439)
Losses on subleasing ROU assets		-	(78)	(5,027)
Foreign exchange gains / (losses)		-	(202)	14
Gain on reversal of COVID-19 grant provision	13	-	11,507	-
Total gains / (losses)		**-**	**8,383**	**(25,228)**
Net result from continuing operations	19	**122,578**	**49,816**	**40,650**
Total other comprehensive income		**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME		**122,578**	**49,816**	**40,650**

* Refer to Note 1(d) and Note 27 for details regarding the restatement.

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Restated Actual 2020* $'000
ASSETS				
Current assets				
Cash and cash equivalents	5	70,181	192,731	239,857
Receivables	6	20,265	57,072	21,788
Other financial assets	7	7,000	-	4,216
Total current assets		**97,446**	**249,803**	**265,861**
Non-current assets				
Receivables	6	124	-	124
Other financial assets	7	2,557	-	10,574
Property, plant and equipment				
- Land and building		13,231	-	-
- Plant and equipment	8	23,077	8,679	17,481
- Infrastructure systems		(302)	-	-
Right-of-use assets	9	50,211	46,217	60,130
Intangible assets	10	46,567	44,956	48,807
Total non-current assets		**135,465**	**99,852**	**137,116**
Total assets		**232,911**	**349,655**	**402,977**
LIABILITIES				
Current liabilities				
Payables	11	48,399	117,933	56,948
Borrowings	12	20,556	7,037	19,320
Provisions	13	15,156	26,026	143,659
Other liabilities	14	1,319	-	1,083
Total current liabilities		**85,430**	**150,996**	**221,010**
Non-current liabilities				
Borrowings	12	82,932	63,917	89,453
Provisions	13	8,274	3,066	7,366
Other liabilities	14	1,409	-	-
Total non-current liabilities		**92,615**	**66,983**	**96,819**
Total liabilities		**178,045**	**217,979**	**317,829**
Net assets		**54,866**	**131,676**	**85,148**
EQUITY				
Accumulated funds		54,866	131,676	85,148
Total equity		**54,866**	**131,676**	**85,148**

* Refer to Note 27 for details regarding the restatement.

The accompanying notes form part of these financial statements.

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

	Notes	Restated Accumulated Funds $'000
Balance at 1 July 2020		**(73,361)**
Correction of prior period error	27	158,509
Restated balance at 1 July 2020*		**85,148**
Net result for the year		**49,816**
Other comprehensive income		-
Total comprehensive income for the year		**49,816**
Transactions with owners in their capacity as owners		
Decrease in net assets from equity transfers	15	(3,288)
Balance at 30 June 2021		**131,676**
Balance at 1 July 2019		**43,899**
Net result for the year		**(117,859)**
Correction of prior period error		158,509
Restated Net result for the year		**40,650**
Other comprehensive income		-
Total comprehensive income for the year		**40,650**
Transactions with owners in their capacity as owners		
Increase in net assets from equity transfer	15	599
Restated balance at 30 June 2020		**85,148**

* Refer to Note 27 for details regarding the restatement.

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2021

	Notes	Budget 2021 $'000	Actual 2021 $'000	Restated Actual 2020* $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(211,344)	(130,361)	(127,273)
Grants and subsidies		(1,366,841)	(396,901)	(626,806)
Finance costs		(2,307)	(2,011)	(2,459)
Supply of goods and services		(283,675)	(669,901)	(149,720)
Total payments		**(1,864,167)**	**(1,199,174)**	**(906,258)**
Receipts				
Appropriations (excluding equity appropriations)		1,696,870	1,075,185	961,610
Sale of goods and services		28,230	92,986	26,951
Interest received		(80)	185	276
Grants and contributions		1,400	1,709	138,977
Other receipts		809	4,184	24,164
Total receipts		**1,727,229**	**1,174,249**	**1,151,978**
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	**(136,938)**	**(24,925)**	**245,720**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from other financial assets		10,623	4,460	5,837
Purchase of investment		(5,391)	-	-
Purchase of plant and equipment		(13,407)	(975)	(3,319)
Purchase of intangible assets		(3,811)	(2,259)	(1,481)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(11,986)**	**1,226**	**1,037**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of principal portion of lease liabilities		(18,458)	(16,216)	(17,963)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(18,458)**	**(16,216)**	**(17,963)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(167,382)**	**(39,915)**	**228,794**
Opening cash and cash equivalents		237,563	239,857	9,689
Cash transferred in / (out) as a result of administrative restructuring	15	-	(7,211)	1,374
CLOSING CASH AND CASH EQUIVALENTS	5	**70,181**	**192,731**	**239,857**

* Refer to Note 1(d) for details regarding the restatement.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
30 June 2021

1. Summary of Significant Accounting Policies

(a) Reporting entity

The Treasury (Treasury) is a NSW government agency controlled by the State of New South Wales, which is the ultimate parent. Treasury is a not-for-profit entity (as profit is not its principal objective) and has no cash generating units.

Treasury serves the Treasurer and the government by being a principal financial, economic and policy advisor enabling the government to deliver for the people of NSW. Treasury contributes to delivering a strong economy, quality jobs and security for workers. This includes boosting trade, investment and tourism, developing industry, supporting jobs growth, improving service delivery to the community and increasing living standards, now and into the future.

Treasury is structured to meet the following outcomes:

- a strong, resilient and diverse economy
- a sustainable fiscal environment to enable delivery of outcomes
- stewardship of performance and financial system to deliver outcomes.

Further details of the outcome groups of Treasury are disclosed in Note 4.

Under the *Administrative Arrangements (Administrative Changes – Miscellaneous) Order 2021* commencing on 29 March 2021, Treasury was impacted by the following administrative restructure changes:

- the Trade, Jobs, Investment, Tourism group other than the Precincts team of the Precincts and Innovation Ecosystem branch were transferred to Investment NSW (InvNSW)
- the Precincts team of the Precincts and Innovation Ecosystem branch of the Jobs, Investment and Tourism group was transferred to the Greater Sydney Commission (GSC).

As a result of the restructure, Treasury's cluster agencies Destination NSW and Western Parklands City Authority were transferred to the Department of Premier and Cabinet.

Further details of the Treasury administrative restructure are disclosed in Note 15.

Treasury also administers, but does not control, certain activities on behalf of the Crown in the right of the State of New South Wales (the Crown). Treasury is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of Treasury's own objectives. Transactions and balances relating to the administered activities are not recognised as Treasury's income, expenses, assets, and liabilities, but are disclosed in Note 21.

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

(b) Basis of preparation

Treasury's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

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

If not otherwise stated, the accounting policies apply to both Treasury's controlled and administered transactions and balances.

Plant and equipment and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

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

Management has considered the impact of COVID-19 and determined that there is a material impact on Treasury's results but it does not adversely affect Treasury's ability to operate as a going concern.

Notes to the Financial Statements
30 June 2021

1. Summary of Significant Accounting Policies (continued)

(c) Statement of compliance

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

(d) Crown reporting arrangements

The convention of preparing separate Crown Entity financial statements has ceased in FY2020-21. This has resulted in Treasury:

- applying AASB 1050 *Administered Items* to disclose certain transactions and balances that Treasury administers on behalf of the Crown; and
- recognising additional revenue and expenses related to the activities Treasury controls, not administers.

Comparatives are restated to provide comparability and transparency on the effects of the reporting change.

The following table presents the impact to revenue and expenses recognised in Treasury's Statement of Comprehensive Income for the year ended 30 June 2020 (increase / (decrease)):

	30 June 2020 Original balance	30 June 2020 Impact of change in Crown reporting arrangements	30 June 2020 Correction of prior period error*	30 June 2020 Restated balance
	$'000	$'000	$'000	$'000
Expenses				
Operating expenses	145,356	17,526	-	162,882
Grants and subsidies	754,507	303	-	754,810
Total expenses excluding losses	**1,056,120**	**17,829**	**-**	**1,073,949**
Revenue				
Appropriation	803,101	-	158,509	961,610
Grants and contributions	120,823	17,829	-	138,652
Total revenue	**963,489**	**17,829**	**158,509**	**1,139,827**
Operating result	**(92,631)**	**-**	**158,509**	**65,878**
Net result from continuing operations	**(117,859)**	**-**	**158,509**	**40,650**
TOTAL COMPREHENSIVE INCOME	**(117,859)**	**-**	**158,509**	**40,650**

* The table above includes the impact of the correction of the prior period error relating to the change in accounting treatment of lapsed appropriations to allow reconciliation of balances to the Statement of Comprehensive Income. Refer to Note 27 for further details.

Refer to Note 2(d) for detailed breakdown of operating expenses and refer to Note 3(c)(i) for detailed breakdown of grants and contributions revenue.

Notes to the Financial Statements
30 June 2021

1. Summary of Significant Accounting Policies (continued)

The following table presents the impact to cash flows recognised in Treasury's Statement of Cash Flows for the year ended 30 June 2020 (increase / (decrease)):

	30 June 2020 Original balance	30 June 2020 Impact of change in Crown reporting arrangements	30 June 2020 Restated balance
	$'000	$'000	$'000
Payments			
Grants and subsidies	(626,503)	(303)	(626,806)
Supply of goods and services	(132,194)	(17,526)	(149,720)
Total payments	**(888,429)**	**(17,829)**	**(906,258)**
Receipts			
Grants and contributions	121,148	17,829	138,977
Total receipts	**1,134,149**	**17,829**	**1,151,978**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**245,720**	**-**	**245,720**

There was no impact to equity due to the change in the Crown reporting arrangements.

(e) Changes in accounting policies, including new or revised Australian Accounting Standards

Management has assessed all new or revised accounting standards (including those issued but not yet effective) and has concluded these do not have a material impact on the financial statements of Treasury.

(f) Insurance

Treasury's insurance activities are conducted through a separate agency, the NSW Treasury Managed Fund Scheme of self-insurance for government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

(g) Accounting for the Goods and Services Tax

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

- amount of GST incurred by Treasury as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition 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. However, the GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

(h) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results, are also recognised in other comprehensive income or net results, respectively).

1. Summary of Significant Accounting Policies (continued)

(i) Interest on borrowings

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

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

(j) Grants and subsidies

Except for grants for redundancy payments which are recognised on an accrual basis, other grants and subsidies are recognised as expenses when the payments are made.

(k) Income recognition and measurement

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. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Parliamentary appropriations

Parliamentary appropriations are recognised as income when there is control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

(ii) Rendering of services

Revenue from rendering of services is recognised when Treasury satisfies the performance obligation by transferring the promised services.

<u>Recoupment of costs</u>

The nature of the services is mainly comprised of salaries and accommodation costs incurred by Treasury on behalf of other government agencies which are recouped. The performance obligations are typically satisfied over time, as personnel and administrative services are provided by Treasury to other government entities. Payments from other government entities are typically received after the time of providing the services.

The revenue is recognised when the services are provided and measured at the transaction price agreed under the service contract or calculated per a recoupment model. No element of financing is deemed present as payments are due after the service is provided.

<u>Visa nomination fee</u>

The nature of the services is the receiving and processing of visa applications in exchange for a fee. The performance obligation is typically satisfied at a point in time when Treasury has processed visa applications and the benefit is passed onto the customer. Each visa application represents a service that is distinct. Payments from customers are typically received in advance of the application processed. Treasury has assessed the difference between payment and processing time as immaterial and therefore revenue is recognised when payment is received and measured at the publicly announced prices based on visa category. No significant element of financing is deemed present as payments are made no more than one month before the service delivery on average. Due to the administrative restructure, this revenue stream has transferred to InvNSW since April 2021.

(iii) Grants and contributions

Revenue from grants and contributions with sufficiently specific performance obligations is recognised under AASB 15 when the performance obligation to transfer the promised goods or services is satisfied. The nature of the goods or services are mainly program management, either directly or through a third-party provider, and the delivery of programs specified in Commonwealth funding agreements. The performance obligation is satisfied at the point in time when the performance is approved by the customer, for example level of activity. The payments are typically due when the performance obligation is satisfied.

Revenue from these grants and contributions is recognised based on the grant amount specified in the funding agreement/ funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Notes to the Financial Statements
30 June 2021

1. Summary of Significant Accounting Policies (continued)

(iii) Grants and contributions (continued)

Administered revenue from Commonwealth capital grants to acquire or construct a recognisable non-financial asset to be controlled on behalf of the Crown is recognised under AASB 1058 when the obligations under the transfer are satisfied. The performance obligation is satisfied over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise revenue, because this most closely reflects the progress to completion.

Revenue from grants and contributions without sufficiently specific performance obligations is recognised when control over the granted assets (e.g., cash) is obtained.

(iv) 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.

(v) Dividends and distributions

Dividends are received from the State's public trading enterprises and public financial enterprises. Dividend income is recognised under AASB 9 *Financial Instruments* in the period when the Crown's right to receive the payment has been established.

(vi) Fines and regulatory fees

Fines and regulatory fees mainly relate to government guarantee fees which are charges to Government businesses who borrow funds through NSW Treasury Corporation (TCorp) at interest rates based on the credit rating of the State of NSW. The payment for the fee is received in arrears. Revenue is recognised under AASB 1058 when the right to receive the revenue has occurred.

(l) Plant and equipment

(i) Acquisition of plant and equipment

Plant and equipment are initially measured at cost. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer in Note 15).

(ii) Capitalisation thresholds

Intangibles (software), plant and equipment (excluding leasehold improvements), costing at least $5,000 individually (limit ignored if a grouped asset) are capitalised. Leasehold improvements costing at least $20,000 are capitalised. However, grouped assets with inter-related functions such as the computer network are generally capitalised regardless of cost.

(iii) Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(iv) Maintenance

Day–to–day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(v) Depreciation of plant and equipment

Depreciation is provided for on a straight–line basis for all depreciable assets so as to write-off the depreciable amount of each asset as it is consumed over its useful life to Treasury.

All material separately identifiable components of assets are recognised and depreciated over their useful lives. The useful lives of each category of depreciable assets are:

Computer Hardware	4 years
Office Equipment	7 years
Office Furniture	10 years
Leasehold Improvements	up to 20 years depending on the term of leasing arrangements

Notes to the Financial Statements
30 June 2021

1. Summary of Significant Accounting Policies (continued)

(vi) Revaluation of plant and equipment

The majority of Treasury's assets are non-specialised with short useful lives, therefore management has assessed that depreciated historical cost is an approximation of fair value at the reporting date.

(vii) Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB *136 Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

Treasury assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Treasury estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

(m) Intangible assets

Intangible assets are recognised if it is probable that future economic benefits will flow to Treasury and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for Treasury's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Intangible assets are amortised using the straight-line method over a period ranging from 2 to 15 years depending upon the nature of the application.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment losses.

(n) Advances paid

Recognition and measurement

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

Advances paid are initially measured at fair value plus any transaction cost, which are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as administered expenses. Any gain or loss arising on derecognition is recognised as an administered income/administered expense.

(o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Notes to the Financial Statements
30 June 2021

1. Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the net result. Treasury determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(i) Financial Assets – Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Under AASB 9, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Treasury's business model for managing them. The business model for managing financial assets refers to how an entity manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

For the purposes of applying the SPPI test, 'the principal' is described as 'the fair value of the financial asset at initial recognition' and may change over the life of the financial asset, as there are repayments of principal and/or unwinding of any premium or discount on acquisition.

Treasury usually hold receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortised cost using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are investments held in TCorpIM Funds which are unit trust investment facilities managed by TCorp. Gains or losses on these financial assets are recognised in administered income/administered expense.

(iii) Financial Liabilities - Payables

Payables are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(iv) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if Treasury transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where Treasury has not transferred substantially all the risks and rewards, if Treasury has not retained control.

Where Treasury has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Treasury's continuing involvement in the asset. In that case, Treasury also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Treasury 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 Treasury could be required to repay.

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.

Notes to the Financial Statements
30 June 2021

1. Summary of Significant Accounting Policies (continued)

(p) Impairment

An allowance for expected credit loss (ECL) is recognised based on the difference between the contractual cash flows and the cash flows that are expected to be received, discounted at the original effective interest rate, or when there is objective evidence that the full amount due is not collectible.

The ECL is applied on the current and forward-looking information on factors affecting the ability of counterparties to settle the receivables.

Treasury recognises the possible economic impacts brought on by the COVID-19 and natural disasters and determines that the ECL for receivables are not required for FY2020-21.

(q) Employee benefits

(i) Salaries and wages, annual leave and sick leave

Salaries and wages (including non–monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which employees render the service are recognised and measured at undiscounted amounts of the benefits. Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB *119 Employee Benefits* (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 8.4 per cent of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Treasury has assessed the actuarial advice based on Treasury's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where Treasury does not expect to settle the liability within 12 months as Treasury does not have an unconditional right to defer settlement.

Unused non–vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

(ii) Long service leave (LSL) and superannuation expense

Long service leave is measured at present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of services. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense for the year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e., Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e., State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Treasury's LSL and defined benefit superannuation liabilities are assumed by the Crown. Accordingly, a reciprocal revenue of the expenses recognised for the year is disclosed in 'Acceptance by the Crown of employee benefits and other liabilities'.

(iii) Consequential on-costs

Consequential costs to employment except for the LSL and defined benefit superannuation on-costs assumed by the Crown are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

(iv) LSL, defined benefit superannuation and related on-costs assumed by the Crown

The Crown assumes LSL, defined benefit superannuation and related consequential on-costs liabilities of certain general government agencies, including Treasury's. These liabilities are administered by Treasury.

The provision for LSL includes consequential on-costs on the defined benefits superannuation and LSL accruing on annual leave and is measured as the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

1. Summary of Significant Accounting Policies (continued)

(iv) LSL, defined benefit superannuation and related on-costs assumed by the Crown (continued)

Provision for superannuation is the unfunded superannuation liability for the defined benefit schemes. It is the difference at the reporting date between the present value of employees' accrued benefits (gross liabilities) and the estimated net market value of the superannuation schemes' assets. Gross liabilities are calculated under AASB 119. The unfunded liabilities are actuarially assessed at the reporting date. More details are provided in Note 21.D.12. The Crown also assumes any additional defined benefit superannuation liability accruing on the annual leave liability for those agencies whose defined superannuation benefit liability is assumed by the Crown.

Expenses on these Crown assumed provisions including gains or losses on actuarial valuation are disclosed in Note 21.B.1 and B.2.

(r) Provisions

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 will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(i) Termination

Provision is recognised when there is a detailed formal roles restructuring plan in place and the plan is being implemented, or that its main features have been announced to those affected.

(ii) State's share of University superannuation

The State and the Commonwealth have shared responsibilities to provide funding support for the unfunded defined benefit superannuation liabilities of NSW Universities who are members of the State's Super's defined benefit schemes. Treasury administers the State's share of the liabilities. The amount of provision is actuarially assessed and is recognised in administered provisions.

(iii) State's contribution to Commonwealth redress scheme

On 1 July 2018 the Commonwealth Government established the National Redress Scheme to support people who have experienced institutional childhood sexual abuse. Treasury administers the provision for the State's contribution to fund the scheme.

The provision is measured at the present value of future payments anticipated for settlement of claims as at the reporting date. The estimated future cash outflows are discounted using the 10-year Commonwealth government bond rate as at 30 June. An independent actuary calculates the provision using several key inputs including the number of Redress participants and average claims payment size.

(s) Borrowings

Borrowings are initially recognised at the fair value of the consideration received when the contractual rights and obligations exist, less directly attributable transaction costs. Borrowings from Commonwealth classified as financial liabilities at amortised cost are initially measured at fair value of the consideration received, less directly attributable transaction costs. Subsequently, estimates of the fair value of Commonwealth specific purpose low interest loans is performed by discounting the expected cash flows by the relevant Commonwealth bond rate. The effective interest method is used to measure interest-bearing loans and borrowings at amortised cost.

Borrowings from TCorp are interest bearing liabilities which are classified as financial liabilities at amortised cost. The weighted average interest cost, including the amortisation of bond premium or discount, of the TCorp debt portfolio was 2.20 per cent (2020: 2.61 per cent). Gains and losses are recognised as administered income/administered expenses when the liabilities are derecognised, as well as through the amortisation process.

(t) Contract liabilities

Contract liabilities relate to Commonwealth grants in contracts with sufficiently specific performance obligations. Administered contract liabilities are recognised for consideration received in respect of unsatisfied performance obligations.

(u) Derivatives

Derivative contracts are used to manage the exposure to variable interest rates. The derivative financial instruments are classified as fair value through profit and loss. The realised and unrealised movements in the fair value of these derivative instruments are recognised in administered fair value gains or losses. These derivative instruments are recognised on a trade date basis.

Notes to the Financial Statements
30 June 2021

1. Summary of Significant Accounting Policies (continued)

(v) Equity and Reserves

(i) Accumulated Funds

The category "Accumulated funds" includes all current and prior period retained funds.

(ii) Equity Transfers

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

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

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, Treasury recognises the asset at the transferor's carrying amount. Refer to Notes 15 and 21F.

(w) Trust funds

Treasury receives monies in a trustee capacity for various trusts as set out in Note 20. As Treasury performs only a custodial role in respect of these monies, these funds are recognised in the Administered Items, Note 21.C.1 and Note 21.D.8.

(x) Fair value measurement and hierarchy

A number of Treasury's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, Treasury categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices in active markets for identical assets / liabilities that Treasury can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

(y) 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 (e.g. adjustment for transfers of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements are explained in Note 18.

(z) Comparative information

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

The following changes to comparative information for FY2019-20 were made:

- $1.6 million of credit card rebate revenue was classified as sale of goods and services. The comparatives have been reclassified resulting in an increase of other income by $1.6 million as a more accurate classification under Australian Accounting Standards. No other totals were impacted.

- an additional $17.8 million of expenses and revenue have been recognised due to the change in Crown reporting arrangements resulting in Treasury recognising additional controlled revenue and expenses. Refer to Note 1(d) for further details.

- $158.5 million decrease in other liabilities and corresponding increase in appropriation revenue due to derecognition of the Liability for Lapsed Appropriations Drawn Down. Refer to Note 27 for further details.

Notes to the Financial Statements
30 June 2021

2. Expenses Excluding Losses

	2021 $'000	Restated 2020 $'000
(a) Employee-related expenses		
Salaries and wages (including annual leave)	117,465	114,783
Superannuation		
- defined benefit plans	248	388
- defined contribution plans	7,639	7,412
Long service leave	1,845	4,871
Workers' compensation insurance	598	214
Payroll tax and fringe benefits tax	5,902	6,508
	133,697	**134,176**

No employee related expenses have been capitalised in property, plant and equipment and intangible assets and therefore excluded from the above (2020: $Nil).

	2021 $'000	Restated 2020 $'000
(b) Operating expenses include the following:		
Auditor's remuneration - review of the financial statements	1,753	1,568
Lease expense	564	1,423
COVID-19 expenses		
- Accommodation and security	532,230	82,620
- International student accommodation	18,005	-
- CBD Revitalisation	36,232	-
Contractors	13,372	11,998
Centralised corporate support charges	8,048	10,167
Consultants	40,233	18,673
Computers maintenance, licenses and information management	8,281	8,865
Small business advising	10,959	6,755
Fees for services	11,813	5,542
Staff recruitment	506	714
Training	1,799	1,458
Building management maintenance and utilities	2,128	1,253
Internal audit fees	452	322
Maintenance (i)	372	599
Printing and advertising	1,190	1,133
Travel	120	875
Event management	411	950
Minor plant, equipment and stores	1,293	732
Board administration	251	633
Insurance	121	62
Legal fees	760	771
Other	1,988	5,769
	692,881	**162,882**
Reconciliation - Total maintenance expense		
(i) Maintenance expense - contracted labour and other (non-employee related),	372	599
Employee related maintenance expenses included in Note 2(a)	-	-
Total maintenance expenses included in Note 2(a) and 2(b)	**372**	**599**

Due to the change in Crown reporting arrangements, additional expenses of $17.5 million have been recognised in FY2019-20 in the following line items: Auditor's remuneration - review of the financial statements ($1.3 million), Consultants ($10.6 million), Contractors ($0.6 million), Fees for services ($2.5 million) and Other ($2.5 million).

2. Expenses Excluding Losses (continued)

	2021 $'000	Restated 2020 $'000
(c) Depreciation and amortisation		
Depreciation		
Computer hardware	749	512
Office furniture	42	41
Right of use assets	7,137	9,196
Leasehold improvements	3,451	3,933
	11,379	**13,682**
Amortisation of Software intangibles	5,546	5,758
	16,925	**19,440**
(d) Grants and subsidies		
Grants paid to cluster agencies(i)	132,000	141,612
Grants paid to Jobs for NSW Fund	18,500	55,000
Grants relating to COVID-19(ii)	129,403	554,279
Other(iii)	1,852	3,919
	281,755	**754,810**

(i) Grants paid to Destination NSW and Western Parkland City Authority.

(ii) Grants to assist small businesses and exporters due to the COVID-19 pandemic.

(iii) Additional expenses of $0.3 million have been recognised in FY2019-20 due to the change in the Crown reporting arrangements.

	2021 $'000	Restated 2020 $'000
(e) Finance costs		
Interest expense on leases	2,011	2,459
Unwinding of discount rate	(236)	182
	1,775	**2,641**

Notes to the Financial Statements
30 June 2021

3. Revenue

(a) Appropriations

Summary of Compliance	**2021** **$'000**	**Restated 2020** **$'000**
Original Budget per *Appropriation Act*	1,855,379	368,168
Other Appropriations		
Variations made to the appropriations during the financial year		
- Section 32 (2) *Appropriation Act 2020* offset savings - insufficient funds	(679,000)	-
- Section 4.9 *GSF Act 2018* transfers of functions between entities	(161,486)	28,674
- Section 4.13 *GSF Act 2018* exigency of Government	-	751,000
- COVID-19 pandemic and inflation (per Section 34 of the *Appropriation Act*)	346,553	-
- Contingency funding (per Section 13 of the *Appropriation Act*)	-	112,449
Total spending authority from parliamentary appropriations, other than deemed appropriations	**1,361,446**	**1,260,291**
Add:		
Own source revenue money received during the year	103,524	83,756
Own source revenue balance brought forward from prior years	79,974	9,689
Total	1,544,944	1,353,736
Less: total expenditure	(1,218,624)	(929,021)
Variance	**326,320**	**424,715**
Less:		
The spending authority from appropriations lapsed at 30 June	**(142,822)**	**(344,741)**
Own source revenue balance carried forward to following years	**183,498**	**79,974**
Appropriations (per Statement of Comprehensive Income)	**1,075,185**	**961,610**
Total amount drawn down against Annual Appropriations	**1,075,185**	**961,610**

Notes to the Financial Statements
30 June 2021

3. Revenue (continued)

Deemed appropriations

Deemed appropriation money is government money that a GSF agency receives or recovers (including from the Commonwealth or another entity) of a kind prescribed by the regulations that:

- forms part of the Consolidated Fund, and
- is not appropriated under the authority of an Act.

Notes:

1. The Summary of Compliance includes own source revenue. It is based on the assumption that Annual Appropriations moneys are spent first (except where otherwise identified or prescribed).

2. 'Expenditure' refers to cash payments. The term 'expenditure' has been used for payments for consistency with AASB 1058 *Income of Not-for-Profit Entities*.

Appropriations authorities and spending limits, under the Appropriations Act, and from deemed appropriations are given to the relevant responsible minister(s) and not directly to individual agencies. Officers of agencies reporting to those ministers are then delegated authority to incur expenditure under delegation instruments issued by those ministers. Therefore, compliance with aggregate spending limits under the Appropriation Act and deemed appropriations should normally be assessed at the responsible minister(s)' level unless the delegation instrument for an agency expressly creates a sub-limit for the agency as a whole (which is unusual). Treasury has confirmed that its delegation instruments do not have sub-limits for the agency as a whole.

However, to provide information related to Treasury's spending, the summary of compliance table compares:

- Portion of the amounts authorised under the Appropriations Act for the services of Treasury and other relevant variations to appropriations authorities and Treasury's own source revenue, with
- Treasury's actual spending for the year, including payments to other state government agencies

The table includes monies received from Treasury's own-source income from other clusters who have different responsible ministers, as comprising part of the authority to spend.

There is some complexity and uncertainty in respect of the legal implication of monies received by Treasury from an agency in another cluster who has a different responsible minister. If those monies are paid from the Consolidated Fund and remain within the Consolidated Fund on receipt the appropriations authority limits of the responsible minister(s) of the paying and receiving agencies will not have been automatically adjusted on transfer of the money. This means the appropriations limit of the receiving responsible minister(s) will not have been increased. Therefore, there is a technical risk that the actual expenditure exceeds the aggregate legal limit authorised for the receiving responsible minister(s) for the relevant reporting period; on the other hand, the paying responsible minister(s) may have unutilised legal spending authority. The total appropriations limits in the Appropriations Act are not affected by this matter.

The impact of this legal uncertainty means the balance of own source revenue brought forward and carried forward in the table will not necessarily be reflective of the appropriations authority available to Treasury or its responsible minister(s).

Notes to the Financial Statements
30 June 2021

3. Revenue (continued)

(b) Sale of goods and services	2021	Restated 2020
Rendering of services	**$'000**	**$'000**
Recoupment of costs		
- Crown and residual entities[i]	2,479	19,446
- Jobs for NSW Fund	3,288	6,272
- Retail Lease Security Bonds	-	2,394
Visa nomination fee	2,566	2,838
Recoveries without sufficiently specific performance obligations	77,022	-
Other	1	1,832
	85,356	**32,782**

(i) The decrease in recoupment of costs from the Crown is due to a change in reporting arrangements. Treasury has received appropriation revenue and has paid the controlled costs relating to the Crown.

(c) Grants and contributions		
Grants with sufficiently specific performance obligations		
- Grants from Crown	-	2,281
- Grants from other government agencies	656	1,417
- Grants from Federal government agencies	-	760
Grants without sufficiently specific performance obligations[i]	1,709	133,959
Sponsorship revenue	5	235
	2,370	**138,652**

(i) FY2019-20 included $112.5 million contingency funding for COVID-19 health measures and stimulus packages which was transferred to Treasury's appropriations in FY2020-21. Due to the change in Crown reporting arrangements, additional revenue of $17.8 million for the notional recoupment of Crown related expenses has been recognised in FY2019-20. Treasury will receive appropriation revenue to cover Crown related expenses for controlled items from FY2020-21.

(d) Acceptance by the Crown of employee benefits and other liabilities		
The following liabilities and/or expenses have been assumed by the Crown:		
Long service leave	1,460	4,370
Superannuation - defined benefit	240	379
Payroll tax	14	19
	1,714	**4,768**

(e) Investment revenue		
Finance income on finance lease receivable	184	276
	184	**276**

(f) Other income		
Credit card rebate[i]	3,053	1,622
Other	604	117
	3,657	**1,739**

(i) This relates to a rebate for using AMEX cards. $1.6 million from FY2019-20 was reclassified from sale of goods and services to other income.

Notes to the Financial Statements
30 June 2021

4. Outcome Groups of Treasury

Outcome Group	Purpose:
A strong, resilient and diverse economy	At more than half-a-trillion dollars, New South Wales is Australia's largest state economy, accounting for around a third of the nation's economic output and home to nearly a third of Australians. Treasury is the government's chief advisor on productivity and economic development. Policy reform is at the heart of building a strong and productive economy and spans productivity led policy reform, federal financial relations policy reform as well as a range of general economic policy reform. Treasury is also responsible for building the global NSW brand, supporting targeted industries such as tourism and advanced manufacturing and providing direct support to business, particularly small business either as established businesses or start-ups. Support for start-ups and small business is in recognition that these are key drivers of employment and economic growth.
A sustainable fiscal environment to enable delivery of outcomes	In its overall fiscal management role for the State, Treasury aims to ensure that the people of NSW have access to services and infrastructure that deliver social and economic benefits, underpinned by a strong and sustainable economic and financial position. Under this objective, Treasury is responsible for managing whole of State financial assets and liability activities as measured by investment and debt performance, working towards the State's objective of fully funding Defined Benefits Superannuation by 2040, providing informed fiscal, evidence based, commercial and financial analysis and advice, maintaining the State's AA+ rating through implementing comprehensive financial management strategies, and meeting revenue and expenditure targets. All of Treasury's administered activities conducted on behalf of the Crown relates to this outcome group, as such no separate disclosure is necessary.
Stewardship of performance and financial system to deliver outcomes	Treasury is the performance and financial steward for the NSW Government Sector. The *Government Sector Finance Act 2018* has broadened Treasury's traditional role from a purely economic and fiscal management advisor to also driving sector performance. Moving well beyond the traditional financial policy issuance and regulatory function, Treasury seeks to genuinely steward and support Sector performance to deliver outcomes for citizens, ensure transparency and accountability and the effective use of public funds. Under this objective, Treasury aims to build Sector capability and assist agencies to achieve their own performance goals while also meeting all required compliance and reporting obligations. This is enabled by the quality of our people, our engagement and by providing effective tools and technologies appropriate to user needs.

Notes to the Financial Statements
30 June 2021

4. Outcome Groups of Treasury (continued)

TREASURY'S EXPENSES & INCOME	A strong, resilient and diverse economy 2021 $'000	A strong, resilient and diverse economy Restated 2020 $'000	A sustainable fiscal environment to enable delivery of outcomes 2021 $'000	A sustainable fiscal environment to enable delivery of outcomes Restated 2020 $'000	Stewardship of performance and financial system to deliver outcomes 2021 $'000	Stewardship of performance and financial system to deliver outcomes Restated 2020 $'000	Not Attributable 2021 $'000	Not Attributable Restated 2020 $'000	Total 2021 $'000	Total Restated 2020 $'000
Expenses excluding losses										
Employee-related expenses	59,907	69,689	48,708	43,568	25,082	20,919	-	-	133,697	134,176
Operating expenses	350,103	72,383	280,877	56,271	61,901	34,227	-	-	692,881	162,882
Depreciation and amortisation	7,860	10,094	6,013	6,314	3,052	3,032	-	-	16,925	19,440
Grants and subsidies *	149,755	613,198	-	-	-	-	132,000	141,612	281,755	754,810
Finance costs	821	1,371	632	858	322	412	-	-	1,775	2,641
Total expenses excluding losses	**568,446**	**766,735**	**336,230**	**107,011**	**90,356**	**58,590**	**132,000**	**141,612**	**1,127,033**	**1,073,949**
Revenue										
Appropriation **	-	-	-	-	-	-	1,075,185	961,610	1,075,185	961,610
Sale of goods and services	2,569	4,671	77,017	2,393	5,770	25,717	-	-	85,356	32,782
Grants and contributions	5	236	2,365	136,129	-	2,288	-	-	2,370	138,652
Acceptance by the Crown of employee benefits and other liabilities	1,373	2,497	233	1,534	108	737	-	-	1,714	4,768
Investment revenue	145	144	26	88	12	44	-	-	184	276
Other income	2,294	848	868	601	495	289	-	-	3,657	1,739
Total revenue	**6,386**	**8,396**	**80,509**	**140,745**	**6,386**	**29,076**	**1,075,185**	**961,610**	**1,168,466**	**1,139,827**
Gains / (losses)										
Losses on disposal of plant and equipment	(151)	(849)	(350)	(531)	(207)	(255)	-	-	(708)	(1,635)
Impairment losses on financial assets	-	(7,141)	-	-	-	-	-	-	-	(7,141)
Impairment losses on ROU assets	(455)	(5,940)	(1,057)	(3,715)	(624)	(1,784)	-	-	(2,136)	(11,439)
Losses on subleasing ROU assets	(78)	(5,027)	-	-	-	-	-	-	(78)	(5,027)
Foreign exchange gains / (losses)	(202)	14	-	-	-	-	-	-	(202)	14
Gain on reversal of COVID-19 grant provision	11,507	-	-	-	-	-	-	-	11,507	-
Total gains / (losses)	**10,622**	**(18,943)**	**(1,408)**	**(4,246)**	**(831)**	**(2,039)**	**-**	**-**	**8,383**	**(25,228)**
Net result from continuing operations	**(551,438)**	**(777,282)**	**(257,129)**	**29,488**	**(84,802)**	**(31,554)**	**943,185**	**819,998**	**49,816**	**40,650**
TOTAL COMPREHENSIVE INCOME	**(551,438)**	**(777,282)**	**(257,129)**	**29,488**	**(84,802)**	**(31,554)**	**943,185**	**819,998**	**49,816**	**40,650**

*Not attributable grants and subsidies relates to cluster agencies payments to Destination NSW and Western Parkland City Authority.

**Appropriations are made on an entity basis and not to individual outcome groups. Consequently, appropriations must be included in the 'Not Attributable' column.

Due to the change in Crown reporting arrangements, additional expenses and revenue have been recognised in respective outcome groups in the following line items: Operating expenses ($17.5 million), Grants and subsidies ($0.3 million) and Other income ($17.8 million).

Notes to the Financial Statements
30 June 2021

4. Outcome Groups of Treasury (continued)

	A strong, resilient and diverse economy		A sustainable fiscal environment to enable delivery of outcomes		Stewardship of performance and financial system to deliver outcomes		Not Attributable		Total	
TREASURY'S ASSETS & LIABILITIES	**2021 $'000**	**Restated 2020 $'000**	**2021 $'000**	**Restated 2020 $'000**	**2021 $'000**	**Restated 2020 $'000**	**2021 $'000**	**Restated 2020 $'000**	**2021 $'000**	**Restated 2020 $'000**
ASSETS										
Current assets										
Cash and cash equivalents	-	-	-	-	-	-	192,731	239,857	192,731	239,857
Receivables	35,228	21,730	16,426	(824)	5,417	882	-	-	57,072	21,788
Other financial assets	-	4,205	-	(160)	-	171	-	-	-	4,216
Total current assets	**35,228**	**25,935**	**16,426**	**(984)**	**5,417**	**1,053**	**192,731**	**239,857**	**249,803**	**265,861**
Non-current assets										
Receivables	-	124	-	(5)	-	5	-	-	-	124
Other financial assets	-	10,546	-	(400)	-	428	-	-	-	10,574
Plant and equipment	5,357	17,435	2,498	(661)	824	708	-	-	8,679	17,481
Right-of-use assets	28,528	59,971	13,302	(2,275)	4,387	2,434	-	-	46,217	60,130
Intangible assets	27,749	48,678	12,939	(1,847)	4,267	1,976	-	-	44,956	48,807
Total non-current assets	**61,635**	**136,753**	**28,739**	**(5,188)**	**9,478**	**5,551**	**-**	**-**	**99,852**	**137,116**
Total assets	**96,863**	**162,688**	**45,166**	**(6,172)**	**14,896**	**6,604**	**192,731**	**239,857**	**349,655**	**402,977**
LIABILITIES										
Current liabilities										
Payables	72,795	56,797	33,943	(2,155)	11,195	2,306	-	-	117,933	56,948
Borrowings	4,344	19,269	2,025	(731)	668	782	-	-	7,037	19,320
Provisions	16,065	143,278	7,491	(5,436)	2,470	5,816	-	-	26,026	143,659
Other liabilities	-	1,080	-	(41)	-	44	-	-	-	1,083
Total current liabilities	**93,203**	**220,424**	**43,460**	**(8,362)**	**14,333**	**8,948**	**-**	**-**	**150,996**	**221,010**
Non-current liabilities										
Borrowings	39,453	89,216	18,397	(3,385)	6,067	3,622	-	-	63,917	89,453
Provisions	1,893	7,346	882	(279)	291	298	-	-	3,066	7,366
Total non-current liabilities	**41,346**	**96,562**	**19,279**	**(3,663)**	**6,358**	**3,920**	**-**	**-**	**66,983**	**96,819**
Total liabilities	**134,549**	**316,987**	**62,739**	**(12,026)**	**20,691**	**12,868**	**-**	**-**	**217,979**	**317,829**
Net assets	**(37,686)**	**(154,299)**	**(17,573)**	**5,854**	**(5,796)**	**(6,264)**	**192,731**	**239,857**	**131,676**	**85,148**

5. Cash and Cash Equivalents

	2021 $'000	2020 $'000
Cash at bank	192,731	239,857
	192,731	**239,857**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes 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)	192,731	239,857
Closing cash and cash equivalents (per Statement of Cash Flows)	**192,731**	**239,857**

Refer to Note 24 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Receivables

	2021 $'000	2020 $'000
Current		
Trade receivables from contracts with customers	4,642	5,214
Accrued income	8,977	4,658
Receivables from other government agencies(i)	21,306	-
GST	14,833	5,571
Other	5,672	4,161
	55,430	**19,604**
Less: Allowance for expected credit losses*		
-Trade receivables from contracts with customers	-	(61)
Total expected credit losses	**-**	**(61)**
Prepayments	1,642	2,245
Total current receivables	**57,072**	**21,788**
Non-Current		
Other	-	124
Total non-current receivables	**-**	**124**

*Movement in the allowance for expected credit losses		
Balance at the beginning of the year	61	-
Increase/(decrease) in allowance recognised in net results	(61)	61
Balance at the end of the year	**-**	**61**

(i) Recoupment of costs related to InvNSW ($20.7 million) and GSC ($0.6 million) as a result of the administrative restructure, refer to Note 1(a). Treasury incurred costs on behalf of these entities for the 3 months ending 30 June 2021.

Refer to Note 24 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. Other Financial Assets

	2021 $'000	2020 $'000
Current		
Lease receivable(i)	-	6,624
Allowance for expected credit losses*	-	(2,408)
	-	**4,216**
Non-Current		
Lease receivable(i)	-	12,290
Allowance for expected credit losses*	-	(1,716)
	-	**10,574**
Total other financial assets	**-**	**14,790**

*Movement in the allowance for expected credit losses		
Balance at the beginning of the year	4,124	-
Transfer through administrative restructures	(1,676)	
Increase/(decrease) in allowance recognised in net result	(2,448)	4,124
Balance at the end of the year	**-**	**4,124**

(i) Lease receivable for the full term of the sublease from Innovation Hub subtenants. During the year, Treasury had a corresponding ROU asset and lease liability relating to their head lease. The subleases were transferred to InvNSW as a result of the administrative restructure.

Notes to the Financial Statements
30 June 2021

8. Property, Plant and Equipment

	Plant and Equipment $'000	Leasehold Improvements $'000	Total $'000
At 1 July 2020 - fair value			
Gross carrying amount	6,859	26,979	33,838
Accumulated depreciation and impairment	(4,240)	(12,117)	(16,357)
Net carrying amount	**2,619**	**14,862**	**17,481**
At 30 June 2021 - fair value			
Gross carrying amount	6,679	16,571	23,250
Accumulated depreciation and impairment	(4,773)	(9,798)	(14,571)
Net carrying amount	**1,906**	**6,773**	**8,679**
Year ended 30 June 2021			
Net carrying amount at start of year	**2,619**	**14,862**	**17,481**
Additions	843	153	996
Disposals	(708)	(6,047)	(6,755)
Disposals through administrative restructures	(316)	(4,514)	(4,830)
Depreciation expense	(791)	(3,451)	(4,242)
Other movements:			
Write back on disposal	259	5,770	6,029
Net carrying amount at end of year	**1,906**	**6,773**	**8,679**

	Plant and Equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 2019 - fair value			
Gross carrying amount	5,745	19,668	25,413
Accumulated depreciation and impairment	(4,319)	(8,353)	(12,672)
Net carrying amount	**1,426**	**11,315**	**12,741**
At 30 June 2020 - fair value			
Gross carrying amount	6,859	26,979	33,838
Accumulated depreciation and impairment	(4,240)	(12,117)	(16,357)
Net carrying amount	**2,619**	**14,862**	**17,481**
Year ended 30 June 2020			
Net carrying amount at start of year	**1,426**	**11,315**	**12,741**
Additions	1,884	1,435	3,319
Disposals	(646)	(3,418)	(4,064)
Acquisitions through administrative restructures	101	8,374	8,475
Disposals through administrative restructures	(229)	(703)	(932)
Depreciation expense	(553)	(3,933)	(4,486)
Other movements:			-
Write back on disposal	636	1,792	2,428
Net carrying amount at end of year	**2,619**	**14,862**	**17,481**

9. Leases

a. Treasury as lessee

During the year, Treasury leased properties and motor vehicles. As a result of the administrative restructure, Treasury's motor vehicles, international leases and various property leases were transferred to InvNSW.

Lease contracts are typically made for fixed periods of 1 to 12 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and termination options are included in a number of property leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by Treasury and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Treasury does not provide residual value guarantees in relation to leases.

Treasury has elected to recognise payments for short-term leases as expenses on a straight-line basis, instead of recognising a ROU asset and lease liability. Short-term leases are leases with a lease term of 12 months or less.

ROU assets under leases

The following table presents ROU assets that do not meet the definition of investment property.

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
Balance at 1 July 2020	**60,084**	**46**	**60,130**
Acquisition through disposal of sublease	557	-	557
Disposals through administrative restructures	(5,417)	(22)	(5,439)
Additions	1,353	-	1,353
Disposals	(113)	(17)	(130)
Re-measurements	(981)	-	(981)
Impairments	(2,136)	-	(2,136)
Depreciation expense	(7,130)	(7)	(7,137)
Balance at 30 June 2021	**46,217**	**-**	**46,217**

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
Balance at 1 July 2019	**74,208**	**-**	**74,208**
Acquisitions through administrative restructures	8,662	61	8,723
Transfers through administrative restructures	(3,612)	-	(3,612)
Additions	8,452	12	8,464
Disposals	(7,018)	-	(7,018)
Impairments	(11,439)	-	(11,439)
Depreciation expense	(9,169)	(27)	(9,196)
Balance at 30 June 2020	**60,084**	**46**	**60,130**

9. Leases (continued)

Lease liabilities

The following table presents liabilities under leases:

	2021 $'000	2020 $'000
Opening Balance	**108,773**	**87,348**
Acquisitions through administrative restructures	-	41,463
Transfers through administrative restructures	(21,723)	(3,612)
Additions	1,353	8,464
Disposals	(141)	(6,937)
Payments	(18,227)	(20,422)
Re-measurements	(1,061)	-
Interest expense	2,011	2,459
Foreign exchange	(32)	10
Closing Balance	**70,954**	**108,773**

During the year, Treasury subleased part of the ROU assets, therefore reducing the value of the ROU asset. These subleases were transferred to InvNSW as a result of the administrative restructure.

The following amounts were recognised in the Statement of Comprehensive Income in respect of leases where Treasury is the lessee:

	2021 $'000	2020 $'000
Depreciation expense of ROU assets	7,137	9,196
Interest expense on lease liabilities	2,011	2,459
Expenses relating to short term leases	83	1,031
Expenses relating to other payments	807	473
Impairment losses on ROU assets	2,136	11,439
Losses on subleasing ROU assets	78	5,027
Total amount recognised in the Statement of Comprehensive Income	**12,252**	**29,625**

Treasury had total cash outflows for leases of $19.1 million in FY2020-21 (FY2019-20: $21.9 million).

Recognition and measurement

Treasury assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Treasury recognises lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

(i) ROU assets

Treasury recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, which is made up of the initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The ROU assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 2 to 12 years
- Motor vehicles 2 to 4 years.

If ownership of the leased asset transfers to Treasury at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

9. Leases (continued)

The ROU assets are also subject to impairment. Treasury assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Treasury estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

(ii) Lease liabilities

At the commencement date of the lease, Treasury recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of purchase options reasonably certain to be exercised by Treasury; and
- payments of penalties for terminating the lease, if the lease term reflects Treasury exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for Treasury's leases, the lessee's incremental borrowing rate is used, being the rate that Treasury would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Treasury's lease liabilities are included in borrowings.

(iii) Short-term lease and leases of low-value assets

Treasury applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

b. Treasury as lessor

Treasury's leased properties were subleased to tenants under finance leases with rentals payable monthly. The subleases were transferred to InvNSW as part of the administrative restructure. The below is only relevant for FY2019-20.

Future minimum rentals receivable (undiscounted) under non-cancellable finance leases as at 30 June are, as follows:

	2021 $'000	2020 $'000
Within one year	-	6,857
One to two years	-	9,817
Two to three years	-	2,563
Total (excluding GST)	**-**	**19,237**

Notes to the Financial Statements
30 June 2021

9. Leases (continued)

Reconciliation of net investment in leases

	2021 $'000	2020 $'000
Future undiscounted rentals receivable unguaranteed residual amounts	-	19,237
Less: Allowance for credit loss	-	(4,124)
Less: unearned finance income	-	(323)
Net investment in finance leases	**-**	**14,790**

Leases where Treasury transfers substantially all the risks and rewards incidental to ownership of an asset, are classified as finance leases. From 1 July 2019, subleases are classified by reference to the ROU asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, Treasury recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets at amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Treasury estimated a $4.1 million allowance for credit loss on the finance lease receivable last year due to the impact on subtenants from the COVID-19 pandemic. The remaining ECL balance of $1.7 million has been transferred to InvNSW as a result of the administrative restructure.

10. Intangible Assets

	Software $'000	Capital Works in Progress $'000	Total $'000
At 1 July 2020 - fair value			
Gross carrying amount	63,091	1,494	64,585
Accumulated amortisation and impairment	(15,778)	-	(15,778)
Net carrying amount	**47,313**	**1,494**	**48,807**
At 30 June 2021 - fair value			
Gross carrying amount	65,383	491	65,874
Accumulated amortisation and impairment	(20,918)	-	(20,918)
Net carrying amount	**44,465**	**491**	**44,956**
Year ended 30 June 2021			
Net carrying amount at start of year	**47,313**	**1,494**	**48,807**
Additions	1,768	491	2,259
Disposals	(406)	-	(406)
Disposals through administrative restructures	(564)	-	(564)
Amortisation	(5,546)	-	(5,546)
Transfers from WIP to software	1,494	(1,494)	-
Other movements:			
Write back on disposal	406	-	406
Net carrying amount at end of year	**44,465**	**491**	**44,956**

	Software $'000	Capital Works in Progress $'000	Total $'000
At 1 July 2019 - fair value			
Gross carrying amount	61,260	-	61,260
Accumulated amortisation and impairment	(10,513)	-	(10,513)
Net carrying amount	**50,747**	**-**	**50,747**
At 30 June 2020 - fair value			
Gross carrying amount	63,091	1,494	64,585
Accumulated amortisation and impairment	(15,778)	-	(15,778)
Net carrying amount	**47,313**	**1,494**	**48,807**
Year ended 30 June 2020			
Net carrying amount at start of year	**50,747**	**-**	**50,747**
Additions	522	959	1,481
Disposals	(785)	-	(785)
Acquisitions through administrative restructures	2,957	535	3,492
Disposals through administrative restructures	(1,154)	-	(1,154)
Amortisation	(5,758)	-	(5,758)
Other movements:			-
Write back on disposal	784	-	784
Net carrying amount at end of year	**47,313**	**1,494**	**48,807**

Notes to the Financial Statements
30 June 2021

11. Payables

	2021 $'000	2020 $'000
Current		
Accrued salaries, wages and on-costs	1,898	1,839
Creditors	116,035	55,109
Total payables	**117,933**	**56,948**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 24.

12. Borrowings

	2021 $'000	2020 $'000
Current borrowings		
Lease liabilities	7,037	19,320
Non-current borrowings		
Lease liabilities	63,917	89,453
Total borrowings	**70,954**	**108,773**

Lease liabilities relate to all property and motor vehicle leases except for short-term and low value leases.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 24.

13. Provisions

	2021 $'000	2020 $'000
Current		
Employee benefits and related on-costs		
Annual Leave	9,558	10,678
Provision for on-costs on employee benefits	4,013	4,073
Provision for fringe benefits tax	10	16
Provision for termination	-	399
	13,581	**15,166**
Other		
COVID-19 stimulus packages	754	128,004
COVID-19 accommodation and security	11,691	-
Other	-	489
	12,445	**128,493**
Total current provision	**26,026**	**143,659**
Non-current		
Employee benefits and related on-costs		
Long service leave not assumed by the Crown	-	375
Provision for payroll tax on long service leave liability	91	83
Provision for on-costs on long service leave liability	171	151
	262	**609**
Other		
Restoration costs	2,804	6,757
Total non-current provision	**3,066**	**7,366**

13. Provisions (continued)

	2021 $'000	2020 $'000
Aggregate employee benefits and related on-costs		
Provisions-current	13,581	15,166
Provisions-non-current	262	609
Accrued salaries, wages and on-costs (Note 11)	1,898	1,839
	15,741	**17,614**
Movements in provisions (other than employee benefits)		
Restoration costs		
Carrying amount at the beginning of financial year	6,757	2,808
Unwinding / change in the discount rate	(199)	182
Additions	-	394
Disposals	(37)	-
Disposal through administrative restructures	(3,717)	3,373
Carrying amount at end of financial year	**2,804**	**6,757**
Other provisions		
Carrying amount at the beginning of financial year	128,493	-
Amounts used	(116,377)	-
Unused amounts reversed	(11,507)	-
Additions	11,836	128,493
Carrying amount at end of financial year	**12,445**	**128,493**

The restoration provision relates to the make good obligation for Treasury's leased premises. It is calculated with reference to the current market price and discounted at 0.77 per cent (2020: 0.41 per cent), which is a pre-tax rate that reflects the current market assessments of the time value of money. The increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost. The restoration provision is expected to be utilised at the end of the lease term.

14. Other Liabilities

	2021 $'000	Restated 2020 $'000
Current		
Liability for government grants	-	560
Unearned revenue	-	523
Total other liabilities	**-**	**1,083**

Details regarding the restatement of comparatives is disclosed in Note 27.

Notes to the Financial Statements
30 June 2021

15. Equity Transfer

The *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2021* which commenced on 29 March 2021 resulted in the following transfers between Treasury and various other government agencies:

	Treasury to GSC	Treasury to InvNSW	Total
	$'000	$'000	$'000
Current assets			
Cash	-	(7,211)	(7,211)
Receivables	(6)	(4,175)	(4,181)
Other financial assets		(7,149)	(7,149)
Total current assets	**(6)**	**(18,535)**	**(18,541)**
Non current assets			
Receivables	-	(122)	(122)
Property, plant and equipment	(9)	(4,820)	(4,829)
Right-of-use assets		(5,439)	(5,439)
Intangibles	-	(564)	(564)
Other financial assets		(4,921)	(4,921)
Total non current assets	**(9)**	**(15,866)**	**(15,875)**
Total assets	**(15)**	**(34,401)**	**(34,416)**
Current liabilities			
Payables	66	2,476	2,542
Borrowings		13,532	13,532
Provisions	124	2,835	2,959
Other		154	154
Total current liabilities	**190**	**18,997**	**19,187**
Non current liabilities			
Borrowings		8,191	8,191
Provisions	-	3,750	3,750
Total non current liabilities	**-**	**11,941**	**11,941**
Total liabilities	**190**	**30,938**	**31,128**
Increase/(decrease) in net assets from equity transfer	**175**	**(3,463)**	**(3,288)**

Notes to the Financial Statements
30 June 2021

15. Equity Transfer (continued)

The *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019* which commenced on 1 July 2019 resulted in the following transfers between Treasury and various other government departments:

	DAC to DCS	NSW Industrial Relations to DPC	NSW Procurement from DCS	Jobs for NSW, Office of Small Business Commissioner and NSW Trade and Investment from DPIE	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Current assets					
Cash	-	-	898	476	1,374
Receivables	(45)	(30)	-	494	419
Total current assets	**(45)**	**(30)**	**898**	**970**	**1,793**
Non current assets					
Property, plant and equipment	(216)	(716)	-	8,475	7,543
Intangibles	(476)	(678)	-	3,492	2,338
Total non current assets	**(692)**	**(1,394)**	**-**	**11,967**	**9,881**
Total assets	**(737)**	**(1,424)**	**898**	**12,937**	**11,674**
Current liabilities					
Creditors	-	-	1,210	1,215	2,425
Provisions	(143)	(1,023)	1,359	4,262	4,455
Deferred income	-	-	378	494	872
Total current liabilities	**(143)**	**(1,023)**	**2,947**	**5,971**	**7,752**
Non current liabilities					
Provisions	(1)	(250)	-	3,574	3,323
Total non current liabilities	**(1)**	**(250)**	**-**	**3,574**	**3,323**
Total liabilities	**(144)**	**(1,273)**	**2,947**	**9,545**	**11,075**
Increase/(decrease) in net assets from equity transfer	**(593)**	**(151)**	**(2,049)**	**3,392**	**599**

16. Commitments

	2021 $'000	2020 $'000
Capital Commitments		
Aggregate capital expenditure contracted for at balance date and not provided for:		
Not later than one year	675	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	**675**	**-**

17. Contingent Liabilities and Contingent Assets

Treasury has contingent liabilities relating to quarantine accommodation costs for international travellers with registered NSW addresses arriving into Australia through other states and territories. There is currently insufficient data available from these jurisdictions to reliably measure a provision (2020: Nil).

Notes to the Financial Statements
30 June 2021

18. Budget Review

Treasury's actual position at the reporting date varied significantly to budget mainly due to its involvement in the State's response to COVID-19 stimulus activities, quarantine of incoming passengers and adjustments in relation to the administrative restructure.

The change in the Crown reporting arrangements referred to in Note 1(d) has resulted in Treasury recognising additional revenue and expenses.

Net Result

The actual net result for FY2020-21 was a net result gain of $49.8 million compared to a budgeted gain of $122.6 million, a reduction of $72.8 million. Key factors that contributed to the variance include:

- lower grants and subsidies expenditure of $1,085.0 million relating to $642.0 million transferred to the Department of Customer Service for the Dine & Discover Vouchers and Digital Voucher schemes, and quarantine costs budgeted for $523.9 million, reclassified as an operating expense
- higher operating expenses of $542.2 million substantially due to quarantine accommodation costs originally budgeted as a grant
- lower employee related expenses of $80.6 million relating to $25.3 million carried forward to the 2021-22 financial year, $21.1m underspends across groups including stimulus programs, $20.0 million reclassified to non-labour expenses, $10.2 million transferred to other agencies following administrative restructures, $4.0 million wage freeze impact
- higher revenue from the sale of goods and services by $57.2 million primarily relating to recoveries from other states and territories for quarantining costs offset by a reduction of Crown recoupment costs
- lower appropriation by $780.2 million, primarily due to $642.0 million transferred to the Department of Customer Service for the Dine & Discover Vouchers and Digital Voucher schemes.

Assets and Liabilities

The net assets position was higher than budget by $76.8 million. Key factors that contributed to the variance include:

- current assets over budget by $152.4 million primarily as a result of additional cash reserves of $122.6 million with $70.0 million recovered from other states and territories for quarantining costs. Higher current receivables of $36.8 million mainly relating to $21.3 million expenses incurred for InvNSW and GSC following the administrative restructure. These were offset by a $7.0 million reduction in other financial assets due to subleases transferred as a result of the administrative restructure
- non-current assets under budget by $35.6 million primarily due to the transfer of leased assets and plant & equipment following the administrative restructure
- current liabilities over budget by $65.6 million primarily from accruals for quarantining overseas passengers
- non-current liabilities under budget by $25.6 million due to the transfer of lease liabilities as a result of the administrative restructure.

Cash Flow

The overall net cash flow for the period was $127.5 million higher than budget as a result of the following:

- higher net cash flows from operating activities of $112.0 million due to lower grants and subsidies expenses and lower employee related expenses
- higher net cash flows from investing activities of $13.2 million mainly due to lower purchases of plant and equipment
- higher net cash flows from financing activities of $2.2 million due to reduction of lease repayments following the administrative restructure.

19. Reconciliation of cash flows from operating activities to net result

	Notes	2021 $'000	Restated 2020 $'000
Net cash used on operating activities		**(24,925)**	**245,720**
Depreciation and amortisation expense	2(c)	(16,925)	(19,440)
Losses on disposal of plant and equipment		(708)	(1,635)
Foreign exchange gains / (losses)		(202)	14
Losses on subleasing ROU assets		(78)	(5,027)
Impairment losses on ROU assets		(2,136)	(11,439)
Gain on reversal of COVID-19 grant provision		11,507	-
Increase / (decrease) in receivables		43,654	7,113
Decrease / (increase) in provisions		103,717	(129,893)
Decrease / (increase) in payables and other liabilities		(64,088)	(44,763)
Net result		**49,816**	**40,650**

20. Trust Funds

Retail Lease Security Bonds are lodged with the Secretary in accordance with section 16C of the *Retail Leases Act 1994*. These monies are excluded from the financial statements of Treasury, as Treasury cannot use them for the achievement of its objectives.

The balance of the Retail Tenancy Trust funds, which are established into Trust Account, Interest Account and Term Deposits are held with Westpac Banking Corporation and TCorp. Further details of these administered assets and corresponding administered payables are disclosed in Note 21.

	Westpac	TCorp			
	Trust Account $'000	IM Cash Fund (Interest) $'000	IM Cash Fund (Cash) $'000	IM Medium Term Growth Fund $'000	Total $'000
Balance at 30 June 2020	9,200	2,000	75,493	124,322	211,015
Add:					
Bonds Lodgements	48,694	-	-	-	48,694
Growth	-	6	242	10,844	11,092
Less:					
Bonds Released	(31,681)	-	-	-	(31,681)
Balance at 30 June 2021	**26,213**	**2,006**	**75,735**	**135,166**	**239,120**

Notes to the Financial Statements
30 June 2021

20. Trust Funds (continued)

	Westpac	TCorp			
	Trust Account $'000	IM Cash Fund (Interest) $'000	IM Cash Fund (Cash) $'000	IM Medium Term Growth Fund $'000	Total $'000
Balance at 30 June 2019	-	-	-	-	-
Acquisitions through administrative restructures	2,176	1,978	74,654	123,880	202,688
Add:					
Bonds Lodgements	38,897	-	-	-	38,897
Growth	-	22	839	442	1,303
Less:					
Bonds Released	(31,873)	-	-	-	(31,873)
Balance at 30 June 2020	**9,200**	**2,000**	**75,493**	**124,322**	**211,015**

21. Administered Items

Treasury administers a variety of transactions and balances on behalf of the Crown; and in accordance with the *Retail Leases Act 1994*. This activity is generally linked to Treasury's outcomes outlined in Note 1 and to its core responsibility of management of State finances.

Administered items undertaken by Treasury, a General Government Sector (GGS) agency, for the Crown are transactions and activities that it performs on behalf of the GGS. The following principles are adopted in presenting the administered items:

- transactions outside the GGS impacting revenue or expense are presented as administered revenues or expenses on the basis that these result in GGS transactions
- transactions with GGS agencies impacting revenue or expense are presented as administered funds flows on the basis that these items are eliminated at the GGS level
- assets and liabilities are presented as administered assets and liabilities without disaggregation into or outside of GGS to enable full visibility of movements driving change in the net assets position.

A reconciliation of net assets including information on funds flows is disclosed at Note 21.E.

This presentation promotes transparency between administered items reported by Treasury and information presented in the Total State Sector Accounts (TSSA). The TSSA presents financial statements at the GGS level, as well as the consolidation of all entities controlled by the State.

21.A - Administered revenue

	Note	2021 $'000	2020 $'000
Administered revenue			
Grants and subsidies	A.1, A.5		
Commonwealth general purpose		18,891,877	18,065,830
Commonwealth specific purpose payments		3,795,979	3,665,268
Commonwealth national partnership payments		3,616,347	3,616,333
Commonwealth other		6,059	5,192
Interest		118,883	113,896
Fair value gains/(losses)	A.2	1,774,911	(1,355,338)
Dividends	A.3	849,718	1,122,100
Distributions	A.3	1,452,108	1,475,476
Fines, regulatory fees and other	A.4	303,948	456,443
Total administered revenue		**30,809,830**	**27,165,200**

Notes to the Financial Statements
30 June 2021

21. Administered Items (continued)

A.1 *- Grant funding from the Commonwealth, receipted into the State's main Consolidated Fund bank account (ConFund), which is administered by Treasury. The funding is distributed to departments or agencies through the appropriations process from the ConFund to deliver the obligations under the contracts on behalf of the Crown. Treasury recognises the administered Commonwealth grants revenue under AASB 15 and AASB 1058 at Note 21.A.5. The related contract liabilities and obligations arising under the contracts with the Commonwealth are disclosed at Note 21.D.3 and Note 21.D.10.*

A.2 *- Fair value movements on the State's investments in managed funds (TCorpIM Funds) and derivative contracts.*

A.3 *- Dividend payments from the State's government owned businesses and distributions from managed fund investments.*

A.4 *- Treasury collects minimal fines and regulatory fees, the majority relates to government guarantee fees. Most taxes, fines and regulatory fees are collected and administered by Revenue NSW, which is a division of the Department of Customer Service.*

A.5 *- Grants and subsidies revenue recognition approach*

	2021 $'000	2020 $'000
Grants and subsidies with sufficiently specific performance obligations (AASB 15)	65,007	117,405
Grants and subsidies relating to the acquisition or construction of recognisable non-financial assets (AASB 1058)	1,756,401	1,718,652
Grants and subsidies without sufficiently specific performance obligations (AASB 1058)	24,488,854	23,516,566
Total grants and subsidies	**26,310,262**	**25,352,623**

21.B - Administered expenses

	Note	2021 $'000	2020 $'000
Administered expenses			
Employee – long service leave	B.1	483,611	1,355,373
Superannuation – defined benefit plans	B.2		
Superannuation Interest cost		583,483	874,960
Actuarial (gains)/losses		(6,638,238)	795,057
Actual return on Fund assets less interest income		(4,289,668)	(350,873)
Current service cost		356,576	398,399
Interest	B.3		
Interest on borrowings		1,818,844	1,474,787
Unwinding of discounts on provisions		16,204	27,217
Other operating expense			
GST administration costs	B.4	197,258	206,386
Other		(91,469)	10,465
Grants and subsidies	B.5	471,095	413,952
Total administered expenses		**(7,092,304)**	**5,205,723**

B.1 *- Costs associated with the Crown's assumption of General Government Sector agencies' long service leave obligations.*

B.2 *- Costs associated with the Crown's assumption of General Government Sector agencies' defined benefit superannuation funding responsibility.*

B.3 *- Borrowing costs associated with the Crown Debt Portfolio and the impact on centralised provisions of discount rates unwinding with the passage of time.*

B.4 *- The State's reimbursement to the Commonwealth for GST collection activity undertaken by the ATO.*

B.5 *- Grant payments to Local Governments and Private Trading Enterprises.*

Notes to the Financial Statements
30 June 2021

21. Administered Items (continued)

21.C - Administered assets

	Note	2021 $'000	2020 $'000
Administered assets			
Cash and cash equivalents	C.1, C.5	3,688,894	2,256,857
Receivables	C.2		
Dividends and contributions		511,947	1,151,816
Government guarantee fees		291,214	320,648
Other		1,124,438	31,475
Investments, loans and placements			
Financial assets at fair value	C.3	28,857,835	26,592,324
Advances paid	C.4	1,176,768	1,236,598
Total administered assets		**35,651,096**	**31,589,718**

** The requirement to recognise a liability for lapsed appropriation drawn down is no longer appropriate. As a result, prior year comparatives have been updated, with 'Receivables – Other' reduced by $271 million and 'Appropriations' increased by the same amount.*

C.1 *- Cash and cash equivalents comprise of cash at bank and restricted cash held in Special Deposit Accounts (SDAs) and the Retail Tenancy Trust Fund (refer to Note 20).*

C.2 *- Receivables are remitted to the ConFund or Special Deposit Accounts when cash is received.*

C.3 *- SDAs hold investments in managed funds (TCorpIM Funds) that are restricted to be used in accordance with their enabling legislations. The table below lists SDAs investments in TCorpIM Funds.*

	2021 $'000	2020 $'000
Restart NSW Fund	12,027,950	13,845,391
Social and Affordable Housing NSW Fund	1,659,044	1,484,498
NSW Generations (Debt Retirement) Fund	15,170,841	11,262,435
	28,857,835	**26,592,324**

C.4 *- Treasury manages advances made by the Crown to government agencies. The advances have a face value of $1,424 million as at 30 June 2021 (2020 $1,502 million) and stated interest rate of 0.0 - 6.0 per cent and mature in 1 - 21 years.*

21. Administered Items (continued)

21.C - Administered assets (continued)

C.5 *- The table below discloses transactions and balances of each SDA included in cash and cash equivalents. For the Confiscated Proceeds Account, a corresponding administered liability is recognised (refer to Note 21.D.9).*

	2020-21				2019-20			
	Opening balance	Receipts	Payments	Closing balance	Opening balance	Receipts	Payments	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
NSW Policyholders Protection Fund	104,345	-	-	**104,345**	104,345	-	-	**104,345**
Crown Long Service Leave Pool	20,422	7,789	(2,590)	**25,621**	16,325	8,168	(4,071)	**20,422**
Structured Finance Activities	599	1	(78)	**522**	595	4	-	**599**
Confiscated Proceeds Account	93,411	30,597	(22,412)	**101,596**	81,706	39,699	(27,994)	**93,411**
Restart NSW Fund	1,203,705	2,965,391	(3,765,804)	**403,292**	707,270	4,835,031	(4,338,596)	**1,203,705**
Electricity Network Residual Liabilities Fund	197,779	285	-	**198,064**	196,450	1,329	-	**197,779**
Social and Affordable Housing NSW Fund	9,938	36,849	(33,370)	**13,417**	100,172	178,553	(268,787)	**9,938**
ERIC-A Fund	584	701	(808)	**477**	756	704	(876)	**584**
ERIC-E Fund	710	37,271	(35,987)	**1,994**	702	91,344	(91,336)	**710**
Snowy Hydro Legacy Fund	63,318	2,221,432	(58,419)	**2,226,331**	30,858	42,224	(9,764)	**63,318**
NSW Generations (Debt Retirement) Fund	17,442	2,029,574	(2,044,150)	**2,866**	6,755	414,517	(403,830)	**17,442**
NSW Generations (Community Services and Facilities) Fund	37,553	334	(4,634)	**33,253**	27,745	27,896	(18,088)	**37,553**

Notes to the Financial Statements
30 June 2021

21. Administered Items (continued)

21.D - Administered Liabilities

	Note	2021 $'000	2020 $'000
Administered liabilities			
Bank overdraft	D.1, D.11	14,936,386	10,049,405
Payables	D.2	548,841	445,476
Contract liabilities	D.3	12,129	21,799
Borrowings	D.2		
Borrowings from TCorp		74,599,776	54,903,252
Borrowings from Commonwealth		537,789	569,022
Derivatives	D.4	209,518	390,775
Employee provisions	D.5	10,742,029	10,898,743
Superannuation Provision	D.6, D.12		
Plan assets		(38,055,883)	(36,770,200)
Present value of obligation		95,277,385	103,903,115
Other Provisions	D.7		
State's share of University superannuation		1,257,869	1,380,775
State's contribution to Commonwealth redress scheme		356,200	433,900
Land remediation, restorations and other claims		169,750	214,874
Other Liabilities			
Retail lease bonds payable	D.8	222,398	205,385
Confiscated proceeds	D.9, C.5	101,596	93,411
Obligation related to Commonwealth grants	D.10	439,353	294,696
Other		38,809	967
Total administered liabilities		**161,393,945**	**147,035,395**

D.1 *- The ConFund operates in an overdraft position. On consolidation of the TSSA, this overdraft is offset against agency cash balances.*

D.2 *- Treasury manages the Crown Debt Portfolio, being borrowings from NSW Treasury Corporation, and manages the State's borrowings from the Commonwealth. Payables comprise mainly interest charges.*

D.3 *- Contract liabilities relate to performance obligations in respect of Commonwealth grants. These obligations primarily relate to Health programs. The performance obligations are satisfied when the outputs of the project are delivered against pre-determined milestones as outlined in the agreement.*

D.4 *- The Crown entered into derivative contracts to hedge against unfavourable interest rate movements to manage exposure to variable interest rates arising from social and affordable housing funding obligations.*

D.5 *- The Crown assumes the long service leave obligation of most General Government Sector agencies, together with consequential on-costs.*

D.6 *- The Crown assumes the unfunded defined benefit superannuation liability of most General Government Sector agencies. The liability is the difference at the reporting date between the present value of employees' accrued benefits (gross liabilities) and the estimated net market value of the superannuation schemes' assets (plan assets). Gross liabilities are calculated under AASB 119 Employee Benefits.*

D.7 *- Treasury manages the centralised funding and financing of various obligations of the State.*

D.8 *- Retail lease bonds payable comprise of amounts payable out of the Retail Lease Security Bonds once the withdrawal of retail lease bond application is approved by the Treasury (refer to Note 20).*

D.9 *- Monies recovered until used in accordance with the Criminal Assets Recovery Act 1990.*

D.10 *- Obligations related to Commonwealth grants represent the Commonwealth capital funding with the obligation to acquire or construct sufficiently specific non-financial assets. The obligation primarily relates to construction or upgrade of transport and road infrastructure assets*

Notes to the Financial Statements
30 June 2021

21. Administered Items (continued)

D.11 *- Consolidated Fund transactions*

Treasury administers the ConFund which receives transfers of State taxes, fees and fines collected by it and other agencies, Commonwealth grants, financial distributions from certain NSW government agencies and other cash transfers. Payments of appropriation to agencies are made from the ConFund.

Details of the total receipts and payments to/from the ConFund for the year are reported below.

	2021 $'000	2020 $'000
Opening bank balance	**(10,049,405)**	**(10,831,499)**
Receipts		
Retained taxes, fees and fines	35,987,668	30,091,192
Commonwealth grants	26,443,094	24,732,237
Financial distributions	1,700,923	1,154,170
Other	1,601,623	2,036,003
	65,733,308	**58,013,602**
Payments		
Appropriations paid to:		
Principal departments and special offices [1]	(78,553,745)	(70,636,822)
Treasury for administered items	(11,057,000)	(10,596,142)
	(89,610,745)	**(81,232,964)**
Other cash transfers		
Proceeds from borrowings	18,667,786	23,656,631
Interest receipts	106,872	116,809
Advance repayments	94,412	104,392
Other	121,386	123,624
	18,990,456	**24,001,456**
Closing bank balance	**(14,936,386)**	**(10,049,405)**

[1] Includes appropriation to Treasury for controlled activities. Refer to Note 3(a).

D.12 *- Superannuation provision*

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

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

Notes to the Financial Statements
30 June 2021

21. Administered Items (continued)

D.12 *- Superannuation provision (continued)*

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

SAS Trustee Corporation (STC) engages independent actuaries to provide the annual valuation of the superannuation liabilities for year-end reporting.

Actuaries calculate the unfunded superannuation liabilities as at the reporting date using:

- the rate used to discount future benefits determined by reference to the government bond rate at the reporting date
- latest available scheme membership data
- demographic assumptions of the 2018 Triennial Valuation of the Pooled Fund schemes
- an additional allowance for staff reductions
- AASB 119 applies (for reporting purposes) and AASB 1056 (for funding purposes) to employee benefits as at the reporting date.

Regulatory framework

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

These schemes are administered by the SAS Trustee Corporation which is a body corporate constituted under the *Superannuation Administration Act 1996* and which reports to the STC Trustee Board. The schemes are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public-sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

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

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

An actuarial investigation of the Pooled Fund schemes is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation will be performed towards the latter part of 2021 and will be reflected in the financial statements at 30 June 2022.

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

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

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

An actuarial investigation is required to be performed every three years for the PCSS and the last triennial investigation was performed as at 30 June 2020.

The Judges Pension Scheme (JPS) is established and governed by *Judges' Pensions Act 1953 No 41* (as amended to 28 November 2018). It is essentially a pay-as-you-go pension scheme not a superannuation fund and as such, it does not have a Trustee Board.

An actuarial investigation is not required for the JPS by legislation. However, an actuarial investigation is performed approximately every three years. The last actuarial investigation was performed as at 1 January 2018. The next actuarial investigation will be performed towards the latter part of the 2021 and will be reflected in the financial statements at 30 June 2022.

Notes to the Financial Statements
30 June 2021

21. Administered Items (continued)

D.12 *- Superannuation provision (continued)*

Reconciliation of the defined benefit obligation	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	2021 Total $'000	2020 Total $'000
Value at beginning of the year	14,846,888	2,316,098	63,945,138	20,195,971	1,590,320	1,008,700	103,903,115	105,196,340
Transfers in/(out) through equity	322,792	(42)	65,227	-	-	-	387,977	-
Current service cost	184,415	50,371	51,090	-	67,800	2,900	356,576	398,399
Interest cost	124,371	19,238	546,162	173,574	13,600	8,600	885,545	1,359,542
Contributions from participants	101,622	-	19,984	4,430	-	400	126,436	142,940
Actuarial (gains)/losses arising from:								
Changes in demographic assumptions	271,718	15,679	(373,536)	(367,340)	35,000	6,300	(412,179)	-
Changes in financial assumptions	(355,771)	(55,295)	(2,762,850)	(1,338,477)	(170,000)	(150,200)	(4,832,593)	989,031
Liability experience	530,916	64,342	(1,514,048)	(450,298)	(15,478)	(8,900)	(1,393,466)	(193,975)
Benefits paid	(1,058,660)	(183,344)	(2,308,330)	(523,529)	(47,333)	(27,100)	(4,148,296)	(3,850,675)
Taxes, premiums & expenses paid	8,113	(15,653)	332,815	81,595	-	(2,600)	404,270	(138,487)
Value at end of the year	**14,976,404**	**2,211,394**	**58,001,652**	**17,775,926**	**1,473,909**	**838,100**	**95,277,385**	**103,903,115**

Reconciliation of the fair value of fund assets	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	2021 Total $'000	2020 Total $'000
Value at beginning of the year	9,612,972	1,518,630	20,274,636	5,035,854	(92)	328,200	36,770,200	38,034,133
Transfers in/(out) through equity	167,175	241	35,071	-	-	-	202,487	-
Interest income	79,026	12,308	166,244	41,684	-	2,800	302,062	484,582
Actual return on Fund assets less interest income	1,131,571	169,865	2,345,662	585,770	-	56,800	4,289,668	350,873
Employer contributions	43,667	1,848	3,402	806	47,333	12,000	109,056	1,746,834
Contributions from participants	101,622	-	19,984	4,430	-	400	126,436	142,940
Benefits paid	(1,058,660)	(183,344)	(2,308,330)	(523,529)	(47,333)	(27,100)	(4,148,296)	(3,850,675)
Taxes, premiums & expenses paid	8,113	(15,653)	332,815	81,595	-	(2,600)	404,270	(138,487)
Value at end of the year	**10,085,486**	**1,503,895**	**20,869,484**	**5,226,610**	**(92)**	**370,500**	**38,055,883**	**36,770,200**
Total net defined benefit liability	**4,890,918**	**707,499**	**37,132,168**	**12,549,316**	**1,474,001**	**467,600**	**57,221,502**	**67,132,915**

Member numbers	SASS	SANCS	SSS	PSS	JPS	PCSS	2021 Total	2020 Total
Contributors	12,142	13,692	1,032	518	137	14	27,535	31,163
Transfers in/(out) through equity							-	-
Deferred benefits	8,737	9,273	486	14	-	3	18,513	19,349
Pensioners	3,715	-	46,861	6,752	229	260	57,817	57,566
Pensions fully commuted	-	-	13,225	-	-	-	13,225	13,488

The weighted average duration of defined benefit obligations is 12.5 years for the Pooled Fund, 14 years for JPS and 18 years for PCSS.

Notes to the Financial Statements
30 June 2021

21. Administered Items (continued)

D.12 *- Superannuation provision (continued)*

Key actuarial assumptions

	30 June 2021			30 June 2020		
	Pooled Fund %	PCSS %	JPS %	Pooled Fund %	PCSS %	JPS %
Discount rate	1.5	1.5	1.5	0.87	0.87	0.87
Salary increase rate (excluding promotional increases)	2.74 for 2021-26; 3.20 thereafter	0 for 21/22, 2.74 for 2022-26; 3.2 thereafter	2.74 for 2021-26; 3.2 thereafter	1.70 for 2020/21; 3.20 thereafter	0 for 2020/21; 3.20 thereafter	3.20
Rate of CPI increase	1.50 for 2020/21; 1.75 for 2021-23; 2.25 for 2023-26; 2.50 for 2026/27; 2.75 for 2027/28, 3.00 for 2028/29; 2.75 for 2029/30; 2.50 thereafter	N/A	N/A	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 2024-26; 2.25 for 2027-30; 2.50 thereafter.	N/A	N/A
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2021 actuarial investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report when available from the Trustee's website. The report will show the pension mortality rates for each age.	as per 2020 triennial actuarial valuation	as per 2021 triennial actuarial valuation	The pensioner mortality assumptions are as per the 2018 actuarial investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the Trustee's website. The report shows the pension mortality rates for each age.	as per 2017 triennial actuarial valuation	as per 2018 triennial actuarial valuation

Key economic assumptions

	30 June 2021			30 June 2020		
Weighted-average assumptions	Pooled Fund %	PCSS %	JPS %	Pooled Fund %	PCSS %	JPS %
Expected rate of return on Fund assets backing current pension liabilities	6.5	6.2	6.1	7.00	6.70	6.20
Expected rate of return on Fund assets backing other liabilities	5.7	N/A	N/A	6.00	N/A	N/A
Expected salary increase rate (excluding promotional salary increases)	2.74 for 2021-26; 3.2 thereafter	0 for 2021/22, 2.74 for 2022-26; 3.2 thereafter	2.74 for 2021-26; 3.2 thereafter	1.70 for 2020/21; 3.20 thereafter	3.20	0 for 2020/21; 3.20 thereafter
Expected rate of CPI increase	2.00	N/A	N/A	2.00	N/A	N/A

Notes to the Financial Statements
30 June 2021

21. Administered Items (continued)

21.E – Reconciliation of net assets

Treasury administers the State's Budget process, which entails collection and allocation of funds and across the sector. There are also a variety of asset and liability transfers to and from agencies. Transfer of funds and balances from and to other agencies, whilst administered activity, does not result in a transaction or balance that is recorded in TSSA. These intra-sector transactions eliminate on consolidation.

The net impact on net assets administered by Treasury during the year is impacted by administered revenues and expenses and by transfers as set out below.

	Note	2021 $'000	2020 $'000
Opening net administered assets		**(115,445,677)**	**(89,797,730)**
Increases/(decrease) in net assets			
Administered revenue	A	30,809,830	27,165,200
Transfers of State revenues collected by other agencies	E.1	37,288,571	31,988,322
Transfers of asset sale proceeds	E.2	5,146	45,324
Contributions from general government agencies	E.3	128,796	146,089
Administered expenses	B	7,092,304	(5,205,723)
Appropriations	E.4	(78,553,745)	(70,636,822)
Grants from SDAs	E.5	(3,211,856)	(3,602,330)
Grants to agencies for State contingencies	E.5	(1,150)	(1,263,823)
Grants to NSW Self Insurance Corporation	E.6	(3,742)	(2,014,143)
Grants to fund agency redundancies	E.7	(113,006)	(106,072)
Grants to First Home Owners Grant Scheme		(76,340)	(67,592)
Grants to Builders Grant Scheme		(189,685)	-
Equity transfers			
Capital injections into government owned businesses	F	(3,377,645)	(2,055,570)
Other equity transfers in/out with government agencies	E.8, F	(91,849)	117,790
Other		(2,801)	(158,597)
Net increase/(decrease) in net administered assets		**(10,297,172)**	**(25,647,947)**
Closing net administered assets		**(125,742,849)**	**(115,445,677)**

** The requirement to recognise a liability for lapsed appropriation drawn down is no longer appropriate. As a result, prior year comparatives have been updated, with 'Receivables – Other' reduced by $271 million and 'Appropriations' increased by the same amount.*

E.1 *- State taxes, fees and fines collected by other agencies are not administered revenue by Treasury. These funds are transferred to Treasury for deposit into the Consolidated Fund.*

E.2 *- Agencies transfer asset sale proceeds to Treasury for deposit into the Consolidated Fund in accordance with directions from Government*

E.3 *- Payments from general government agencies that are eliminated at the General Government Sector level.*

E.4 *- Appropriations paid out of the Consolidated Fund to agencies in accordance with decisions of Government effected by the State's Budget process.*

E.5 *- Treasury provides grant funding to agencies sourced from both the Consolidated Fund and from SDAs. Grant funding is in accordance with decisions of Government effected via the State's Budget process. Funding sourced from Consolidated Fund is authorised via appropriation; funds sourced from SDAs are authorised expenditures in line with the legislation that establishes the SDA.*

E.6 *- Treasury transfers funds to NSW Self Insurance Corporation in accordance with a net asset level holding policy authorised by Government.*

E.7 *- Treasury co-ordinates centralised funding of agency redundancy programs.*

E.8 *- Crown assumes various assets or liabilities from General Government Sector agencies via equity transfers.*

Notes to the Financial Statements
30 June 2021

21. Administered Items (continued)

21.F – Equity transfers

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

All other equity transfers are recognised at fair value.

The below is summary of decrease/(increase) in net administered liabilities from equity transfer during the year.

2021	**$'000**
Capital injection into Roads Retained Interest Pty Limited	(217,784)
Capital injection into Transport Asset Holding Entity of New South Wales*	(2,407,204)
Capital injection into Sydney Water Corporation	(750,000)
Capital injection into Hunter Water Corporation	(2,657)
Net superannuation liabilities transferred in	(185,490)
Distributions from Roads Retained Interest Pty Ltd	95,000
Other net assets/(liabilities) transferred from administrative restructure	(1,359)
	(3,469,494)
2020	
Capital injection into Roads Retained Interest Pty Limited	(91,563)
Capital injection into RailCorp*	(1,918,007)
Capital injection into Forestry Corporation of NSW	(46,000)
Distributions from Roads Retained Interest Pty Ltd	117,790
	(1,937,780)

** On 1 July 2020, Rail Corporation New South Wales (RailCorp) was renamed as Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the Transport Administration Act 1988 (TAA) and the State Owned Corporations Act 1989.*

22. Administered contingent assets, contingent liabilities and guarantees

Treasury reports a number of contingent assets, liabilities and guarantees that are administered on behalf of the State.

Defined superannuation benefit guarantee

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

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

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

Unclaimed money

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

Initial 51% sale of Westconnex

General warranties - the State has potential liabilities under warranties and indemnities provided to the purchasers in relation to performance of certain obligations.

Equity commitment to Roads Retained Interest Pty Ltd (RRIPL)

The State has a capital commitment with respect to Equity Commitment Deeds signed by the Treasurer, under which the State will make available cash to RRIPL when Capital Call Notices are issued by the WCX Group to RRIPL. As at the reporting date, the uncalled amount is $227 million (2020: $445 million).

22. Administered contingent assets, contingent liabilities and guarantees (continued)

Contracts with private sector parties

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

List of contracts

Cross City Tunnel	Olympic Multi-Use Arena
Eastern Creek Alternative Waste Treatment Plant[1,2]	Orange Hospital Redevelopment[2]
Eastern Distributor	Prospect Water Filtration Plant and Treatment Works[2]
Illawarra and Woronora Water Treatment Plant[2]	Regional Rail[2]
Lane Cove Tunnel	Royal North Shore Hospital Redevelopment[2]
Long Bay Prison and Forensic Hospital[2]	Sydney Harbour Tunnel
M2 Motorway	Sydney International Convention, Exhibition and Entertainment Precinct
Macarthur Water Filtration Plant[2]	Sydney Light Rail[2]
Mater Hospital[2]	Sydney Metro City & Southwest: Operations, Trains & Systems[2]
New Grafton Correctional Centre	VISY Mill: Tumut Timber Supply Agreement
Newcastle Integrated Service Operator	Waratah Rolling Stock[2]
North West Rail Link – Operations, Trains and Systems[2]	WestConnex[2]
NorthConnex[2]	Western Sydney Orbital
Northern Beaches Hospital[2]	

These guarantees are considered unlikely to ever be exercised.

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

[2] These projects include payment guarantees, which give lenders a similar assurance as if they were lending to a Crown agency

State-owned Corporations

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

SOCs covered in this indemnity

Ausgrid	Endeavour Energy	Essential Energy
Delta Electricity	Eraring Energy	Macquarie Generation

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

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

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

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

The indemnity does not apply in respect of a liability which arises out of any act or omission on the part of the indemnified party that involves, among others as detailed in the Deed of Indemnity, gross negligence, recklessness and conduct contrary to any written direction or instructions to the indemnified party made by or on behalf of the State. It is not possible to estimate the amount of contingent liability exposure at this time. There are no known claims, or circumstances which would give rise to a claim as at the time of preparing this report.

Notes to the Financial Statements
30 June 2021

22. Administered contingent assets, contingent liabilities and guarantees (continued)

Sale of Delta Electricity's Western Assets

- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Mt Piper power station site to minimum legal standards.

Sale of Colongra Power Station

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

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

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

Sale of Macquarie Generation

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

Sale of Vales Point power station

- *Defined benefit superannuation guarantee* - The State has provided a guarantee to the SAS Trustee Corporation to make good any reserve shortfall in relation to the transferring defined benefits employees if the private sector employer becomes insolvent.
- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Vales Point power station to minimum legal standards. The State will also retain the costs for remediating ash dam contamination (migration of contamination in water from ash dams) and legacy contamination (contamination associated with identified asbestos landfill sites) to the minimum legal standards.
- *Vales Point Hand Back Deed* - where an option is exercised under the Hand Back Deed, the State will be responsible for the demolition and remediation of Vales Point and the Site Land.

Sale of Eraring Energy

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

22. Administered contingent assets, contingent liabilities and guarantees (continued)

NSW Treasury Corporation (TCorp)

Guarantees issued by TCorp

The State guaranteed the securities, borrowings and derivative liabilities issued by TCorp with a market value of $116.8 billion (2020: $99.3 billion) under the *Government Sector Finance Act* 2018.

The State has also guaranteed TCorp's loan facility to NSW Local councils in connection with the "Fit For The Future" reform program. As at the reporting date these loans were valued at $942.1 million (2020: $842.6 million). These guarantees are considered unlikely to ever be exercised.

Other undertakings

TCorp has undertakings for other government authorities for their performance under contracts with third parties. These amounts are recoverable from the government authority participants. As at the reporting date the undertakings were valued at $54.8 million (2020: $65.4 million).

23. Transfer payments

The ConFund receives contributions from the Commonwealth government that are transferred to eligible beneficiaries. The beneficiaries are non-government schools and local governments.

Payments to non-government schools are paid directly to the receiving schools while payments to local governments are made to the Office of Local Government, a part of the Department of Planning, Industry and Environment.

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

	2021 $'000	2020 $'000
Payments		
Non-government schools - recurrent	(4,313,744)	(4,704,108)
Local government - financial assistance	(564,084)	(567,111)
Local government - roads	(228,403)	(228,428)
	(5,106,231)	**(5,499,647)**
Receipts		
Non-government schools - recurrent	4,313,744	4,704,108
Local government - financial assistance	564,084	567,111
Local government - roads	228,403	228,428
	5,106,231	**5,499,647**

24. Financial Instruments

Treasury's principal financial instruments are cash deposits held within the NSW Treasury Banking System (TBS), short term receivables and payables and other financial assets. These instruments expose Treasury primarily to interest rate risk on cash balances held within the NSW TBS and credit risk on short term receivables or other financial assets. Treasury 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 agrees and reviews policies for managing risk.

(a) Financial instrument categories

	Note	Category	Carrying Amount 2021 $'000	Carrying Amount 2020 $'000
Financial assets				
Cash and cash equivalents	5	N/A	192,731	239,857
Receivables (i)	6	Amortised cost	40,597	14,096
Other financial assets	7	Amortised cost	-	14,790
Financial liabilities				
Payables (ii)	11	Financial liabilities measured at amortised cost	117,413	56,358
Borrowings	12	Financial liabilities measured at amortised cost	70,954	108,773

(i) Excludes statutory receivables and prepayments as these are not within the scope of AASB 7.
(ii) Excludes statutory payables and unearned revenue as these are not within the scope of AASB 7.

(b) Credit risk

Credit risk arises when there is the possibility of Treasury's debtors defaulting on their contractual obligations, resulting in a financial loss to Treasury. 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 Treasury, including cash, receivables and other financial assets. No collateral is held by Treasury and it has not granted any financial guarantees.

Cash and cash equivalents

Cash and cash equivalents are comprised of bank balances within the NSW TBS.

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. Debts which are known to be uncollectible are written off.

Treasury 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 and forward-looking information.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make payments for a period of greater than 90 days past due.

The loss allowance for debtors as at 30 June 2020 and 30 June 2021 was determined using a combination of factors including history of payments, receivables written off and debtor management. The review excluded statutory receivables and prepayments, as these are not within the scope of AASB 7.

24. Financial instruments (continued)

The Treasury is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2021.

The loss allowance for trade debtors as at the reporting date was determined as follows:

	Current	< 30 days	30 - 60 days	61 - 90 days	>91 days	Total
30 June 2021 ($'000)						
Expected credit loss rate	n/a	0%	0%	0%	0%	0%
Total gross carrying amount	4,410	16	199	-	17	4,642
Expected credit loss	-	-	-	-	-	-

	Current	< 30 days	30 - 60 days	61 - 90 days	>91 days	Total
30 June 2020 ($'000)						
Expected credit loss rate	n/a	0%	0%	0%	8%	2%
Total gross carrying amount	1,088	1,059	101	132	737	3,117
Expected credit loss	-	-	-	-	(61)	(61)

Other financial assets

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows representing payments of principal and interest. Treasury has lease receivables from the subtenants of the Innovation Hub which is categorised as other financial assets.

Treasury recognises an allowance for ECLs for all debt 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 Treasury expects to receive, discounted at the original effective interest rate. Refer to Note 7 for further details on the ECLs of other financial assets.

(c) Liquidity risk

Liquidity risk is the risk that Treasury will be unable to meet its payment obligations when they fall due. Treasury continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility using other advances.

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

The 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 the policy set out in NSW 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. Interest is awarded for late payment. No interest for late payment was paid during the year (2020: $Nil).

24. Financial instruments (continued)

The table below summarises the maturity profile of Treasury's financial liabilities together with any interest rate exposure.

	$'000				
Maturity Analysis	**Interest Rate Exposure**		**Maturity Dates**		
	Weighted Average Effective Int. Rate	**Nominal Amount**	**<1 yr**	**1 - 5 yrs**	**>5 yrs**
2021					
Financial liabilities					
Payables	-	117,413	117,413	-	-
Borrowings					
Lease Liabilities	2.39%	70,954	7,037	29,091	34,826
2020					
Financial liabilities					
Payables	-	56,358	56,358	-	-
Borrowings					
Lease Liabilities	2.39%	108,773	19,320	47,366	42,087

(d) 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. Treasury's exposure to market risk is through:

- Interest rate risk on cash and cash equivalents
- Foreign currency risk through lease liability recognised in offshore offices.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk and foreign currency risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which Treasury 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 Statement of Financial Position 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. A reasonably possible change of +0.5/ -0.25 per cent 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. The following table demonstrates the sensitivity to a reasonably possible change in interest rates.

24. Financial instruments (continued)

	Carrying amount $'000	-0.25% Net Result $'000	Equity $'000	+0.5% Net Result $'000	Equity $'000
2021					
Financial assets					
Cash and cash equivalents	192,731	(482)	(482)	964	964
Total Increase / (decrease)		**(482)**	**(482)**	**964**	**964**
2020					
Financial assets					
Cash and cash equivalents	239,857	(600)	(600)	1,199	1,199
Total Increase / (decrease)		**(600)**	**(600)**	**1,199**	**1,199**

Foreign currency risk

Foreign exchange risk is the risk that Treasury's financial performance or position will be affected by fluctuations in the exchange rates between currencies.

(e) Fair value

The carrying value of receivables less any impairment provision and payables is a reasonable approximation of their fair value largely due to their short-term nature.

25. Compensation of Key Management Personnel

	2021 $'000	2020 $'000
Short-term employee benefits:		
Salaries	12,658	10,518
Other monetary allowances	8	-
Termination benefits	844	-
Non-monetary benefits	4	7
Total remuneration	**13,514**	**10,525**

The total remuneration of key management personnel (KMP) increased due to a reassessment which identified additional KMP, which total 49. During the year, Treasury did not enter into any transactions with KMP, their close family members and controlled or jointly controlled entities thereof.

Notes to the Financial Statements
30 June 2021

26. Related Party Disclosures

(a) Ultimate parent

The NSW Government is the ultimate parent of Treasury.

(b) Key management personnel remuneration

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

(c) Transactions with related parties

Terms and conditions with related parties

All transactions with related parties are conducted in the normal course of business and on normal commercial terms and conditions. As several related entities have no employees, the work for these entities is performed by Treasury staff. Treasury recoups these costs (including a share of overheads) associated with performing these activities. These recoupments are disclosed in the notes to the financial statements.

(i) Transactions with KMP

Treasury has developed a framework that supports the identification, recording and authorisation of the related party transactions. All identified KMP are required to complete annual declarations in relation to the related party transactions. During the year, no KMP has declared that he/she and their close family members have made any transactions with Treasury.

(ii) Transactions with other related entities

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

During the year, Treasury entered into the following individually significant transactions with other entities consolidated as part of the NSW Total State Sector within the normal course of business:

- Western Parkland City Authority – grant to fund agency $22.0 million
- Destination NSW – grant to fund agency $110.0 million
- Jobs for NSW Fund – to support ongoing obligations to create jobs in NSW $18.5 million
- Certain Ministerial Holding Corporations – recoupment of administrative costs $2.1 million
- The Crown – recoupment of redundancy expenses $1.2 million
- Jobs for NSW Fund – recoupment of staffing and administration costs $3.3 million
- Department of Customer Service – ICT cost and administrative restructure related costs $10.6 million
- Property NSW – monthly rent related costs $27.5 million
- Department of Regional NSW – COVID-19 cash stimulus for the quarantine of incoming passengers $150.0 million
- Service NSW – COVID-19 cash stimulus for small business grants $129.0 million

27. Correction of Prior Period Errors

Treasury changed its position on the accounting treatment of lapsed appropriations based on legal opinion received during FY2020-21. The previous accounting treatment, of recognising lapsed appropriations as a liability at 30 June, misapplied the legal concept of lapsed appropriations. It has been determined, the spending authority that has lapsed at 30 June does not constitute a financial liability for unspent appropriations or unused cluster grants (or other grants of which the spending authority is conferred by the annual Appropriations Act). Therefore, a “Liability for Lapsed Appropriations Drawn Down” should not be recognised at 30 June, where at that date the agency has in place sufficient legal authority to spend that amount.

As this error was made in the prior period, the Statement of Financial Position as at 30 June 2020 was restated as follows:

	30 June 2020 Original balance $'000	30 June 2020 Correction of prior period error $'000	30 June 2020 Restated balance $'000
Current liabilities			
Other liabilities	159,592	(158,509)	1,083
Total current liabilities	379,519	(158,509)	221,010
Total liabilities	476,338	(158,509)	317,829
Net assets / (liabilities)	**(73,361)**	**158,509**	**85,148**
Equity			
Accumulated funds	(73,361)	158,509	85,148
Total equity	**(73,361)**	**158,509**	**85,148**

The Statement of Comprehensive Income for the year ended 30 June 2020 was restated as follows:

	30 June 2020 Original balance $’000	30 June 2020 Impact of change in Crown reporting arrangements* $’000	30 June 2020 Correction of prior period error $’000	30 June 2020 Restated balance $’000
Expenses				
Operating expenses	145,356	17,526	-	162,882
Grants and subsidies	754,507	303	-	754,810
Total expenses excluding losses	**1,056,120**	**17,829**	**-**	**1,073,949**
Revenue				
Appropriation	803,101	-	158,509	961,610
Grants and contributions	120,823	17,829	-	138,652
Total revenue	**963,489**	**17,829**	**158,509**	**1,139,827**
Operating result	**(92,631)**	**-**	**158,509**	**65,878**
Net result from continuing operations	**(117,859)**	**-**	**158,509**	**40,650**
TOTAL COMPREHENSIVE INCOME	**(117,859)**	**-**	**158,509**	**40,650**

* The table above includes the impact of the change in Crown reporting arrangements to allow reconciliation of balances to the Statement of Comprehensive Income. Refer to Note 1(d) for further details.

Notes to the Financial Statements
30 June 2021

28. Events after the Reporting Period

During the year, the State commenced a sales process of its remaining 49 per cent stake in WestConnex Group (WCX). The sales transaction was conducted in two tranches of 24.5 per cent each with unconditional bids received in September. In September 2021 the NSW Government announced Sydney Transport Partners was the successful bidder with $11.1 billion for the two 24.5 per cent tranches. The sale completion of WCX is expected to occur at the end of October 2021 and it is the intention that the majority of the sales proceeds will be transferred to the NSW Generations (Debt Retirement) Fund which is administered by Treasury.

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

End of audited Financial Statements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Appendices

Outcome and Performance Measurement

The outcomes, outcome indicators and outcome programs that the cluster was responsible for the year are detailed on page 17 of this Annual Report. Page 18 also sets out the changes that were made to these performance areas following the Machinery of Government changes in March 2021.

Details of the revenue and expenditure for the financial year for Treasury, including administered activities on behalf of the State, were provided in December 2021.

Details of the performance for 2020-21 against the nine indicators above can be found in Chapter 9 of Budget Paper 2 published on 22 June 2021 (specifically pages 9-3 to 9-9).

Human resource statistics

On 30 June 2021 Treasury had 735.57 full-time equivalent (FTE) staff. This equates to a headcount of 755 staff.

Treasury function	2018–19	2019–20	2020-21
Full-time equivalent (FTE)	530.44	783.89	735.57
Economic Strategy & Productivity	–	132.5	188.29
Policy & Budget	–	158.26	146.51
Commercial & Procurement	–	170.71	187.74
Financial & Operations	93.48	83.96	209.03
Human Resources	22.8	14.4	
Information Technology	11	21.8	
General Counsel	5	9	
Office of the Secretary	33.4	39.5	4
Trade, Tourism, Investment & Precincts	3	153.76	Left Treasury through Machinery of Government
People Strategy	51.69	–	
Corporate	–	–	

Note: Due to internal structural changes to Treasury Groups and then subsequent changed related to Machinery of Government, divisional FTE comparisons cannot be accurately mapped.

Age group	2018–19	2019–20	2020-21
20-24	20	23	26
25-29	91	129	125
30-34	109	152	141
35-39	86	148	137
40-44	65	119	104
45-49	65	90	91
50-54	49	67	50
55-59	39	56	51
60+	37	31	30

Non-executive full-time and part-time staff by classification and grade	Full-time equivalent	Actual staff number
Grade 1/2	8	8
Grade 3/4	44.17	46
Grade 5/6	87.8	90
Grade 7/8	106.63	109
Grade 9/10	175.43	181
Grade 11/12	186.37	190
Other	13.57	15

Senior executive grades and remuneration

Senior executives (headcount)	2018–19		2019–20		2020-21	
	Female	Male	Female	Male	Female	Male
Executive Band 4	–	1	–	1	–	1
Executive Band 3	3	3	2	3	2	3
Executive Band 2	11	10	13	11	13	9
Executive Band 1	36	41	34	57	32	51
Other	–	–	–	1	–	1
Total	**50**	**55**	**45**	**73**	**47**	**65**
Combined Total	105		118		112	

Note: Includes temporary assignments, excludes secondments out (no pay) and long-term absences. As a result, these tables do not tie to the 'Treasury function' FTE table on page 36.

Executive—average remuneration	2018-19	2019-20	2020-21
Band 4	$592,300	$599,000	599,000
Band 3	$432,184	$445, 275	452,947
Band 2	$312,477	$314, 230	321,263
Band 1	$227,875	$234,661	237,150

For the reporting period 2020-2021 contracted senior executives' monetary remuneration and the value of employment benefits paid represented 27.66 percent of the NSW Treasury's salaries-related expenses. In the previous 2019-20 year this figure was 26.35 percent.

Trends in the workforce diversity groups

Staff profile / respondents	2018-19	2019-20	2020-21
Full-time equivalent (FTE)	530.44	783.89	735.57
Responses to question on Ethnicity	313	594	513
Responses to question on Language	275	572	506
Responses to question on Disability	306	610	513
Responses to question on identifying as Aboriginal or Torres Strait Islander	312	595	521

TRENDS IN THE REPRESENTATION OF WORKFORCE DIVERSITY GROUPS

Workforce diversity group	Benchmark	2019	2020	2021
Women	50%	54.60%	55.60%	55.40%
Aboriginal and/or Torres Strait Islander People	3.30%	0.80%	0.90%	1.30%
People whose First Language Spoken as a Child was not English	23.20%	15.40%	28.40%	29.70%
People with Disability	5.60%	1.50%	3.20%	3.90%
People with Disability Requiring Work-Related Adjustment	N/A	0.60%	1.50%	1.50%

Note 1: The benchmark of 50 per cent for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 2: The NSW Public Sector Aboriginal Employment Strategy 2014 – 17 introduced an aspirational target of 1.8 per cent by 2021 for each of the sector's salary bands. If the aspirational target of 1.8 per cent is achieved in salary bands not currently at or above 1.8 per cent, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3 per cent.

Note 3: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language but does provide information about country of birth. The benchmark of 23.2 per cent is the percentage of the NSW general population born in a country where English is not the predominant language.

Note 4: In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7 per cent to 5.6 per cent by 2027. More information can be found at: Jobs for People with Disability: A plan for the NSW public sector. The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.

TRENDS IN THE DISTRIBUTION INDEX FOR WORKFORCE DIVERSITY GROUPS

Workforce diversity group	Benchmark	2019	2020	2021
Women	100	95	96	95
Aboriginal and/or Torres Strait Islander People	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	96	94	94
People with Disability	100	N/A	101	103
People with Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

General Note: Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff. The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

Proactive Work, Health and Safety Risk Management

In November 2020, a refreshed Workplace Health and Safety (WHS) committee, agenda and approach was established by Treasury HR with input from both the Risk and Facilities teams. The Committee's role has been to review WHS matters, including incidents and injuries, upskilling as appropriate and ensuring that Treasury is meeting its duty of care obligations as an employer. The WHS policies and procedures will be reviewed annually or if there are changes to the business which may have a material impact on their application.

Progress has included:

- a review of the WHS policies and procedures, identified gaps and opportunities for improvement
- consultation with staff on the WHS approach and policies
- creation of a Mental Health Hub to support Mental Health at Treasury but also as an important resource for staff during the most recent stay-at-home orders
- raising awareness of Mental Health First Aid within the business.

Incident type	Treasury	DNSW	JIT	External	Total
Slip/Trip/Fall (at work)	1	–	–	–	1
Slip/Trip (Journey/Recess during work hours)	–	3	–	–	3
Ergonomics	3	–	1	–	4
Cuts/Burns	–	–	1	–	1
Other	5	1	2	2	10
Hazard	–	1	–	–	1
Workers Compensation (Ergonomics)		–	–	–	1
Total Incidents & Risks reported	**9**	**5**	**4**	**2**	**20**

NSW Procurement Board 2020-21 Annual Report

Legislation

The *Public Works and Procurement Act 1912* (the Act) sets out the NSW Government's procurement laws and establishes the NSW Procurement Board (the Board). The procurement laws and government procurement policies allow agencies to manage and be responsible for their own procurement activities where no mandatory Whole-of-Government arrangements are in place. The process of ensuring agencies are capable and appropriately resourced to undertake their procurement activities is managed through the Accreditation Program for Goods and Services Procurement and the Accreditation Program for Construction Procurement. Accreditation is granted and overseen by the Board.

The Act places responsibilities on agencies in relation to their procurement activities, including:

- exercising procurement functions in accordance with the Board's policies and directions
- adhering to the principles of probity and fairness
- ensuring value for money is achieved in procurement
- providing information to the Board on procurement activities.

The *Public Works and Procurement Amendment* (Enforcement) Act was assented to on 22 November 2018. It provides for the enforcement of NSW Procurement Board directions and policies relating to international procurement agreements.

The Procurement Board's objectives and functions

The Act defines the objectives and functions of the Board to oversee procurement by NSW government agencies, excluding State Owned Corporations, local councils and the Parliament of NSW.

The objectives of the Board, as specified in the Act, are to:

- develop and implement a government-wide strategic approach to procurement
- ensure best value for money in the procurement of goods and services by and for government agencies
- improve competition and facilitate access to government procurement business by the private sector, especially by small and medium enterprises (SMEs), and regional enterprises
- reduce administrative costs for government agencies
- simplify procurement processes while ensuring probity and fairness.

The Act states specific functions for the Board, including oversight of procurement of goods and services by and for government agencies, and developing procurement policies.

While the Board can issue directions to agencies about the conduct of procurements or authorise them to carry out certain procurements, it cannot enter into contracts.

The Board is subject to the direction and control of the Minister for Finance and Small Business.

The Board's major achievements in 2020-21 include:

- Updating the Procurement Policy Framework, the overarching governance and policy document for NSW government agencies.
- Providing advice and oversight to the PLG and NSW Procurement to develop and implement a procurement reform programme of work
- Effecting the Aboriginal Procurement Policy, which combines the previous Aboriginal Procurement Policy and Aboriginal Participation in Construction Policy, and developing cluster specific targets for procurement spend with Aboriginal-owned businesses.
- Introducing a refreshed Small and Medium Enterprise and Regional Procurement Policy following a review process, including public consultation.
- Developing the Small Business Shorter Payment Terms Policy to support cashflow for small business subcontractors on NSW Government goods and services contracts.
- Facilitating further NSW government support for SMEs in communities impacted by the March 2021 floods in NSW.
- Facilitating Fiscal Repair savings through the Whole of Government procurement savings programs
- Provided support to NSW government agencies to undertake Emergency Procurement activities to meet the demands of the COVID-19 pandemic with a consistent consolidated reporting of activities.

Procurement Policy Framework

The Procurement Policy Framework provides a consolidated view of government procurement objectives and the Board's requirements as they apply to each step of the procurement process. The Procurement Policy Framework applies to the procurement of goods and services of any kind, including construction. Agencies are required to test, on a regular basis, compliance with the Procurement Policy Framework. The framework is updated regularly to ensure new and amended requirements are incorporated.

Aboriginal Procurement Policy

Following the recommendations through the Aboriginal Procurement Policy (2018 APP) and Aboriginal Participation in Construction (APIC) Policy 2019 Review Report, the NSW Procurement Board approved a new Aboriginal Procurement Policy (APP).

The new APP, which came into effect on 1 January 2021, supports sustainable growth of Aboriginal businesses by driving demand through NSW Government procurement of goods, services and construction. The APP:

- Introduces targets on a cluster basis, of 1 per cent addressable spend to Aboriginal businesses.
- Supports the target of awarding 3 per cent of total goods and services contracts to Aboriginal businesses.
- Similar to the 2018 APP and APIC Policy, aims to support an estimated 3,000 FTE opportunities for Aboriginal and Torres Strait Islander people through NSW Government procurement activities by the end of 2021.
- Requires a minimum 1.5 per cent Aboriginal participation across high-value contracts (over $7.5 million).
- Encourages agencies to negotiate directly with Aboriginal-owned businesses for all procurements up to $250,000, even where there is a mandated prequalification scheme or panel in place.
- Establishes the Aboriginal Participation Fund to receive payments when a supplier does not meet contracted Aboriginal participation requirements.
- Requires each cluster to develop an Aboriginal Participation Strategy which identifies and addresses upcoming procurement opportunities for Aboriginal participation.

Members and Deputies

The following NSW government officers were members of the Board in 2020-21:

Secretary, The Treasury (Chair)

Secretary, Department of Customer Service

Secretary, Department of Premier and Cabinet

Secretary, Department of Communities and Justice

Secretary, Department of Education

Secretary, NSW Health

Secretary, Department of Planning, Industry and Environment

Secretary, Regional NSW

Secretary, Transport for NSW

During 2020-21 all Secretaries were represented by delegates appointed by the Minister for Finance and Small Business.

Meetings

The Board held four scheduled meetings in 2020-21:

1. 2 September 2020
2. 25 November 2020
3. 24 February 2021
4. 26 May 2021

In addition, in 2020-21 10 matters were considered out-of-session by email and there were no out-of-session meetings.

The Board met for a half day strategic planning session on 7 May 2021.

Agency Accreditation Program Status

A) Goods and Services Procurement

The Agency Accreditation Program for Goods and Services Procurement sets minimum standards for agency procurement to improve outcomes delivered across NSW government. The Program aims to assure agency capability and capacity to deliver value for money, efficiency and effectiveness through government goods and services procurement.

At June 2021 there were 17 accredited entities (clusters and agencies), including a combined Level 2 accreditation for the NSW Treasury cluster and its sub-entity NSW Procurement.

In May 2020 the Procurement Board approved reduced annual self-reporting requirements for 2020, and deferred the submission date to 30 October 2020, due to the COVID-19 pandemic. The minimum requirement for 2020 was submitting only the Self-Assessment Attestation. All accredited agencies except for Infrastructure NSW (INSW) and the NSW Education Standards Authority completed their annual self-reporting for FY19/20.

In FY20/21 two accredited agencies, Sydney Cricket and Sports Grounds Trust and the Department of Education submitted Trigger Events Action Plans to the Procurement Leadership Group to address changes in their organisations that could impact their abilities to meet their accreditation responsibilities.

On 2 July 2020 the Board approved an arrangement for the new and unaccredited Regional NSW cluster to obtain concurrence from the Planning, Industry and Environment cluster, to the limit of the latter's Level 1 accreditation, for their goods and services for 12 months. An extension for a further 12 months was approved by the Board at the May 2021 Procurement Board meeting. On 6 October 2020 the Board approved the Customer Service cluster's application to upgrade its accreditation from Level 1 to 2. On 24 February 2021 the Board permitted INSW not retrospectively having to complete their outstanding Self-Assessment Reporting and Attestation from 2019.

On 25 November 2020 the Procurement Board approved limited delegations for Level 2 accredited agencies to set up Whole-of-Government procurement arrangements replacing existing procurement arrangements, improvements to the Trigger Events Management Process and reporting, and noted the Procurement Leadership Group approving a process for NSW Procurement to follow up and report on Trigger Event Action Plans submitted by accredited agencies.

B) Construction Procurement

The Accreditation Program and Assurance Process for Construction Procurement form a governance framework to promote effective and efficient construction procurement, drive continuous improvement and capability development and to manage risk.

The NSW Procurement Board acts as the owner of the Program and is accountable for assessing accreditation applications with a coordinated whole-of-cluster and government strategic lens, ensuring agencies meet specified criteria, monitoring performance to ensure compliance and approving any modifications to the programs to improve its effectiveness.

Public Works Advisory (PWA) has been charged with the responsibility of implementing the frameworks and their ongoing management through a dedicated resource.

The Accreditation Program

After extensive Whole-of-Government and Construction Leadership Group consultation, the Program was approved by the Procurement Board in September 2020 and took effect 1 October 2020, replacing two schemes running in parallel across NSW government. The Assurance Process for unaccredited agencies was launched successfully on 1 January 2021. Considerable communications and change management support were delivered to educate relevant teams on these changes and support them with their transition or application and mandatory annual reporting.

As at 30 June 2021, 13 agencies hold current full construction procurement accreditation. 11 of these transitioned across from the superseded schemes and two were granted accreditation at the February 2021 Board meeting (TAFE NSW and Taronga Conservation Society Australia).

In addition, two agencies have formally signalled to the Procurement Board their intent to pursue accreditation (Police NSW and NSW Telco Authority) and the interim accreditation of the Department of Communities & Justice (DCJ) expired 30 June 2021.

DCJ, Water Infrastructure NSW, Soil Conservation Service NSW and Western City and Aerotropolis Authority have indicated interest in applying for construction accreditation.

Assurance Process for Construction Procurement

The Assurance Process was launched 1 January 2021 to complement the Accreditation Program and improve risk management for unaccredited agency procurements by leveraging higher capability teams to provide an additional layer of oversight. Unaccredited agencies can only conduct construction procurement valued over $1.3 million (excluding GST) if an accredited agency provides assurance during the plan, source and manage phases of a project.

PWA is responsible for administering the assurance process in conjunction with the Accreditation Program. There is now strong awareness of this process across government procurement functions, with further work to do in FY21/22 to encourage and gauge compliance.

Administration

The Board's administrative support and its costs for 2020-21 were met by the Treasury and the clusters represented on the Board.

Statutory reporting requirements

The Board has a statutory requirement to report details of any direction given to it by the Minister for Finance and Small Business.

- The Minister gave the Board the following direction on 8 April 2021:
  - The NSW Procurement Board to approve *Procurement Board Direction 2021-01 Support for flood affected communities* to cover procurements required to conduct repairs, rebuilding, remediation and enhancement works, or to supply associated goods or services, arising out of, in relation to or following the floods occurring in NSW in March 2021.
- The Minister gave the Board the following direction on 18 May 2021:
  - The NSW Procurement Board to require agencies to obtain approval from their responsible Minister before entering into Whole-of-Government contracts, with the relevant Minister to make an assessment as to whether Cabinet consideration is necessary.
- The Minister gave the Board the following direction on 24 May 2021:
  - The NSW Procurement Board to approve the Small Business Shorter Payment Terms Policy, which requires NSW Government agencies to include in goods and services contracts with a Large Business with a contract value of $7.5 million or above, the requirement for the Large Business to pay certain direct Small Business Subcontractors within 20 business days following receipt of a correctly rendered invoice.

Board subcommittees and advisory groups

The Act allows the Board to establish subcommittees and advisory groups to assist its work. The Board is supported by the Procurement Leadership Group (PLG), the Construction Leadership Group (CLG), and the International Procurement Agreements Steering Committee (IPASC). Whole-of-government Category Management Working Groups have been established under the PLG.

Procurement Leadership Group (PLG)

The PLG is the primary advisory group of the NSW Procurement Board, under s.168 of the Public Works and Procurement Act 1912. The PLG supports the Procurement Board in achieving its statutory objectives and performing its functions, as well as providing expert advice to the Board on urgent and emerging issues in the sector.

As at 30 June 2021 the PLG's members included the Chief Procurement Officers or equivalents. There were also members from INSW, and ICT/ Digital Sourcing at the Department of Customer Service.

The PLG met 10 times between 1 July 2020 and 30 June 2021.

In 2020-21 two accredited agencies advised the PLG of 'trigger events' that could impact their ability to meet the requirements of the Agency Accreditation Program for goods and services procurement. On 26 November 2020 the Sydney Cricket and Sports Grounds Trust submitted a

Trigger Events Action Plan to transfer their Level 1 accreditation to Venues NSW. On 25 Mar 2021 the Department of Education submitted a Trigger Event Action Plan following the merger of the procurement function within the cluster.

Construction Leadership Group (CLG)

The CLG is collaborating across government to deliver the NSW Government Action Plan: A ten-point commitment to the construction sector. CLG members include key NSW government agencies engaged in the delivery of the large long-term pipeline of infrastructure investment for NSW.

Since publishing the 10 Point Commitment in 2018, the CLG has implemented initiatives across State infrastructure projects to support the long-term sustainability of the sector. Key initiatives for 2020-21 include:

- Continuing transparency through ongoing updates of the interactive whole-of-government NSW Major Project Pipeline hosted on the INSW website
- Monitoring of contractor performance across major infrastructure projects
- Review of procurement practices for major infrastructure projects leading to the recent publication of the Premier's Memorandum on Procurement for Large, Complex Infrastructure Projects and associated Framework for Establishing Effective Project Procurement, developed by INSW.
- Development of Practice Notes to guide NSW government and industry
- Publication of Procurement Method Guidelines
- Supporting the Infrastructure Skills and Legacy Program led by Training Services NSW which as of 1 July 2020 mandates comprehensive skills and diversity targets for government infrastructure procurement.

INSW is due to publish the second annual progress report against the 10 Point Commitment by the end of 2021. This report draws data from major infrastructure projects collected in Implementation Statements, which agencies now prepare at key milestones on projects with a capital value greater than $50 million. Once published, the 2021 report will be available on the INSW website.

In light of COVID-19, the CLG is also focusing on ongoing engagement with the construction industry in relation to the 10 Point Commitment and impacts from COVID-19.

International Procurement Agreements Steering Committee

The International Procurement Agreements Steering Committee (IPASC) is the primary advisor to the Board on procurement requirements relevant to international procurement agreements. Members include representatives from Department of Education, Transport for NSW, Department of Communities and Justice, Ministry of Health, NSW Treasury and the Department of Planning, Industry and Environment. The IPASC met once and have provided guidance on several occasions out of session in 2020-21.

Procurement Board Directions

The Act gives the Board the authority to issue directions to agencies. During 2020-21 the Board issued five directions covering:

- Approved procurement arrangements for government agencies
- Updated requirements relating to international procurement agreements
- Support for flood affected communities
- Contracts for ICT goods and services.

Procurement Board directions, including withdrawn directions, are available on buy.nsw.

Procurement Complaints

Under the Act the Board considers complaints it receives directly about government procurements in NSW, including tendering and contracts. Agencies have a responsibility to resolve complaints concerning their procurement actions. Complaints unresolved at the end of this process can be referred to the Procurement Board. The role of the Procurement Board in the complaints management process is to ensure that agencies appropriately review and respond to complaints, and that procedural fairness is observed.

The Board received no complaints during 2020-21.

PUBLIC WORKS AND PROCUREMENT ACT 1912

TO: NSW PROCUREMENT BOARD

I, Damien Francis Tudehope, Minister for Finance and Small Business for New South Wales make the following direction to the NSW Procurement Board, pursuant to section 166(1) of the *Public Works and Procurement Act 1912* (**the Act**).

The NSW Procurement Board to approve the *Small Business Shorter Payment Terms Policy,* which requires NSW Government agencies to include in goods or services contracts with a Large Business with a contract value of $7.5 million or above, the requirement for the Large Business to pay certain direct Small Business Subcontractors within 20 business days following receipt of a correctly rendered invoice.

The *Small Business Shorter Payment Terms Policy* is attached as Attachment A.

Signed at Sydney this 24th day of May 2021

Damien Francis Tudehope
Minister for Finance and Small Business, New South Wales

PUBLIC WORKS AND PROCUREMENT ACT 1912

TO: NSW PROCUREMENT BOARD

I, Damien Francis Tudehope, Minister for Finance and Small Business for New South Wales make the following direction to the NSW Procurement Board, pursuant to section 166(1) of the *Public Works and Procurement Act 1912* (**the Act**).

The NSW Procurement Board to approve *Procurement Board Direction 2021-01 Support for flood affected communities* to cover procurements required to conduct repairs, rebuilding, remediation and enhancement works, or to supply associated goods or services, arising out of, in relation to or following to the floods occurring in NSW in March 2021.

Dated at Sydney this 8th day of April 2021

Damien Francis Tudehope
Minister for Finance and Small Business, New South Wales

PUBLIC WORKS AND PROCUREMENT ACT 1912

TO: NSW PROCUREMENT BOARD

I, Damien Francis Tudehope, Minister for Finance and Small Business for New South Wales make the following direction to the NSW Procurement Board, pursuant to section 166(1) of the *Public Works and Procurement Act 1912* (**the Act**).

The NSW Procurement Board to require agencies to obtain approval from their responsible Minister before entering into Whole-of-Government contracts, with the relevant Minister to make an assessment as to whether Cabinet consideration is necessary.

Dated at Sydney this 18th day of May2021

Damien Tudehope

Damien Francis Tudehope
Minister for Finance and Small Business, New South Wales

Risk Management and Related Activities

Fraud and corruption prevention and risk management

The NSW Treasury Fraud and Corruption Framework, along with the Risk Management Framework were reviewed and refreshed in the past financial year.

The Audit and Risk Committee met quarterly to review and discuss risk updates from management and the operational risk register along with any fraud and corruption matters.

During the financial year, the leadership team along with operational and projects risk owners have been engaged through risk and control workshops. The leadership team was able to monitor their material risks through a dashboard.

Compliance

The NSW Treasury Compliance Management Framework, along with the Compliance Incident Policy were reviewed and refreshed in the last financial year.

Staff undertook e-learning training on various areas including cyber security and procurement practices to understand their obligations and required compliance with these. These training materials were refreshed in the past year to enable staff to better understand their responsibilities in association with key corporate and NSW Government policy and legislative requirements.

Other compliance activities included collation of SES private interest declarations and SES attestations confirming they have complied with key requirements obligations. Gifts and Benefit registers were continually reviewed throughout the year, along with Conflict of Interest registers. Analysis and themes from these compliance activities were all reported to the Audit and Risk Committee.

Business Continuity Planning

NSW Treasury's Business Continuity Plan (BCP) policy and accompanying documentation is in place to ensure our readiness in the event of a disruptive incident.

The Influenza Pandemic Plan and other BCP-related policies and documentation, including the divisional BCPs, were reviewed to ensure they remain current. BC scenario testing was also conducted during the year with the leadership team to test our process and protocols in such an event. The result of this testing was also shared with the Audit and Risk Committee.

Government Information (Public Access)

Review of proactive release program

The Government Information (Public Access) Act 2009 (the GIPA Act) provides members of the public with the right to access Government information. Treasury is committed to ensuring the public's right to information meets the requirements of the GIPA Act, and that responses to requests for information are handled effectively. Treasury reviews its program to ensure that the information that is in the public's interest and assists people with access to services is made publicly available via Treasury websites.

In the 2020-21 reporting period, Treasury proactively released information and tools including:

- McDougall review into icare
- Tourism support package
- Review of the Point of Consumption Tax
- NGF Annual Report
- Innovation Districts Challenges
- COVID-19 Tech Vouchers
- Productivity Commission papers: Infrastructure Contributions Review, Green Paper, White Paper
- PPE manufacturing grants
- 2021-22 NSW Intergenerational Report
- Annual Budget (two) and Half Year Review Budget
- Innovation Productivity Commission Report
- Annual Report
- CBD Revitalisation Fund
- 24 Hour Economy
- Aboriginal Procurement Strategy
- International Student Awards
- Global NSW website revamp
- Summer Summit
- COVID-19 (2020) Health and Economic Stimulus package
- Federal Financial Relations Review Final Report
- Jobs Plus
- Export Assistance Grants
- NSW Going Global Export Program
- Small Business Month
- Property Tax Reform
- India Australia Community and Business Awards
- Node of the SmartSat Cooperative Research Centre (CRC),
- NSW Independent Brewers Action Plan

Number of access applications received

During the reporting period, Treasury received 48 formal access applications under the GIPA Act, including withdrawn applications.

Statistical information about access applications

The following tables are set out according to Schedule 2 of the Government Information (Public Access) Regulation 2009.

TABLE A: NUMBER OF APPLICATIONS BY TYPE OF APPLICANT AND OUTCOME*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Media	1	1	1	1	0	0	0	1
Members of Parliament	4	9	1	3	1	0	0	2
Private Sector Business	0	1	0	2	1	0	0	0
Not-for-profit organisations or community groups	1	3	2	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	1	0	0	0	0
Members of the public (other)	4	1	0	3	2	0	0	2

TABLE B: NUMBER OF APPLICATIONS BY TYPE OF APPLICATION AND OUTCOME

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Personal information applications*	1	0	0	1	0	0	0	0
Access applications (other than personal information applications)	9	15	4	9	4	0	0	5
Applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

*A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

TABLE C: INVALID APPLICATIONS

Reason for invalidity	Number of applications
Application does not comply with formal requirements (Section 41 of the Act)	0
Application is for excluded information of the agency (Section 43 of the Act)	0
Application contravenes restraint order (Section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

TABLE D: CONCLUSIVE PRESUMPTION OF OVERRIDING PUBLIC INTEREST AGAINST DISCLOSURE: MATTERS LISTED IN SCHEDULE 1 OF THE ACT

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	11
Executive Council information	0
Contempt	2
Legal professional privilege	2
Excluded information	1
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

*More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

TABLE E: OTHER PUBLIC INTEREST CONSIDERATIONS AGAINST DISCLOSURE

Matters listed in table to Section 14 of the Act	Number of occasions when application not successful
Responsible and effective government	6
Law enforcement and security	0
Individual rights, judicial processes and natural justice	9
Business interests of agencies and other persons	8
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

TABLE F: TIMELINES

Matters listed in table to Section 14 of the Act	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	41
Decided after 35 days (by agreement with applicant)	6
Not decided within time (deemed refusal)	1
Business interests of agencies and other persons	48
Total	Combined Total

TABLE G: NUMBER OF APPLICATIONS REVIEWED UNDER PART 5 OF THE ACT (BY TYPE OF REVIEW AND OUTCOME)

	Decision varied	Decision upheld	Total
Internal review	2	2	4
Review by Information Commissioner	1	3	4
Internal review following recommendation under Section 93 of the Act	1	0	1
Review by NCAT (formerly ADT)	2	0	2
Total	5	6	11

TABLE H: APPLICATIONS FOR REVIEW UNDER PART 5 OF THE ACT (BY TYPE OF APPLICANT)

	Number of applications for review
Applications by access applicants	10
Applications by persons to whom information the subject of access application relates (see Section 54 of the Act)	1

TABLE I: APPLICATIONS TRANSFERRED TO OTHER AGENCIES UNDER DIVISION 2 OF PART 4 OF THE ACT (BY TYPE OF TRANSFER)

	Number of applications transferred
Agency-initiation transfers	7
Applicant-initiated transfers	0

Public Interest Disclosures

All Treasury staff have a responsibility to report suspected wrongdoing including:

- corruption
- maladministration
- serious and substantial waste of public money
- breaches of the Government Information (Public Access) Act 2009 (GIPA Act).

The Public Interest Disclosures Act 1994 (PID Act) is aimed at encouraging and facilitating the disclosure, in the public interest, of wrongdoing in the public sector. The reporting of suspected wrongdoing is vital to the integrity of the public sector and its ability to provide the services the NSW public deserves. Treasury is committed to protecting staff that make public interest disclosures.

The Secretary of NSW Treasury has ensured staff are aware of their responsibilities under the PID Act by:

- publishing and endorsing Treasury's internal reporting policy and commitment to the objectives of the PID Act
- maintaining a Public Interest Disclosures portal on Treasury's intranet, providing staff with guidance material and links to additional external and internal PID resources
- providing staff access to training presented by the NSW Ombudsman's Office
- providing training for new staff as part of Treasury's new starter induction program
- providing online training courses to staff
- displaying promotional posters to increase awareness outlining 'How to report wrongdoing in Treasury'.

During the FY2020-21 NSW Treasury mandated that all senior executive officers at the PSSEB2 level and above to undertake PID Management Training at the NSW Ombudsman. As a result NSW Treasury has now expanded the number of PID Disclosures Officers that are available to accept PID Reports from Treasury staff.

The PID Act Section 31 requires each public authority to prepare an annual report on its obligations under the Act. In accordance with Section 4 of the Public Interest Disclosures Regulation 2011, the following information is provided on public interest disclosures for the period 1 July 2020 to 30 June 2021:

Section 4 of the Public Interest Disclosures Regulation 2011	2020–21
Number of public officials who made public interest disclosures to NSW Treasury	0
Number of public interest disclosures received by NSW Treasury	0
Of public interest disclosures received, how many were primarily about:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of public interest disclosures (received since 1 Jan 2012) that have been finalised in this reporting period	0

Protecting Privacy and Personal Information

NSW Treasury respects the privacy of members of the public who use our services and of our employees. As a NSW Government agency, NSW Treasury must comply with the requirements of the Privacy and Personal Information Protection Act 1998 (PPIP Act) and the Health Records and Information Privacy Act 2002 (HRIP Act).

Clause 6 of the Annual Reports (Departments) Regulation 2010 requires a statement of the action taken by Treasury in complying with the PPIP Act, and statistical details of any review conducted by or on behalf of Treasury under Part 5 of that Act.

In compliance with the provisions of the PPIP Act, NSW Treasury has a Privacy Management Plan. The Privacy Management Plan is published on both the Treasury intranet and website.

NSW Treasury employees are informed and educated about the privacy legislation and its requirements through online privacy training modules, guidance material on Treasury's intranet and advice provided through the Information Access and Governance Unit.

Additional information about how Treasury manages its obligations under the PPIP Act is available at www.treasury.nsw.gov.au/privacy

No Internal Privacy Reviews were conducted for the financial year 2020 -21.

Funds Granted to Non-Government Community Organisations

During the 2020-21 financial year, NSW Treasury administered grants to the following:

Grant details		Amount
Small Business Recovery Grant	A grant program to support small businesses and not-for-profit organisations affected by COVID-19. Support grants of up to $3,000 were made available to eligible NSW small business owners with the intended outcome to help safely reopen after the COVID-19 shutdown. The grants could be used to cover marketing and advertising expenses, make fit-out changes and train staff in how to work safely under the current COVID-19 health conditions.	$109,309,170
Southern Border Small Business Support Grant	This provided not-for-profit organisations in 13 Local Government Areas along the NSW and Victorian border (Albury, Balranald, Berrigan, Bega Valley, Edward River, Federation, Greater Hume Shire, Hay, Murray River, Murrumbidgee, Snowy Monaro, Snowy Valleys and Wentworth) with grants of $5,000 or $10,000 to help meet the costs of surviving and adapting for the COVID-19 border restrictions.	$15,386,540
Small Business Events	This was a focused 'Small Business Month' activity that provided funding of up to $2,000 for 126 local chambers of commerce to host COVID-Safe events, a mixed of online and face to face events, that are both beneficial and supportive to their local small business community. Hundreds of free and low-cost activities were held across NSW and provided a opportunity for businesses to recover post COVID-19.	$226,552

		Amount
International Students		
COVID-19 Crisis Accomodation	As part of COVID-19 Stimulus Support for International Students, the NSW Government funded free temporary crisis accommodation for vulnerable international students and those suffering hardship during the COVID-19 pandemic. This included offering crisis accommodation for up to 20 weeks for 6,080 international students and their dependents, delivered through approved student accommodations or homestay providers. Included in the stimulus support was funding for the NSW International Student Legal Service to increase access to the 'My Legal Mate' legal advice app, and dedicated international student advice via the Service NSW COVID-19 hotline.	$18,005,266
Legal Service	Since October 2015, NSW Treasury has partnered with the Redfern Legal Centre to deliver the International Student Legal Service which helps thousands of international students in NSW with free legal advice and advocacy. The service helps protect vulnerable students with tenancy, employment, education provider dispute and immigration issues, etc.	$185,646
Partner Projects	Every year the NSW Government co-funds various projects that are delivered in partnership with industry. The Partner Projects initiative was established in 2014 to support international students and grow the state's international education sector by fostering collaboration and innovation. The funding this financial year was matched by over $800,000 in cash and in-kind contributions by sector partners across eight projects. The partner projects for the 2020/21 financial year were with University of Western Sydney, University of New South Wales, Sydney Institute of Business and Technology, Outcome.Life Pty Ltd, Sydney Football Club Pty Ltd, Australian International Sports Organisation, Haymarket HQ Pty Ltd and Intersective Pty Ltd.	$180,836
Student Awards	The NSW International Student Award grants recognise the outstanding contributions international students make to communities in NSW and celebrate excellence in international student community engagement. Many international students become great ambassadors for NSW as future leaders and advocates for trade, diplomacy and research links. The NSW Government acknowledges their valuable contribution to the State by committing to making their study experience in NSW the best it can be.	$1,498

		Amount
Export Businesses		
Export Assistance Program	This assistance package provided a reimbursement to eligible businesses to help them recover from the impacts of COVID-19, bushfires and drought on their international operations. A reimbursement of 50 per cent of eligible expenses, up to a maximum of $10,000 per eligible business was available for current or previously exporting businesses enabling access to new markets or re-entering previous markets. Funding was focused to support export marketing and development activities, including market research, participation in international trade shows and trade missions, inbound business support, e-commerce development and marketing materials.	$3,324,693
Innovation		
Innovation Ecosystem Challenge	The Innovation Districts Challenges (IDC) is an investment by the NSW Government in the state's innovation ecosystem. This program is led by NSW Treasury in partnership with 12 partner organisations (Australian Catholic University, Charles Sturt University, CSIRO, Macquarie University, The University of Newcastle, University of New England, University of New South Wales, Southern Cross University, The University of Sydney, University of Technology Sydney, Western Sydney University and University of Wollongong) with the aim of accelerating the commercialisation of research products or services that address the many disruptions caused by the COVID-19 pandemic.	$3,324,693
Colorado Space Symposium Attendance	NSW Treasury provided grants to NSW space start-ups and SMEs to subsidise the cost of attending the Colorado Space Symposium in the USA. Grants were offered to NSW businesses that were selected to be part of the Australian Space Agency and Austrade's Australian Delegation to the event. With more NSW start-ups and SMEs being selected to join the delegation than from any other state, financial support enabled these businesses to attend the Symposium, broaden their networks, and increased their opportunities and profile with international stakeholders and supply chains.	$500,000
Research		
Population Ageing Research	Treasury is committed to supporting the Research Council Centre of Excellence in Population Ageing Research (CEPAR) which was established under the University of NSW. The research work done by this body is relevant to Treasury to promote better resource management and advise government on economic, infrastructure and financial matters.	$50,000
Total funds granted to non-government community organisations		**$147,800,204**

Accounts Payable Performance Data for YE 2021 Annual Report

Accounts Payable Performance 2020-21

NSW Treasury outsources various services including financial services. During 2020-21, InfoSys (GovConnectNSW) provided services including the payment processing of tax invoices after they had been certified and approved for payment by delegated Treasury officers.

During 2020-21 there were no instances where penalty interest was paid for the late payment of invoices to small business owners (as per Clause 13 of the Public Finance and Audit Regulation 2015).

Small Business Supplier payments are currently set at 5 days and factors affecting the payment performance include errors in the tax invoice information and verification of invoice receipt. Analysis of payment terms at 10 days would have resulted in small business supplier payments being 78 per cent compliant on average across the 2021 financial year.

AGED ANALYSIS AT THE END OF EACH QUARTER*

Quarter	Current (within due date) $'000	Less than 30 days overdue $'000	Between 30 and 60 days overdue $'000	Between 61 and 90 days overdue $'000	More than 90 days overdue $'000
All suppliers					
September 2020	447	218	–	2	18
December 2020	1,210	1,325	120	19	33
March 2021	613	147	1	–	20
June 2021	2,740	242	8	11	2
Small business suppliers					
September 2020	–	–	–	2	–
December 2020	–	9	4	–	–
March 2021	–	–	–	–	–
June 2021	–	2	7	–	–

*Payments performance data include payments for the Trade and the Jobs, Investment and Tourism groups which were transferred to Investment NSW on 29 March 2021 following changes under the Administrative Arrangements (Administrative changes – Miscellaneous) Order 2021. Treasury provided corporate services including payments of accounts for the Trade and the Jobs, Investment and Tourism groups until 30 June 2021.

ACCOUNTS DUE OR PAID WITHIN EACH QUARTER*

Measure	Sep-20	Dec-20	Mar-21	Jun-21
All suppliers				
Number of accounts due for payment	2,220	1,987	1,852	2,330
Number of accounts paid on time	2,075	1,785	1,608	2,234
Actual percentage of accounts paid on time (based on number of accounts)	93%	90%	87%	96%
Dollar amount of accounts due for payment	362,957,074	157,169,856	106,482,866	127,394,991
Dollar amount of accounts paid on time	359,211,504	152,832,015	99,691,110	124,133,828
Actual percentage of accounts paid on time (based on $)	99%	97%	94%	97%
Number of payments for interest on overdue accounts	–	–	–	–
Interest paid on overdue accounts	–	–	–	–
Small business suppliers				
Number of accounts due for payment	39	49	45	61
Number of accounts paid on time	15	25	21	44
Actual percentage of accounts paid on time (based on number of accounts)	38%	51%	47%	72%
Dollar amount of accounts due for payment	892,013	1,764,892	2,322,484	1,793,538
Dollar amount of accounts paid on time	366,286	872,283	754,296	1,511,466
Actual percentage of accounts paid on time (based on $)	41%	49%	32%	84%
Number of payments for interest on overdue accounts	–	–	–	–
Interest paid on overdue accounts	–	–	–	–

*Payments performance data include payments for the Trade and the Jobs, Investment and Tourism groups which were transferred to Investment NSW on 29 March 2021 following changes under the Administrative Arrangements (Administrative changes – Miscellaneous) Order 2021. Treasury provided corporate services including payments of accounts for the Trade and the Jobs, Investment and Tourism groups until 30 June 2021.

Expenditure on consultants

Consultant	Project Description	Amount (excl GST) $
Consultants costing $50,000 or more Finance and Accounting/Tax		
KPMG AUSTRALIA PTY LTD	Project management, communications and systems implementation functions in support of NSW Treasury tax reform projects	6,554,375
PRICE WATERHOUSE COOPERS SECURITIES LTD	Fees for work performed on financial, tax, accounting and model review workstreams on WestConnex	4,441,321
KPMG AUSTRALIA PTY LTD	Project delivery and fiscal risk management strategy for Transport Asset Holding Company and Crown	975,239
NEWGATE AUSTRALIA	Communication support for NSW Treasury tax reform projects	508,547
ERNST YOUNG	Financial accounting and reporting advisory services for NSW Transaction Structuring Guidance	462,650
KPMG AUSTRALIA PTY LTD	Financial and Accounting advisory services for Crown Reporting Reform	460,506
ENERGETICS PTY LTD	Strategic advisory services provided on whole of Government electricity project	362,248
KPMG AUSTRALIA PTY LTD	Financial and project management services provided to the State Government University Guarantee Scheme	214,728
PORTLAND GROUP P/L	Advice for the Whole of Government Waste Management Procurement strategy and tender implementation	197,645
KPMG AUSTRALIA PTY LTD	Accounting advice in relation to the Majority Interest Asset Financing Model (MIAFM project) for Infrastructure and Structured Finance Unit	168,081
KPMG AUSTRALIA PTY LTD	Analysis and modelling of the capital structure of State Owned Corporations	135,550
KPMG AUSTRALIA PTY LTD	Consultation to provide accounting, valuation, and tax advice for the Wallerawang project	126,925
CITIGROUP GLOBAL MARKETS AUSTRALIA	Financial Advisory to conduct a scoping study for Westconnex	100,000
ROYAL BANK OF CANADA	Financial advisory to conduct a scoping study for WestConnex	100,000
KPMG AUSTRALIA PTY LTD	Advice on the implications of new accounting standards on NSW public sector agencies	87,306

Consultant	Project Description	**Amount** (excl GST) $
Economic Services		
PARTNERS IN PERFORMANCE INTERNATIONAL	Identify options to assist the Budget return to a sustainable position over the medium term, retaining NSW's Triple A credit rating	831,364
KPMG AUSTRALIA PTY LTD	Economics advice to undertake economic, financial, commercial and strategic analysis and research for Commercial Team Project	345,793
THE BOSTON CONSULTING GROUP PTY LTD	Advice on options to potentially grow investment in a new Western Sydney Aerotropolis	345,000
DELOITTE TOUCHE TOHMATSU	External review of economic and fiscal modelling of tax reform options	235,050
KPMG AUSTRALIA PTY LTD	Provide cost benefit analysis for the Advanced Manufacturing Industry Development Strategy Business Case and the Defence, Creative and Medical technology industry projects.	210,455
ERNST & YOUNG	External review of economic and fiscal modelling of tax reform options	206,820
VICTORIA UNIVERSITY	Services to support economic modelling for the COVID-19 response, as well as modelling services for productivity reforms in the NSW Productivity Commission White Paper 2021	190,955
VEITCH LISTER CONSULTING PTY LTD.	Economic modelling provided to assist the development of an electric vehicle reform package	141,969
VICTORIA UNIVERSITY	Computable General Equilibrium Modelling to support research into the long-term economic and fiscal impacts of climate change and the energy transition in the context of the 2021 Intergenerational Report	124,663
FAETHM PTY LTD	Modelling on the future of the workforce, industries, automation and skills in NSW	109,023
ASTROLABE GROUP PTY LIMITED	Advisory and facilitation services provided on the Infrastructure Contributions review	108,475
THE BUSINESS OF CITIES LTD	Advisory services provided on the Place-Based Innovation Research Series	106,000
CENTRE FOR INTERNATIONAL ECONOMICS	Economic evaluation and regulatory impact analysis of the COVD-19 temporary regulations	101,553
AVB BUSINESS CONSULTANTS PTY LTD	Banking transition support	91,000
JPH SERVICES TRUST	Specialist advice and advocacy pertaining to the defence industry	90,299
MICROMEX RESEARCH	Research and analysis relating to COVID-19	75,511
CENTRE FOR INTERNATIONAL ECONOMICS	Advisory services provided on the Infrastructure Contributions review	75,000
ERNST & YOUNG	Strategic advice and preparation of position papers on an expanded Naval Defence and industry presence in NSW	73,757
PRICEWATERHOUSECOOPERS	Services provided for the Pyrmont Peninsula Economic Development strategy	69,500
APPLIED ECONOMICS PTY LTD	Economic advise to augment Treasury's capacity for the rapid assessment of proposals for the 2021 NSW Budget	62,400
CENTRE FOR INTERNATIONAL ECONOMICS	Evaluation of regulatory changes to support the use of new technologies in NSW	55,000

Consultant	Project Description	**Amount** (excl GST) $
Information Technology		
PRICE WATERHOUSE COOPERS PTY LTD	Advisory services provided to accelerate the design, build and implementation of performance monitoring dashboards for Outcome Budgeting Project	297,400
Organisational Review		
WSP AUSTRALIA PTY LIMITED	The establishment of a whole of government report for facilities management Current State Analysis	210,910
INTERNAL CONSULTING GROUP P/L	Advisory services on functional requirements for a technology solution in the contingent labour space	158,175
MICHAEL SCHUR	Review of the commercial performance and policy delivery functions of State Owned Corporations	97,600
GROSVENOR PERFORMANCE GROUP PTY LTD	Review spend management practices across clusters and agencies to identify improvements to better manage and optimise spend	75,675
Governance and Policy		
CUMPSTON SARJEANT PTY LTD	Financial sustainability review of the Nominal Insurer workers compensation scheme to support the Hon Robert McDougall QC's independent review of Insurance and Care NSW	206,000
DELOITTE TOUCHE TOHMATSU	Comparative research of Treasuries across multiple countries and jurisdictions to compare functional and operating models, scope of responsibilities and capabilities.	150,000
ROBERT CALDER MCDOUGALL	Independent review of Insurance and Care NSW (icare) and a statutory review of the State Insurance and Care Governance Act 2015	134,100
MINTER ELLISON	Professional support on governance, risk and compliance	129,670
ERNST & YOUNG	Strategic advice on the impacts and implications of transitioning the NSW Government fleet to battery electric vehicles (BEV)	120,000
RSM AUSTRALIA PTY LTD	Procurement and probity review of Insurance and Care NSW (icare) to support the Hon Robert McDougall QC's independent review of icare	103,123
PORTLAND GROUP P/L	Procurement review of private security services to the NSW Hotel Quarantine program	85,000
EFFECTIVE GOVERNANCE PTY LTD	Operational and governance review of Insurance and Care NSW (icare) to support the Hon Robert McDougall QC's independent review of icare	80,000
DELOITTE TOUCHE TOHMATSU	Advice on initial project plans following the establishment of the World Class Treasury Capability Model	72,000
DELOITTE TOUCHE TOHMATSU	Advisory services provided on the Global NSW Expansion Program	68,500

Consultant	Project Description	**Amount** (excl GST) $
Legal Costs		
ALLENS	Legal advisory services provided for WestConnex project	3,478,814
MINTER ELLISON	Legal support for the Australian Competition and Consumer Commission in relation to Ports Residual Assets Transaction	2,630,812
ALLENS	Legal advisory for Post Transactions Management for the Wallerawang transaction	528,517
PIPER ALDERMAN (S.M ADAMS & OTHERS)	Star Casino Duty renegotiation	240,975
BAKER & MCKENZIE	Legal services for NSW Disability and Customer Care Service transfer	239,144
DON REED & ASSOCIATES PTY LTD	Legal advisory service for scoping study, process documents and agency ratings for the divestment of Dunmore Quarry	231,645
HERBERT SMITH FREEHILLS	Legal advisory services for Lotteries scoping study	106,148
MS LOUISE BEANGE	Legal services retained to support the Hon Robert McDougall QC's independent review of Insurance and Care NSW (icare) and statutory review of the State Insurance and Care Governance Act 2015	82,920
ALLENS	Legal advisory services provided for the divestment of Dunmore Quarry	50,000

Consultant	Project Description	**Amount** (excl GST) $
Management Services		
SYDNEY MOTORWAY CORPORATION PTY LTD	Advisory services provided for costs incurred for the sale of WestConnex Management	3,773,656
JACOBS GROUP (AUSTRALIA) PTY LTD	Advisory services provided for sale of WestConnex assets	1,155,171
ENVIRONMENTAL RESOURCES MANAGEMENT	Management advisory service for environmental scoping study and due diligence for WestConnex	859,662
IRONSTONE CAPITAL ADVISORY PTY LTD	Management advisory service for the divestment of Dunmore Quarry	625,706
ANSARADA	Management advisory services for WestConnex Project	448,616
BIS OXFORD	Advisory service provided for econometrics analysis, modelling and forecasting for the scoping study for Lotteries scoping study	355,240
MBB GROUP PTY LTD	Management advisory services for WestConnex Project	339,675
ALEX HENLEY ILJIN	Consultation services provided to lead the traffic workstream for Roads Retained Interest Pty Ltd	309,000
MERCER CONSULTING	Actuarial services for superannuation actuarial advisory	279,232
IRONSTONE CAPITAL ADVISORY PTY LTD	Advisory service in relation to Casuarina Grove	200,000
NEWGATE AUSTRALIA	Communication advisory and advertising service for WestConnex	187,184
PAXON GROUP	Review of corporate structure for City West Housing	111,648
JONES LANG LA SALLE	Independent Evaluation of Asset Disposal Opportunities for Transport Property Portfolio	129,500
ARMAC SIXTY-FOUR	Advice in the development of the Financial Capacity Framework for major infrastructure projects	128,256
ARTHUR J. GALLAGHER & CO (AUS) LTD	Advisory service to provide insurance due diligence for WestConnex	118,625
INVESTEC	Feasibility study	100,000
MERCER CONSULTING	Actuarial services for Universities	74,432
O'CONNOR MARSDEN & ASSOCIATES P/L	Probity advisory services provided for WestConnex	65,189
Consultants costing less than $50,000		
FINANCE AND ACCOUNTING/TAX	14 projects	243,703
ECONOMIC SERVICES	20 projects	540,859
INFORMATION TECHNOLOGY	15 projects	200,950
ORGANISATIONAL REVIEW	13 projects	196,095
GOVERNANCE AND POLICY	10 projects	267,212
LEGAL SERVICES	4 projects	62,475
MANAGEMENT SERVICES	9 projects	333,311
Total Expenditure on Consultants		**39,227,233**

Promoting NSW

Increasing jobs in NSW through trade and investment

NSW Trade and Investment was part of NSW Treasury until March 2021. The team, including its international network, supports the recovery and growth of the NSW economy and increasing jobs. Last financial year, this included:

- a **$5 million grants scheme** to locally manufacture critical PPE was set up and administered by NSW Treasury in August 2020. The scheme has enabled the local production of face masks, gloves, disinfectant and medical-grade handwash and soap, supporting thousands of local jobs in the process
- announced by the NSW Premier on 5 November 2020, the **$250 million Jobs Plus Program** supports top-performing Australian and international companies who want to enter or expand their footprint in NSW by reducing the cost of establishment, financial risk and/or increasing speed to the market
- during 2020-21 (March 2021), the international network of trade and investment offices continued to promote NSW products and investment opportunities to international business and government contacts, critical work while international business travel was restricted.

Driving NSW trade outcomes

Last financial year, Treasury, through its NSW-based export team and international network, directly supported NSW businesses to achieve more than $90 million in actual and projected export outcomes with new international customers.

In 2020-21, the continuing partnership with Austrade's TradeStart network helped NSW's export team deliver tailored export services to more than 850 NSW businesses. In addition, the team initialised and delivered the Going Global Export Program, which supported more than 150 NSW businesses across 14 streams to support export growth and market diversification.

Supporting international education

International education is NSW's largest services export, worth over $11.4 billion in 2020.In 2020-21, the number of international students in NSW continued to be negatively impacted by the COVID-related border closures, significantly affecting the State's economy.

Study NSW's efforts pivoted to digital delivery and COVID welfare support, including a $20 million support package for international students, protecting the vulnerable and maintaining the state's track record as a leading global study destination. The package of assistance has included temporary accommodation, free legal and referral services, and food hampers.

Promoting NSW through missions and business events

Due to COVID-19 pandemic, there were no international physical missions by the NSW Trade and Investment representatives to report. The international team represented NSW businesses at local events where possible.

Overseas Visits

Due to COVID-19 restrictions and the impact on international borders, Treasury employees did not travel internationally during the last financial year.

Treasurer's Directions and Treasury Circulars issued in 2021

TD Reference Number and Name	**Issued** (Original Publish Date)	**Reissued** (Instrument was re-issued in 2021. Policy reference number has remained the same.)
TD21-05 Valuation of Physical Non-Current Assets at Fair Value	1-Sep-21	
TD21-03 - Submission of Annual GSF Financial Statements to the Auditor-General	25-Jun-21	
TD21-04 Gifts of Government Property	23-Jun-21	
TD21-02 Treasurer's Direction for the Mandatory Annual Returns to Treasury	7-Jun-21	
TD19-02 Mandatory early close as at 31 March each year		3-Mar-21

TC Reference Number and Name	**Issued** (Original Publish Date)	**Reissued** (Instrument was re-issued in 2021. Policy reference number has remained the same.)
TC18-10 Accounting for Superannuation		1-Jul-21
TC20-08 Mandates of Options and Major Policy Decisions under Australian Accounting Standards		1-Jul-21
TC20-04 Accounting Policy - Accounting for Public Sector Operators in a Service Concession Arrangements		1-Jul-21
TC20-03 Accounting Policy - Transition Requirements for AASB 1059 Service Concession Arrangements: Grantors		1-Jul-21
TC20-02 AASB 16 Leases Subsequent Measurement of Right of Use Assets		1-Jul-21
TC19-07 AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities Transition Elections		1-Jul-21
TC18-05 AASB 16 Leases Transitions Elections		1-Jul-21
TC16-12 Related party disclosures		1-Jul-21
TC21-05 Funding Arrangements for Long Service Leave	23-Jun-21	
TC21-04 2020-21 Mandatory Annual Returns to Treasury for non-GSF agencies	15-Jun-21	
TC21-03 Accounting for Long Service Leave and Annual Leave	12-May-21	
TC21-02 Statutory Act of Grace Treasury Circular	31-Mar-21	
TC21-01 Digital Payment Adoption	10-Mar-21	
TC11-17 Determining the present value of a provision		27-Jan-21


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Treasurer's legislation—list of legislation

Acts administered by Treasury on behalf of the Treasurer and jointly with the Minister for Finance and Small Business and the Minister for Customer Service are set out in the Allocation of the Administration of Acts.

Treasurer's legislation—changes

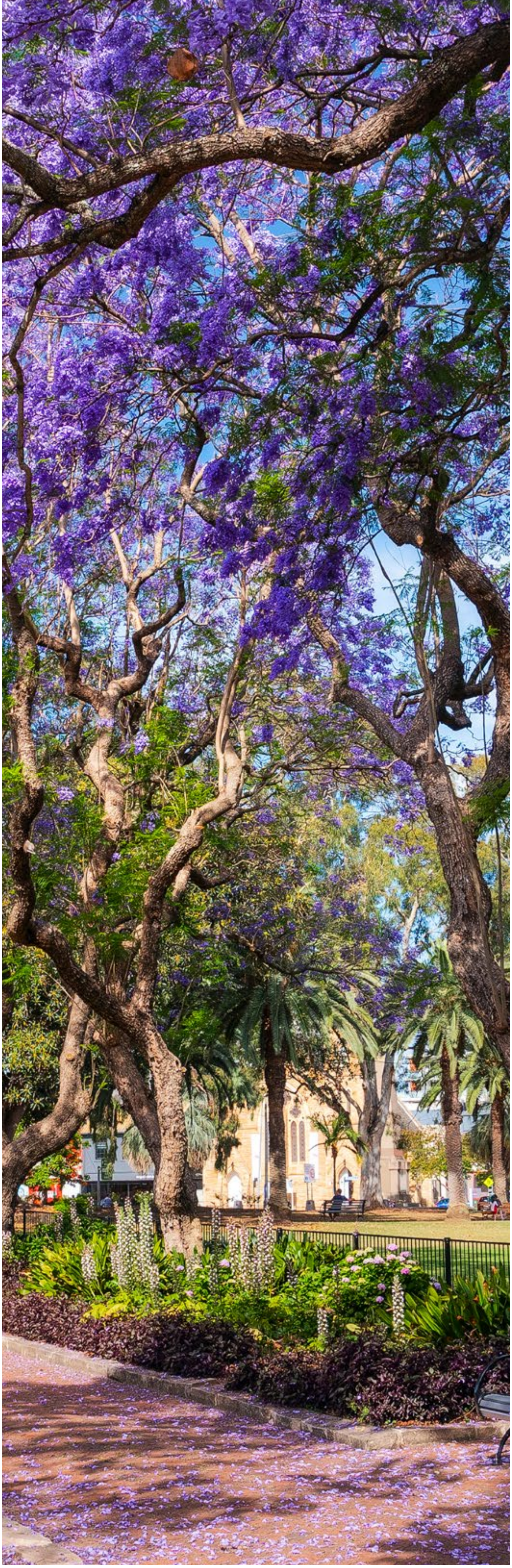
New changes

Superannuation Legislation Amendment Act 2020 No 21 Act No 21, 2020
This Act amended certain superannuation legislation to prevent superannuation pensions and allowances being reduced because of a fall in consumer prices created by the COVID-19 relief measures.

The Acts amended were:

- the New South Wales Retirement Benefits Act 1972
- the Police Regulation (Superannuation) Act 1906
- the State Authorities Superannuation (Ex-Snowy Mountains Hydro-Electric Authority Superannuation Fund Transfer) Regulation 2003
- the State Authorities Superannuation (Government Railways Superannuation Scheme Transfer) Regulation 1990
- the State Authorities Superannuation (Transitional Provisions) Regulation 1988
- the Superannuation Act 1916
- the Transport Employees Retirement Benefits Act 1967. Assented on 23 September 2020.

Mutual Recognition (New South Wales) Amendment Act 2021 No 17 Act No 17, 2021
This Act amended the Mutual Recognition (New South Wales) Act 1992 to refer certain additional matters relating to mutual recognition of occupations and goods to the Parliament of the Commonwealth for the purposes of the Constitution of the Commonwealth, section 51(xxxvii); and for related purposes. The amendment updated referral powers to enable the Commonwealth to pass legislation to give effect to automatic mutual recognition. If future Commonwealth amendments are not supported by NSW Parliament, the updated referral power can be terminated by proclamation by the New South Wales Governor. Assented on 23 June 2021.



Financial and Annual Reporting Legislation

Exemptions and variations from reporting requirements under acts and regulations.

Agency	Applicable Financial Year(s)	Exemption/Variation	Reasons(s) for request
Financial reporting			
Water Administration Ministerial Corporation (WAMC)	2019-20	Extend the deadline for WAMC to submit its 2019-20 financial statements until 31 December 2020.	WAMC had not previously prepared financial statements. The Department of Planning, Industry and Environment (DPIE) required additional time to complete its 2019-20 those financial statements.
WAMC	2019-20	Further extend the deadline for WAMC to submit its 2019-20 financial statements until 28 February 2021.	As above
WAMC	2019-20	Further extend the deadline for WAMC to submit its 2019-20 financial statements until 26 March 2021.	As above
Crown Land Managers (CLMs)	2019-20	Extend the deadline for CLMs to submit their 2019-20 financial statements until 28 February 2021.	CLMs had never previously prepared financial statements. DPIE is finishing its project to lead CLMs' completion of their 2019-20 financial statements.
CLMS	2019-20	Extend the deadline for CLMs to submit their 2019-20 financial statements until 31 May 2021.	As above
CLMS	2019-20	Extend deadline for these entities to submit financial statements until 30 June 2021.	DPIE required additional time to: • brief key stakeholders • consider the best approach, and • determine which CLMs could submit their 2019-20 financial statements by the extended deadline.
Warren Centre	2020	Relieve the Warren Centre (an entity controlled by the University of Sydney) from the requirement to prepare a final financial statements from 1 January 2020 until its deregistration on 4 Nov 2020.	The Warren Centre made minimal transactions between 1 July 2020 and its deregistration. In addition, its 2020 results were consolidated into the University of Sydney's 2020 financial statements.
Annual reporting			
None in 2020-21			


ZA'ATAR
Middle Eastern Kitchen

Crown Related Entities Financial Statements

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.

Alpha Distribution Ministerial Holding Corporation

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

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.

Alpha Distribution Ministerial Holding Corporation

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

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.

Alpha Distribution Ministerial Holding Corporation

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

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.

Alpha Distribution Ministerial Holding Corporation

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

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

	2021 $'000	2020 $'000
(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

	2021 $'000	2020 $'000
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.

Alpha Distribution Ministerial Holding Corporation

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

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)

	2021 $'000	2020 $'000
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

	2021	2020
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.

Alpha Distribution Ministerial Holding Corporation

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

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

	2021	2020
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)

	2021	2020
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

	2021	2020
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	2020
	$'000	$'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.

Alpha Distribution Ministerial Holding Corporation

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

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.

Alpha Distribution Ministerial Holding Corporation

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

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

Alpha Distribution Ministerial Holding Corporation

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

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 retum on Fund assets backing current pension liabilities	5.0%	5.0%
Expected rate of retum 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

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

NSW GOVERNMENT | Treasury

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

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).

Electricity Assets Ministerial Holding Corporation

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

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.

Electricity Assets Ministerial Holding Corporation

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	2020
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	2020
Bank interest	229	1,061
	229	**1,061**

Electricity Assets Ministerial Holding Corporation

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

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 $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'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

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 **Page**

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.

Epsilon Distribution Ministerial Holding Corporation

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

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.

Epsilon Distribution Ministerial Holding Corporation

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

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.

Epsilon Distribution Ministerial Holding Corporation

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

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.

Epsilon Distribution Ministerial Holding Corporation

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

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.

Epsilon Distribution Ministerial Holding Corporation

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

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.

Epsilon Distribution Ministerial Holding Corporation

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

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

	2021	2020
(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 $000	2020 $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.

Epsilon Distribution Ministerial Holding Corporation

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

12. LEASE LIABILITIES

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

Lease liabilities movement

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:

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:

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**

Epsilon Distribution Ministerial Holding Corporation

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

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.

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**

Epsilon Distribution Ministerial Holding Corporation

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

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

	2021 $000	2020 $000
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

	2021	2020
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:

Epsilon Distribution Ministerial Holding Corporation

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

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.

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

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.

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

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.

Epsilon Distribution Ministerial Holding Corporation

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

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).

Epsilon Distribution Ministerial Holding Corporation

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

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 comprehensive 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

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.

Liabilities

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

	2021 $'000	2020 $'000
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

	2021 $'000	2020 $'000
Unwinding of discount rate	18	89
Total	**18**	**89**

6. INVESTMENT REVENUE

	2021 $'000	2020 $'000
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

	2021 $'000	2020 $'000
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

	2021 $'000	2020 $'000
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

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

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

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.

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**

Liability Management Ministerial Corporation

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

	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

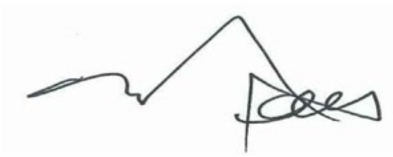
Ports Assets Ministerial Holding Corporation

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.

NOTES INDEX

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.

Revenue

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.

Liabilities

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

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
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

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
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

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
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			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate %	Nominal amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'000
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			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate %	Nominal amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'000
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 ....
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 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

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 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.

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

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.

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 Consolidated $'000	2020 Consolidated $'000	2021 Parent $'000	2020 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).

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

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

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	2020
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	2020
Capital expenditure	275,380	708,991

9. PAYABLES

	2021	2020
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

Special Deposit Accounts Administered by NSW Treasury Financial Reports

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).

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2021

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

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**

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2021

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.

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 (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.

Social and Affordable Housing NSW Fund

Notes to the Financial Report
for the year ended 30 June 2021

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.

	2021	2020
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

NSW GOVERNMENT | Treasury

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.

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 GOVERNMENT | Treasury

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	2020
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.

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 (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.

NSW Generations (Community Services and Facilities) Fund

Notes to the Financial Report
for the year ended 30 June 2021

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

Abbreviations and acronyms

Acronym	Definition
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
CGC	Commonwealth Grants Commission
COAG	Council of Australian Governments
DPC	Department of Premier and Cabinet
EEO	Equal Employment Opportunity
ERC	Expenditure Review Committee
FTE	Full-Time Equivalent
GIPA	Government Information (Public Access) Act 2009
GSE	Government Sector Employment Act 2013
GSP	Gross State Product
GST	Goods and Services Tax
ICT	Information and Communication Technology
IMS	Information Management Systems
IPART	Independent Pricing and Regulatory Tribunal
NCOS	Net Cost of Services
NDIS	National Disability Insurance Scheme
NHRA	National Health Reform Agreement
OH&S	Occupational Health and Safety
PAFA	Public Authorities (Financial Arrangements) Act 1987
PEBU	Pre-Election Budget Update
PF&A	Public Finance and Audit Act 1983
PPIP	Privacy and Personal Information Protection Act 1998
PPP	Public-Private Partnership
PTE	Public Trading Enterprise
S&P	Standard and Poor's
SAP	Treasury's Corporate Accounting / HR System
SCI	Statement of Corporate Intent
SES	Senior Executive Service
SOC	State Owned Corporation
TCorp	NSW Treasury Corporation
WHS	Work Health and Safety

Statutory reporting compliance index

Published by NSW Treasury

treasury.nsw.gov.au

FIRST PUBLISHED JANUARY 2022

T21/53995

NSW
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