

NSW Treasury

# Annual report 2023–24



# Acknowledgement of Country

We acknowledge 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



## Regeneration

Josie Rose is a Gumbaynggirr woman who expresses her contemporary Gumbaynggirr cultural heritage through art. For *Regeneration* her chosen medium is acrylic paint on canvas and the design embodies both creative and cultural expression. The inspiration for her artworks comes from a deep place of spiritual connection to her family, community, culture and respect for Mother Earth. Gumbaynggirr Country is beautiful land with both freshwater and saltwater waterways which inspire her holistic connection to the Ancestors.

Josie Rose  
Artist

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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 at [treasury.nsw.gov.au](https://treasury.nsw.gov.au).

7 November 2024

1322-8102

# Letter of submission to the NSW Treasurer

The Hon Daniel Mookhey MLC  
NSW 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 2024, for presentation to the NSW Parliament in accordance with the *Government Sector Finance Act 2018*.

The Annual Report provides information on the operations and performance of the NSW Treasury, together with the consolidated financial statements for the period 1 July 2023 to 30 June 2024.

It also includes select information about the operations and performance of the Crown Entity (and its related entities). The financial statements for the Crown-Related Entities and the Special Deposit Accounts Administered by NSW Treasury are included at pages 147 to 535.

Yours sincerely,

Michael Coutts-Trotter

Secretary

7 November 2024

# Secretary's foreword



NSW Treasury marked this, our bicentennial year, with a packed program of work across the department.

We produced two Budgets during the past financial year: the 2023–24 NSW Budget in September; and the 2024–25 NSW Budget in June.

The two Budgets reduced growth in general government sector debt against previous estimates while accommodating investments in essential services and infrastructure.

The financial year saw the design and approval of One Fund, an initiative to enable larger risk-adjusted returns by bringing together \$47 billion of the state's investment funds.

This change was accompanied with a new contributions policy for the NSW Generations Fund which both reduced the growth in borrowings and the state's balance sheet risk.

The year saw the reforms to remove the profit objective from the Transport Asset Holding Entity, significant work on the review of Sydney's tolling network and the release of papers exploring opportunities for economic, service delivery and regulatory reform – including options to improve housing affordability.

Our procurement team made good progress to deliver on the government's policies to support small business, increase local content in our supply chains and support local manufacturing. We also began a major re-tendering of the state's banking and payments contracts.

The June Budget included a discussion paper on the Performance and Wellbeing Framework, which aims to put the NSW community's needs and aspirations at the centre of government decision-making. NSW Treasury is leading the public consultation on the framework.

Inside Treasury we released our first Multicultural Action Plan, which seeks to ensure NSW Treasury mirrors the rich diversity of the NSW community we serve. We also engaged our team around re-setting Treasury's strategic plan and priorities for release in the 2024–25 financial year.

Encouragingly, during the year we saw a 20% reduction in the voluntary turnover rate of staff in Treasury.

During the year the Office of Energy and Climate Change moved to the new Department of Climate Change, Energy, the Environment and Water.

And at the end of June, the NSW Productivity Commission was renamed to the NSW Productivity and Equality Commission, reflecting the expansion of the commission's role.

This is just a slice of the work undertaken by Treasury staff in our efforts to shape a thriving, prosperous and resilient economy for NSW.

I remain immensely proud of the brains, character and commitment of the Treasury team.

Michael Coutts-Trotter

Secretary



# 1

## Overview

# Overview and vision

Established in April 1824, NSW Treasury is the oldest government agency in Australia. This year the organisation acknowledges its Bicentenary – 200 years of serving the people of NSW. We reflect proudly on our agency’s successes and soberly on times of non-performance. This includes a commitment to continue participating in Australia’s truth, justice and reconciliation journey by identifying and addressing the impacts our service has had on First Nations people in NSW.

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## Our vision

Our vision is to be trusted by government as its primary source of financial and economic advice.

Government has a great many sources of advice, inside and outside the public sector. We seek to be trusted as its primary source of advice on public finances and the economy because of the quality, relevance and impartiality of our work.

We do this by:

- leading innovative policy design
- providing rigorous, impartial and evidence-based advice
- implementing government decisions
- executing strategic programs and projects
- providing transparency to the public on the use of public resources.

We work in collaboration with our partners and in consultation with stakeholders and the community.

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## Our purpose

Our purpose is to shape a thriving, resilient and prosperous economy for NSW.

A robust economy improves living standards, provides opportunities for fulfilling and meaningful work, and enables government to fund high-quality public services and foster equality of opportunity for people in NSW.

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## Serving the community

Our state is home to more than 8.3 million people and 700,000 businesses.

Together they generate around \$700 billion of economic activity, making NSW the largest state economy in Australia, accounting for around one-third of Australia’s total economic output.

Every day, people, businesses and communities across the state rely on NSW Treasury to enable the delivery of services and design of policies that support our continuing economic and social success.

They depend on NSW Treasury to help manage and deploy the state’s financial resources responsibly and effectively for the benefit of current and future citizens.

# Our core responsibilities

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## Management of NSW finances

- consistent collection and consolidation of financial information from public entities
  - strong financial management through accurate data, analysis and advice
  - stewardship of the public sector financial system to enable delivery of outcomes
  - effective delivery of the Budget, Half-Yearly Review, Total State Sector Accounts and other financial reports, on behalf of the Treasurer
- 

## Analysis, advice and delivery

- informed fiscal, economic, commercial, procurement and financial policy advice
  - innovative reforms which support a strong and competitive economy
  - robust risk management and governance frameworks
- 

## Management of NSW assets

- value-creating commercial and financial structuring
  - respected commercial, financial and service delivery reforms
  - market-leading analysis and advice on funding and private financing of public infrastructure
  - managing, monitoring and advising on the efficiency and effectiveness of public sector commercial agencies
- 

## Addressing energy and climate change challenges<sup>1</sup>

- accessing a secure and sustainable energy
- supporting a sustainable and climate-resilient NSW
- encouraging a circular economy to better manage our resources

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<sup>1</sup> The Office of Energy and Climate Change was part of NSW Treasury until 1 January 2024, when it transferred to the new Department of Climate Change, Energy, the Environment and Water.

# NSW Treasury's structure

Our organisational structure is designed to bring together areas of subject matter expertise to deliver for NSW.

Our core cultural pillars of collaboration, inclusivity and flexibility support us to work across groups where required to achieve the best result.

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## Economic Strategy and Productivity

The Economic Strategy and Productivity Group seeks to improve wellbeing in NSW by providing rigorous, evidence-based economic advice and strategy, conducting research and policy development, implementing strategic government decisions and driving informed public discussion.

The Economic Strategy and Productivity Group also leads the state's federal financial relations portfolio and shapes measures to enhance sustained productivity, participation and prosperity.

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## Policy and Budget

As NSW Treasury's primary agency relationship manager, the Policy and Budget Group drives collaboration with NSW Government agencies and the community, to deliver trusted, independent advice on financial management, policy reform and resource allocation.

The Policy and Budget Group also provides agency and portfolio advice, undertakes strategic reform and delivers the state Budget. The group supports the government to make evidence-driven decisions, drive public sector performance and maintain strong public finances.

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## Commercial

The Commercial Group is responsible for commercial policy development and strategic commercial, financial and procurement advice on wide-ranging government investments. It manages the state's shareholding in its commercial businesses, major commercial transactions, negotiations and post-transactions processes.

The Commercial Group provides expert advice to government on the procurement of complex infrastructure and direct dealing processes. The Commercial Group also provides strategic policy advice to government on the operation and performance of the state's insurance and care schemes.

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## Procurement Reform and Banking

In April 2024 it was announced NSW Procurement and Banking and Financial Services would move out of the Commercial Group to become a new group, Procurement Reform and Banking. This aligns with the government priorities, focusing on reform programs in public sector procurement and banking and payment services. This organisational change was implemented in August 2024.

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## Financial Management and Services

The Financial Management and Services Group leads the delivery of state sector financial reporting, manages risk and governance frameworks, and provides high-quality strategic advice to support the delivery of the government's economic policy and fiscal management initiatives, ensuring probity, best practice and statutory compliance.

It leads NSW Treasury's role as a central agency to respond to the risk of climate change, address intergenerational disadvantage through impact investment and expanding the NSW Sustainability Bond Programme.

The Financial Management and Services Group is also responsible for NSW Treasury's core services and operational functions relating to workforce and culture, Crown and department finances, strategy and business performance, information technology, facilities management, communications and engagement, and works in partnership with the Office of General Counsel.

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## Office of Energy and Climate Change

The Office of Energy and Climate Change (OECC) focuses on delivering government reforms, economic development and critical services around energy reliability, climate change and emissions reduction.

OECC's key strategies and programs are integral to the NSW economic policy that will bring enduring benefits to our economy, the environment and the people of NSW. Its mission is to accelerate the state's transformation to a sustainable future.

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## Office of General Counsel

The Office of General Counsel (OGC) provides independent legal advice to NSW Treasury, including providing a legal lens to the department and all-of-government policy initiatives. The OGC also provides information access, governance, ethics and integrity advice, and is responsible for the risk, compliance and audit function.

OGC engages with other NSW legal functions, including the Crown Solicitor's Office and Parliamentary Counsel's Office. It also provides general support on major commercial transactions and strategic projects, contract reviews and negotiations.

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## Office of the Secretary and Ministerial Services

The Office of the Secretary and Ministerial Services provides advice and support to the Secretary and Treasury Executive Board, enabling the leadership of NSW Treasury to drive organisational performance and deliver on the agenda of the government of the day.

The Office advises, supports and manages relationships with ministerial offices in the NSW Treasury portfolio, to facilitate delivery of governmental priorities. This includes responsibility for NSW Treasury's ministerial services relating to Cabinet, Parliament, briefings and correspondence, and the provision of departmental liaison officers and resourcing support to ministerial offices.

At the end of June 2024, it was announced NSW Treasury's Reconciliation Team would move into the Office on 1 July 2024. The team is responsible for stewarding and facilitating delivery of reconciliation action across the department and creating partnerships across government to enable sector-wide change.

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## Machinery-of-government changes

OECC was part of NSW Treasury until 1 January 2024, when it transferred to the new Department of Climate Change, Energy, the Environment and Water through machinery-of-government changes.

OECC ensures NSW leads the way on climate change and the transformation to a new low-cost, clean-energy economy.

# 2

## Strategy

# 2024–27 Strategic Plan

The 2024–27 Strategic Plan confirms the direction for NSW Treasury from now to 2027.

It describes how NSW Treasury will continue to guide and shape the state's economy and finances, and how it will work towards achieving the NSW Government's priorities and objectives.

The plan identifies NSW Treasury's vision, purpose, strategic objectives and the enablers that will help achieve our goals.

NSW Treasury's vision is: 'To be trusted by government as its primary source of financial and economic advice'. We do this through the quality, relevance and impartiality of our work.

NSW Treasury's purpose is: 'To shape a thriving, resilient and prosperous economy for NSW'. A robust economy improves living standards, provides opportunities for fulfilling and meaningful work and enables government to fund high quality public services and foster equality of opportunity for people in NSW.

The work done across NSW Treasury is captured in three strategic objectives:

- enabling economic prosperity and wellbeing
- maintaining fiscal sustainability
- ensuring rigorous accountability.




NSW Treasury's people, processes and systems are what enables us to deliver on our objectives, vision and purpose.




Table 1: Strategic Plan 2024–27

<b>Our vision</b>	<b>Our purpose</b>
To be trusted by government as its primary source of financial and economic advice.	To shape a thriving, resilient and prosperous economy for NSW.

**Objectives**

<b>Enabling economic prosperity and wellbeing</b>	<b>Maintaining fiscal sustainability</b>	<b>Ensuring rigorous accountability</b>
		
<p>We provide policy guidance and advice to increase economic prosperity and foster equality of opportunity for people in NSW.</p> <ul style="list-style-type: none"> <li>Shaping policy to drive public sector performance, improve wellbeing and grow the economy.</li> <li>Enabling prosperity through reforms that drive productivity growth, improve standards of living and protect our environment.</li> <li>Delivering value and creating economic and social opportunity through public sector procurement practices.</li> </ul>	<p>We support the government to maintain strong and sustainable public finances to fund high-quality public services, now and in the future.</p> <ul style="list-style-type: none"> <li>Supporting effective allocation of resources through analysis, forecasts and advice to inform the state Budget process.</li> <li>Advising on and supporting implementation of decisions to achieve sustainable operating and debt positions.</li> <li>Optimising public sector resource allocation and asset management by managing risk and applying commercial principles for social benefit.</li> </ul>	<p>We maintain the trust of the community by managing public spending to the highest standards of accountability and transparency.</p> <ul style="list-style-type: none"> <li>Providing clear communication, explanation and evidence for fiscal decisions.</li> <li>Delivering robust financial management and performance reporting.</li> <li>Ensuring high standards of integrity and public accountability in decision-making.</li> </ul>

**Enablers**

<b>Our people</b>	<b>Our processes</b>	<b>Our systems</b>
We celebrate, listen to, support, challenge and develop each other to continuously improve.	We continually improve processes to best balance rigour, efficiency and simplicity.	We develop and use robust systems and tools to support analysis, budgeting and reporting.
		

<b>NSW public sector values</b>		<b>NSW Treasury cultural pillars</b>	
Integrity	Trust	Collaboration	Inclusivity
Service	Accountability	Flexibility	

# Performance framework and reporting

In June 2024, the NSW Government commenced public consultation on the [NSW Performance and Wellbeing Framework](#), setting out an approach for monitoring government progress in improving the quality of life for people in NSW.

This work, led by NSW Treasury in partnership with sector agencies, proposes to track progress across 28 outcomes that contribute to eight dimensions of wellbeing.

As it develops, this new framework will offer NSW Treasury the opportunity to report performance in a way that shows our contribution to these outcomes and to improved wellbeing for the community.

## Values and cultural pillars

All NSW public sector employees have a responsibility to act in accordance with the government sector core values of Integrity, Trust, Service and Accountability.

NSW Treasury's cultural pillars are:

### Collaboration

- We gather broad input from our colleagues to solve problems.
- We let people know when they are doing a good job.
- We think and act together with the people of NSW top of mind.
- We apply rigour and excellence in developing solutions together.

### Inclusivity

- We communicate early and regularly beyond our local team.
- We treat each other with kindness, respect and honesty.
- We welcome other points of view and capabilities.
- We consider all perspectives and place ourselves in the shoes of others.

### Flexibility

- 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.
- We are curious and agile in our thinking and approach.

We incorporate these pillars into how we work together, gather diverse views and find new ways of doing things to achieve the best outcomes.

# 3

## Operations and performance

While the Performance and Wellbeing Framework is being developed, NSW Treasury will continue to report performance through indicators and measures consistent with previous years. In the interim, they are renamed as the functional activities:

- economic prosperity and wellbeing
- financial responsibility and accountability
- energy transition and climate change.

## Functional activity 1: economic prosperity and wellbeing

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### Performance of per capita Gross State Product (GSP) target

In the four years to 2022–23, annual growth in NSW GSP per capita averaged 1.1%, compared to the average growth target of 1.5%.

The four-year average was heavily affected by the sharp contraction in economic activity that occurred during 2019–20 due to COVID-19 and the associated health response. Support provided to businesses and households by all levels of government and the Reserve Bank of Australia (RBA) helped facilitate a sharp recovery in economic activity as restrictions were removed. Growth in GSP per capita exceeded 1.5% in each of the three years from 2020–21 to 2022–23.

The strength of the rebound however came at the cost of higher inflation, as the lingering impacts of COVID-19 on global supply chains hindered the economy's capacity to keep pace with growing demand. The RBA and other major central banks have responded to inflation concerns by sharply increasing interest rates. Higher interest rates are having the effect on the economy desired by the RBA, reducing aggregate demand and slowing economic growth.

GSP growth per capita will therefore be more subdued in 2023–24.

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### Improving economic wellbeing

NSW Treasury maintains a strong focus on leading reforms that enhance productivity and competition to improve economic wellbeing for the people of NSW.

Spearheading initiatives across key sectors, including competition policy, housing, infrastructure, health and education, NSW Treasury and the NSW Productivity and Equality Commissioner (PEC) work collaboratively with other government agencies and the broader community to identify and advance reform opportunities.

#### Housing

Housing supply and affordability remain a particularly acute challenge for the NSW economy. Comprehensive regulatory and market reforms and substantial infrastructure investments are being delivered to meet the state's ambitious target of 377,000 new homes over the next five years and to support our growing population.

To support the necessary reforms, the PEC released its second and third housing papers, *Building more homes where infrastructure costs less* (August 2023) and *What we gain by building more homes in the right places* (February 2024).

The PEC also undertook a [review of funding models for local water utilities](#), identifying more efficient and equitable approaches to reforming funding for utilities in regional NSW, and an [eConveyancing market study](#) that identified the need for a fit-for-purpose policy and regulatory framework to enhance competition in the sector.

## Competition policy

NSW Treasury is playing a leadership role in the [National Competition Policy review](#), working on an intergovernmental basis to revitalise competition policy reforms across Australia.

The upcoming August release of the National Competition Policy consultation paper marks a significant step in this collaborative effort.

The PEC has led work on regulatory experimentation, encouraging regulators to seek opportunities to be less burdensome and more effective.

## Gender equality

NSW Treasury continues to support women's economic wellbeing by applying a gender lens to policy development and decision-making across government, and supporting agencies to drive reforms to improve women's workforce participation.

NSW Treasury delivered two Gender Equality Budget Statements in the 2023–24 financial year, released the [NSW Gender Impact Assessment Policy](#) and piloted gender impact assessments on a range of new policy proposals across both the 2023–24 and 2024–25 Budgets.

In collaboration with the Australian Government and other states and territories, NSW Treasury published a technical paper that provided an overview of [Workforce Gender Segregation in Australia](#) and established the case for more gender-balanced workforces.

The NSW labour force participation rate for females aged 15 years and over was 62.1% as at June 2024, 7.9 percentage points below the male participation rate. Progress on narrowing the gap is evident, decreasing from 11.3 percentage points in May 2019, the largest gap in the past five years.

## Health, education and employment

Other work contributed to improving health, education and employment outcomes, include:

- submissions to the [NSW vocational education and training review](#)
- submissions to the [NSW Parliament's inquiry into artificial intelligence in NSW](#)
- a new report [Childcare choices: What parents want](#) (July 2023)
- a new edition of the report [Boosting the NSW influenza vaccination rate](#) (June 2024)
- support to deliver the Bulk-Billing Support Initiative announced in the 2024–25 Budget, which protects the cost of seeing a general practitioner for families and households
- supporting the independent review of health practitioner regulatory settings.

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## Supporting First Nations wellbeing, outcomes and prosperity

NSW Treasury recognises our responsibility to work with and for First Nations people and communities in NSW towards improved economic, social and cultural outcomes. NSW Treasury is continuing to champion change across the government sector through First Nations-informed policies, frameworks and reporting.

NSW Treasury is leading the nation as the only jurisdiction to regularly report on First Nations expenditure through the NSW Indigenous Expenditure Report. This supports improved outcomes through greater transparency and accountability on where funding goes and empowers First Nations communities to participate in decision-making from an informed perspective.

As part of our commitment to Closing the Gap, NSW Treasury has progressed work on the design of a First Nations Budget Model (FNBM). The FNBM will provide a holistic First Nations-informed approach to the process, assessment, evidence and reporting for expenditure impacting First Nations people. Changes made through the model will lift the effectiveness and appropriateness of government investment for achieving meaningful First Nations outcomes and Closing the Gap targets.

A key component of the FNBM is the First Nations Investment Framework. The framework is a guide to good practice in the design, appraisal and evaluation of initiatives that impact on First Nations people and communities. It outlines five steps for working with First Nations people to strengthen the evidence on what works, and better inform how initiatives are designed, prioritised and funded. The framework supplements the NSW Government's existing policies and guidance for building evidence across the investment lifecycle, from initial business case development through to all types of post-implementation evaluation.

As part of this work, the Valuing First Nations Cultures in Cost-Benefit Analysis research paper was published in March 2024. This paper explores the ways in which the value of First Nations culture has been incorporated in cost-benefit analysis, and the associated challenges and opportunities to improve current practice.

The First Nations Women's Economic Participation Review - Pathways to Prosperity was published in August 2023. It is the NSW Government's first step in identifying the specific barriers to economic participation experienced by First Nations women. The review identifies the priority opportunities and resources that can help empower First Nations women to realise their economic potential and helps guide the development of new government initiatives and improve existing policy and programs.

NSW Treasury will publish an updated NSW First Nations business sector report in 2024. The initial report, published in 2022, was the first ever NSW-specific analysis of the size and nature of the First Nations business sector. It set a baseline against which the sector's performance can be measured over time. The upcoming report will provide a data update and compare the sector against the established baseline, as well as discuss emerging opportunities for First Nations businesses, such as the renewable energy transition and the NSW Government Aboriginal Procurement Policy. The report will also identify initiatives that have been established to support First Nations businesses in navigating the challenges outlined in the initial report.

NSW Treasury completed a mandated review of the Aboriginal Procurement Policy in consultation with Aboriginal businesses, Aboriginal industry bodies, NSW Government suppliers and procurement officers. The review was published in September 2023 and made 17 recommendations to improve the policy.

In partnership with Regional NSW, NSW Treasury hosted seven 'Gather and Grow' events, which provided information sharing and networking opportunities for First Nations businesses.

NSW Treasury completed the annual audit of contract compliance with First Nations participation commitments. The audit seeks to provide assurance that contracted suppliers are implementing First Nations participation plans required for contracts valued over \$7.5 million, and ensuring suitable governance arrangements are in place.

## Reconciliation Action Plan

NSW Treasury's Innovate Reconciliation Action Plan (RAP) 2022–24 was completed in June 2024 and has delivered meaningful progress in our reconciliation journey.

One of the RAP's major achievements was the development of a cultural learning needs strategy to lift cultural competency across the organisation. The strategy will embed cultural competency as a mandatory component of NSW Treasury's learning curriculum, and will be delivered using a mixed-mode approach that incorporates formal in-person training, yarning circles, team-centred learning and cultural immersions.

A NSW Treasury implementation plan for the sector-wide Aboriginal Employment Strategy was another key deliverable from the RAP. The implementation plan seeks to enhance practices to develop and retain First Nations talent in NSW Treasury, and create further opportunities to attract and recruit First Nations talent. The plan includes a focus on building the value proposition for First Nations employees and creating a pipeline of talent to support transition into executive roles.

The RAP also delivered the formation of an all-of-government community of practice to steward reconciliation action across the sector.

NSW Treasury's First Nations Advisory Council (FNAC) met three times during the year and provided expert advice on a range of programs including the First Nations Investment Framework, the Indigenous Expenditure Report, Aboriginal Procurement Policy, Aboriginal Employment Strategy, and gender-equitable procurement. Standing independent advisors Cath Brokenborough, Phillipa McDermott and Glen Brennan were joined by Lindon Coombes as the fourth ongoing independent advisor to the FNAC.

NSW Treasury's RAP working group met eight times during the year and implemented a new governance structure designed to apply volunteer expertise to key areas of need across the organisation, including cultural learning, truth-telling, healing and community engagement. The RAP working group successfully delivered a program of activities to celebrate and acknowledge National Reconciliation Week and NAIDOC Week, as well as a dedicated event to educate staff on First Nations perspectives of 26 January.

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## Improving the distribution of household wealth in NSW

Home ownership is a major driver of household wealth in NSW, representing around 57% of average net wealth according to the 2021–22 NSW Intergenerational Report.

Since the 1990s, home ownership rates (share of owner-occupied homes) have experienced a long-term downward trend, from 70% in 1994–95 to 64% in 2019–20. Contributing to this are increasing property prices and ongoing housing supply pressures. Improving home ownership rates promotes a more equitable distribution of wealth.

In 2023–24, NSW Treasury supported the announcement and implementation of several policies to support home ownership and address the cost of housing in NSW. These include:

- Increasing foreign investor surcharges for purchasing and owning residential property in NSW. This measure involves increasing the foreign owner land tax surcharge from 4% to 5% of a property's land value, and the foreign purchaser duty surcharge from 8% to 9% of the purchase price. These increases will apply from 2025 and are expected to reduce foreign demand for residential property in NSW, making more properties available to NSW residents.
- Freezing the land tax thresholds at \$1.075 million for the land tax threshold and \$6.571 million for the premium rate threshold. Up to the 2024 land tax year, land tax thresholds were indexed based on the annual growth in average land values across NSW over the previous three years. From the 2025 land tax year, and as land values continue to grow, maintaining the land tax thresholds fixed will increase the relative cost of owning an investment property compared to owner-occupied property. This encourages purchases towards home ownership and is expected to increase home ownership rate over the long run.



# Functional activity 2: financial responsibility and accountability

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## *Fiscal Responsibility Act 2012 reporting*

There has been no change to the state's credit ratings in 2023–24. Fitch and Moody's maintained NSW's triple-A rating in October 2023. S&P Global also maintained their double-A plus rating of the state in November 2023.

For 2023–24, annual expense growth was 3.8%. This is below the long-term average revenue growth rate of 5.6% as defined in the Fiscal Responsibility Regulation 2013. To address the fiscal pressures facing the Budget and manage expenses, the government announced a Comprehensive Expenditure Review in June 2023. This review identified \$13 billion in budget savings and reprioritisation measures as part of the 2023–24 Budget.

In the 2020–21 NSW Budget, the target 'Elimination of the State's unfunded superannuation liabilities by 2030' was re-anchored to 2040. The former government made this change to ease pressure on the state's borrowing requirements during the COVID-19 pandemic. A revised contribution plan was adopted, which included a two-year contribution holiday and a re-anchoring of the superannuation target to 2040.

High inflation in 2022–23 and forecasts of higher than average inflation in 2023–24 increased the valuation of the state's defined benefit superannuation liability. As a result, the 2023–24 Budget included the government's commitment to an increased contribution plan. The new contribution plan will ensure NSW remains broadly on track to fully fund its defined benefit superannuation liabilities by 2040 (noting that funding projections are sensitive to inflation and investment returns and hence, will continue to evolve over the coming years). The contribution plan includes contributions of \$1.65 billion in 2023–24, indexing at 5% per year until 2040.

The measures announced in the 2023–24 Budget are projected to lead to a fiscal gap of 3% of GSP by 2060–61, compared to 2.6% GSP as announced in the 2021 Intergenerational Report and to the 2.9% estimated in the 2022–23 Budget.

Since the release of the 2024-25 Budget, Moody's maintained the state's triple-A credit rating in September 2024. In October 2024, Fitch affirmed the state's triple-A credit rating. At 31 October 2024, S&P Global is reviewing the state's credit rating.

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## An unqualified Audit Office report to NSW Parliament

For 2022–23, the Total State Sector Accounts (TSSA) prepared by NSW Treasury had a modified opinion – commonly known as a qualification – from the independent auditor. This was due to a limitation of scope of the TSSA relating to the:

- Catholic Metropolitan Cemeteries Trust (CMCT). CMCT did not meet their obligation to have their accounts audited by the NSW Auditor-General. The net asset value of CMCT for 2022–23 was \$321 million.
- Category 2 statutory land managers and commons trusts (SLMs and CTs). The SLMs and CTs were unable to produce sufficient appropriate audit evidence to support the non-land assets, liabilities, income and expenses.

No other modifications were made. NSW Treasury has continued to work with the relevant agencies to progress these items with the aim of removing the audit qualifications as soon as possible. The 2023–24 TSSA and the audit opinion will be released by 30 November 2024.

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## Procurement services and sector support

### Procurement Assurance Program

In August 2023, the NSW Procurement Board approved the Assurance Program to improve procurement capability across agencies and to provide a greater level of visibility to the board. The program consists of:

- project reviews – assessment of projects selected by agencies, with findings reported back to the board
- target area reviews – assessment of a specific procurement component (for example, category plans, baselines, data analytics, savings), selected on a yearly basis.

In 2023–24, NSW Procurement conducted one full retrospective review and two target area reviews for procurement transactions in NSW Treasury and the Department of Education. The reviews identified similar improvement opportunities for both agencies.

### Response to audit and parliamentary recommendations

NSW Treasury coordinated the all-of-government response to the recommendations contained in the NSW Auditor-General’s performance audit *NSW Government agencies’ use of consultants* (March 2023).

Subsequently, NSW Treasury coordinated a consolidated submission to the Legislative Council Public Accountability and Works Committee’s inquiry into NSW Government’s use and management of consulting services, appearing twice at the committee’s public hearings.

NSW Treasury is currently supporting the government’s response to the 28 recommendations contained in the inquiry’s final report released in May 2024.

### Parliamentary enquiry on procurement in government

NSW Treasury coordinated the all-of-government submission to the NSW Parliament Standing Committee on Social Issues’ inquiry into the *procurement practices of government agencies in NSW and its impact on the social development of the people of NSW*, which commenced in October 2023.

## The Riverina Energy Storage System

The Riverina Energy Storage System (Riverina Battery) has been built as part of the 10-year \$3.2 billion all-of-government electricity contract that NSW Treasury awarded to Shell Energy in April 2021 to deliver reliable, cost-effective electricity supply for government sites. Construction was completed in September 2023 and the battery has been operational in the National Electricity Market since.

The Riverina Battery is a 150MW/300MWh utility scale battery storage project, with NSW Government contracted for a 60MW/120MWh partition, built to mitigate concerns around supply shortages related to closure of Liddell Power Station. It is an example of how government can use its scale and purchasing power to partner with key suppliers to drive innovation and action within industry, as well as enable local jobs and businesses.

## NSW Electric Vehicle Strategy

NSW Government is committed to ensuring that 50% of its annual procurement of passenger vehicle fleet consists of electric vehicles (EV) by 2026, increasing to 100% by 2030.

NSW Treasury is collaborating with the Department of Climate Change, Energy, the Environment and Water on an EV fleet transition roadmap, including installing the necessary EV charging infrastructure, and continues to collaborate with various agencies to execute the electrification of government's passenger vehicle fleet.

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## NSW Sustainability Bond Programme

NSW continues to be one of the largest semi-sovereign issuers of green and sustainability bonds in Australia. In 2023–24 financial year, a new \$1.7 billion sustainability bond was issued under the [NSW Sustainability Bond Programme \(SBP\)](#), bringing total issuance to \$11.9 billion since the SBP's inception in 2018. Proceeds raised through the SBP are used to finance or refinance projects that contribute towards the state's environmental and social objectives.

The SBP, which is delivered by NSW Treasury in partnership with the NSW Treasury Corporation and the Department of Climate Change, Energy, the Environment and Water – helps to diversify the NSW investor base and supports Australia's ongoing commitment to meeting the United Nations Sustainable Development Goals.

During the financial year, around \$450 million of eligible expenditure was added to the SBP asset pool, including a new tranche of social housing capital maintenance. Throughout the year, NSW Treasury worked closely with Sydney Metro and the SBP partners to evaluate eligibility of the Sydney Metro City and Southwest project for the SBP. The project was included in the SBP asset pool in July 2024 with the first tranche of \$3.2 billion, increasing the total size of the asset pool to over \$16.6 billion.

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## A Voice of the Customer Survey indicating the effective performance and support provided by NSW Treasury for the sector

The NSW public sector's financial management framework is made up of the combined legislative and policy instruments administered and issued by NSW Treasury and applicable to NSW public sector agencies.

In recent years, NSW Treasury has conducted a Voice of the Customer Survey to better understand the NSW public sector's views on the effectiveness of the financial management framework. The last survey was conducted in 2022–23 and demonstrated that NSW Treasury continued to meet agencies' expectations, with a positive overall satisfaction score of 4.1 out of 5 (versus 4.0 in the prior year).

With the development underway of a new, sector-wide Performance and Wellbeing Framework, NSW Treasury has taken the opportunity to pause the Voice of the Customer Survey while we reconsider how to best tailor future surveys to our ongoing functional activities under the new framework.

NSW Treasury regularly updates existing policy instruments and issues new instruments to continuously improve the sector's overall financial management framework.

During 2023–24, 21 new Treasurer's Directions and NSW Treasury Policy and Guidelines were issued (as detailed in [appendix 12](#)).

# Functional activity 3: energy transition and climate change

The Office of Energy and Climate Change was part of NSW Treasury until 1 January 2024, when it transferred to the new Department of Climate Change, Energy, Environment and Water. This section reports up until 1 January 2024.

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## NSW Energy Security Target met, including supply and demand

The Energy Security Target (EST) is set at the level of firm-rated capacity needed to service NSW's electricity needs during a one in 10-year peak demand period, with the largest two units of NSW's generators experiencing an outage.

From 2016–17 to 2018–19, supply (firm capacity) was less than the forecast demand plus the reserve margin provided by the EST. Supply was below the target by 331 MW and 67 MW in 2017–18 and 2018–19 respectively. Despite this, there were no shortfalls in electricity supply in NSW, suggesting that the reserve margin provided by the EST ensured reliable supply.

Supply has comfortably exceeded the EST since 2019–20, including in 2023–24.

The NSW Government released the [NSW Electricity Infrastructure Roadmap](#) in 2020. The roadmap is the state's 20-year plan to transform the NSW electricity system into one that is cheap, clean and reliable.

The roadmap is enabled by the *Electricity Infrastructure Investment Act 2020* and the *Electricity Infrastructure Investment Regulation 2021*. These set out that the EST Monitor, the Australian Energy Market Operator (AEMO), is required to annually calculate and report on the EST over the 10-year period. The EST Monitor provided its most recent report in October 2023, which was published in December 2023.

The report noted that under the central scenario, there was a potential breach following the closure of the Eraring power station, but that federal and state schemes would fill the gap if projects were delivered in a timely manner. However, if projects were delayed, there might be a shortfall in supply.

## Reliability of the National Electricity Market in NSW

Reliability of the National Electricity Market (NEM) in NSW is measured by the number of actual Lack of Reserve 3 (LOR3) events. An LOR3 event occurs when the available electricity supply is equal to or less than the operational demand and therefore load shedding is required.

There were no actual LOR3 events in 2023–24, with adequate supply to meet demand.

The last actual LOR3 event in NSW occurred on 10 February 2017. During this event, AEMO directed Transgrid to shed load at the Tomago aluminium smelter.

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## Total private investment resulting from Net Zero programs, including from the Electricity Infrastructure Roadmap

The NSW Government is committed to taking decisive and responsible action on climate change, through initiatives grounded in science and economics. Private sector investment is important not only as a metric of the economic impacts of the [Net Zero Plan](#), but also as a gauge for the return on investment for government spending in pursuit of net zero emissions.

The private sector has resources and expertise that augment the government's capacity to steer NSW towards a sustainable and prosperous economy, when commercially viable. Combined with the Electricity Infrastructure Roadmap, the Net Zero Plan is expected to result in up to \$37 billion in private investment to help reduce emissions and improve energy efficiency. The majority of the private investment is due to the Electricity Infrastructure Roadmap and the remaining is from the Net Zero programs.

Some programs will deliver grants to private sector stakeholders that will be matched by private funds and invested in Net Zero-related projects. Others will incentivise private sector action indirectly by providing incentives, supporting skills development, conducting feasibility studies, increasing demand for sustainable products and services, or by reducing barriers that currently prevent private investment from occurring.

Many Net Zero programs commenced implementation and delivery in 2022, while others are currently concluding their planning stages. As such, the financial year 2022–23 marks the beginning of Net Zero Portfolio reporting. We are currently in the process of collecting and analysing the private sector investment under the Net Zero Plan. Based on preliminary assessment, the private investment to date is expected to be over \$200 million from about 600 grant projects.

It is expected that not all Net Zero programs – even among those that will ultimately contribute to the private investment portfolio indicator – will report private investment data to the portfolio for this financial year. Those that are still in their planning stages are not collecting data, while others already in delivery may not have data to report yet (for example, they may not have reached the phase where their private sector stakeholders have been engaged and made Net Zero-related investments).

In the long run, the private investment indicator will contain data on capital expenditures (CapEx) and operational expenditures (OpEx), including labour costs. It will provide a view of expenditures by different economic sectors and regional areas. This data will:

- be an important gauge of the private sector's commitment to a sustainable economy and what government intervention can do to unlock further engagement
- tell a story of which sectors of the NSW economy are more readily prepared to pursue net zero objectives and which may require closer support and attention
- provide critical feedback to the portfolio on which types of interventions are more urgent, more likely to be fruitful or need to be re-examined or redirected.

Private investment magnifies the overall reach and impact of taxpayer funded initiatives, often acting as a sounding board to help steer the Net Zero Portfolio towards confident and sensible climate action.

The Electricity Infrastructure Roadmap will give industry and investors the certainty they need to invest in the infrastructure we need to bring long-term energy affordability and reliability for everyone, with more than \$32 billion of private sector investment to be injected into the NSW economy by 2030.

Delivery of the roadmap is well underway. There already are enough projects signed up to get us almost halfway to our renewable energy generation goal. Construction of the Waratah Super Battery is on track for opening in 2025, and the Consumer Trustee has opened registrations for its tender round 5. We are establishing a process to collect, calculate, analyse and track private sector investment resulting from the roadmap.

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## Millions of tonnes of CO<sub>2</sub>e emitted annually in NSW

The Australian Government's State and Territory Greenhouse Gas Inventories reported that NSW greenhouse gas (GHG) emissions were 111 million tonnes of carbon dioxide equivalent (Mt CO<sub>2</sub>-e) in 2022, representing 26% of Australia's total emissions. From 2005 to 2022, NSW GHG emissions declined by 42 Mt CO<sub>2</sub>-e, or 27%.

The Department of Climate Change, Energy, the Environment and Water delivers state and economy wide emission modelling used to track progress against NSW net zero targets, publicly reported and updated annually via the Net Zero Emissions Dashboard. Emission projections are updated annually, accounting for the latest Australian Government's inventory update and the latest available data on emission reductions.

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## NSW greenhouse gas emission reductions due to the Net Zero Plan and other NSW Government programs

The Net Zero Plan Stage 1: 2020–2030 is designed to reduce greenhouse gas emissions in NSW while supporting economic growth. Targets for greenhouse gas emissions reductions have been legislated through the *Climate Change (Net Zero Future) Act 2023*.

The NSW Government's latest greenhouse gas (GHG) emissions projections, which account for NSW Government's policies and programs, indicate that NSW is tracking to be 44% to 50% below 2005 in 2030, and 65% to 70% below 2005 in 2035.

Much of the reduction in NSW emissions from 2021 to 2035 is projected to come from electricity generation, due to the rapid uptake of renewable energy and supported by the NSW Electricity Infrastructure Roadmap and Energy Security Safeguard. Annual NSW electricity generation emissions are projected to reduce by 66% from 2021 to 2030, and by 85% in 2035 compared to 2021 levels.

Net Zero Plan programs are also targeting emission reductions across other sectors. The Electric Vehicle Strategy and other NSW Government policies are projected to support transport sector emissions reductions of 10% from 2021 to 2030, and 35% from 2021 to 2035, driven substantially by reductions in light vehicle emissions.

Emissions from the stationary energy sector are projected to decrease due largely to increased electrification of mining and manufacturing, supported by several NSW Government policies and programs, while industrial decarbonisation is supported by the Net Zero Industry and Innovation Program and the NSW Hydrogen Strategy.

Emission reductions in the agriculture and land use sector are supported by the Primary Industries Productivity and Abatement Program.



# 4



## Management and accountability



# NSW Treasury Executive Board as at 30 June 2024

Table 2: Position and qualifications of the Executive Board

Name	Position	Qualifications
 <p>Michael Coutts-Trotter</p>	<p>Secretary</p>	<p>Bachelor of Arts (Communications)</p> <p>Fellow of the Institute of Public Administration Australia</p>
 <p>Joann Wilkie</p>	<p>Deputy Secretary, Economic Strategy and Productivity</p>	<p>Bachelor of Economics (Honours)</p> <p>Master of Public Policy</p> <p>Australian Institute of Company Directors</p>
 <p>Liz Livingstone</p>	<p>Deputy Secretary, Policy and Budget</p>	<p>Bachelor of Science (First Class Honours)</p> <p>Graduate Certificate Environmental Engineering</p> <p>Master of Professional Accounting</p>

Name	Position	Qualifications
 <p data-bbox="129 728 352 763">Sonya Campbell</p>	<p data-bbox="584 297 831 365">Deputy Secretary, Commercial</p>	<p data-bbox="1019 297 1257 329">Bachelor of Laws</p> <p data-bbox="1019 347 1361 414">Bachelor of International Business</p> <p data-bbox="1019 432 1453 533">Admitted as a legal practitioner of the Supreme Court of NSW and High Court of Australia</p>
 <p data-bbox="129 1227 403 1263">Marina van der Walt</p>	<p data-bbox="584 797 962 864">Deputy Secretary, Financial Management and Services</p>	<p data-bbox="1019 797 1342 864">Bachelor of Commerce, Financial Management</p> <p data-bbox="1019 882 1334 983">Bachelor of Commerce (Honours), Financial Management</p> <p data-bbox="1019 1001 1401 1032">Chartered Financial Analyst</p>

The NSW Treasury Executive Board comprises the Secretary, the four deputy secretaries and two executive directors rotating twice a year.

Permanent board members are indicated above.

# Legislation administered by the agency

Note: This list includes legislation administered by the agency at any time during the 2023-24 financial year.

- AGL Corporate Conversion Act 2002 No 16
- Electric Vehicles (Revenue Arrangements) Act 2021 No 25
- Electricity Infrastructure Investment Act 2020 No 44
- Electricity Supply Act 1995 No 94
- Energy and Utilities Administration Act 1987 No 103
- Energy Services Corporations Act 1995 No 95
- Eraring Power Station Act 1981 No 107
- Gas Industry Restructuring Act 1986 No 213
- Gas Supply Act 1996 No 38
- National Electricity (New South Wales) Act 1997 No 20
- National Energy Retail Law (Adoption) Act 2012 No 37
- National Gas (New South Wales) Act 2008 No 31
- Northern Rivers County Council (Undertaking Acquisition) Act 1981 No 95
- Pipelines Act 1967 No 90
- Appropriation Act 2018 No 35
- Appropriation Act 2019 No 3
- Appropriation Act 2020 No 41
- Appropriation Act 2021 No 18
- Appropriation Act 2022 No 30
- Appropriation Act 2023 No 24
- Appropriation (Parliament) Act 2018 No 36
- Appropriation (Parliament) Act 2019 No 4
- Appropriation (Parliament) Act 2020 No 42
- Appropriation (Parliament) Act 2021 No 19
- Appropriation (Parliament) Act 2022 No 31
- Appropriation (Parliament) Act 2023 No 25
- Australia and New Zealand Banking Group Limited (NMRB) Act 1991 No 35
- Aware Super Act 1992 No 100
- Bank Integration Act 1992 No 80
- Bank Mergers Act 1996 No 130
- Bank Mergers (Application of Laws) Act 1996 No 64
- Betting Tax Act 2001 No 43
- Canberra Advance Bank Limited (Merger) Act 1992 No 17

- Capital Debt Charges Act 1957 No 1
- Coal and Oil Shale Mine Workers (Superannuation) Act 1941 No 45
- Commonwealth Places (Mirror Taxes Administration) Act 1998 No 100
- Commonwealth Powers (State Banking) Act 1992 No 104
- Competition Policy Reform (New South Wales) Act 1995 No 8
- Conversions of Securities Adjustment Act 1931 No 63
- Decimal Currency Act 1965 No 33
- Duties Act 1997 No 123
- Electricity Generator Assets (Authorised Transactions) Act 2012 No 35
- Electricity Network Assets (Authorised Transactions) Act 2015 No 5
- Electricity Retained Interest Corporations Act 2015 No 6
- Emergency Services Levy Act 2017 No 32
- Financial Agreement Act 1944 No 29
- Financial Agreement Act 1994 No 71
- Financial Agreement (Amendment) Act 1976 No 35
- Financial Agreement (Decimal Currency) Act 1966 No 39
- Financial Agreement Ratification Act 1928 No 14
- Financial Sector Reform (New South Wales) Act 1999 No 1
- Fines Act 1996 No 99
- Fire and Emergency Services Levy Act 2017 No 9
- First Home Owner Grant and Shared Equity Act 2000 No 21
- Fiscal Responsibility Act 2012 No 58
- Freight Rail Corporation (Sale) Act 2001 No 35
- Gaming Machine Tax Act 2001 No 72
- General Government Liability Management Fund Act 2002 No 60
- Government Guarantees Act 1934 No 57
- Government Insurance Office (Privatisation) Act 1991 No 38
- Government Sector Audit Act 1983 No 152
- Government Sector Finance Act 2018 No 55
- Health Insurance Levies Act 1982 No 159
- Infrastructure NSW Act 2011 No 23
- Inscribed Stock Act 1902 No 79
- Inscribed Stock (Issue and Renewals) Act 1912 No 51
- Insurance Protection Tax Act 2001 No 40
- Intergovernmental Agreement Implementation (GST) Act 2000 No 44
- Land and Property Information NSW (Authorised Transaction) Act 2016 No 46

- Land Tax Act 1956 No 27
- Land Tax Management Act 1956 No 26
- Local Government and Other Authorities (Superannuation) Act 1927 No 35
- Mutual Recognition (New South Wales) Act 1992 No 61
- New South Wales Retirement Benefits Act 1972 No 70
- NSW Generations Funds Act 2018 No 37
- NSW Grain Corporation Holdings Limited Act 1992 No 31
- NSW Lotteries (Authorised Transaction) Act 2009 No 60
- Parliamentary Budget Officer Act 2010 No 83
- Parliamentary Contributory Superannuation Act 1971 No 53
- Payroll Tax Act 2007 No 21
- Payroll Tax Deferral (BlueScope Steel) Act 2015 No 68
- Police Association Employees (Superannuation) Act 1969 No 33
- Police Regulation (Superannuation) Act 1906 No 28
- Port of Newcastle (Extinguishment of Liability) Act 2022 No 71
- Ports Assets (Authorised Transactions) Act 2012 No 101
- Property Tax (First Home Buyer Choice) Act 2022 No 60
- Public Authorities Superannuation Act 1985 No 41
- Public Loans Act 1902 No 81
- Restart NSW Fund Act 2011 No 32
- Road Improvement (Special Funding) Act 1989 No 95
- Snowy Hydro Legacy Fund Act 2018 No 38
- Social and Affordable Housing NSW Fund Act 2016 No 51
- State Authorities Non-contributory Superannuation Act 1987 No 212
- State Authorities Superannuation Act 1987 No 211
- State Bank (Corporatisation) Act 1989 No 195
- State Bank of South Australia (Transfer of Undertaking) Act 1994 No 47
- State Bank (Privatisation) Act 1994 No 73
- State Debt Recovery Act 2018 No 11
- State Owned Corporations Act 1989 No 134
- State Public Service Superannuation Act 1985 No 45
- Superannuation Act 1916 No 28
- Superannuation Administration Act 1996 No 39
- Superannuation Administration Authority Corporatisation Act 1999 No 5
- Superannuation Administration Corporation (Pillar) (Authorised Transaction) Act 2016 No 19
- Superannuation (Axiom Funds Management Corporation) Act 1996 No 40

- Taxation Administration Act 1996 No 97
- Totalizator Act 1997 No 45
- Totalizator Agency Board Privatisation Act 1997 No 43
- Transport Employees Retirement Benefits Act 1967 No 96
- Trans-Tasman Mutual Recognition (New South Wales) Act 1996 No 102
- Treasury Corporation Act 1983 No 75
- Unclaimed Money Act 1995 No 75
- Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010 No 8
- Water Industry Competition Act 2006 No 104
- Associated General Contractors Insurance Company Limited Act 1980 No 38
- Bishopsgate Insurance Australia Limited Act 1983 No 81
- Contractors Debts Act 1997 No 110
- Home Building Act 1989 No 147
- Loan Fund Companies Act 1976 No 94
- Motor Accident Injuries Act 2017 No 10
- Motor Accidents Act 1988 No 102
- Motor Accidents Compensation Act 1999 No 41
- Personal Injury Commission Act 2020 No 18
- Public Works and Procurement Act 1912 No 45
- State Insurance and Care Governance Act 2015 No 19
- Workers Compensation Act 1987 No 70
- Workplace Injury Management and Workers Compensation Act 1998 No 86
- Motor Accidents (Lifetime Care and Support) Act 2006 No 16
- Motor Vehicles (Third Party Insurance) Act 1942 No 15
- NSW Self Insurance Corporation Act 2004 No 106
- Sporting Injuries Insurance Act 1978 No 141
- Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987 No 83
- Workers' Compensation (Dust Diseases) Act 1942 No 14

# Changes to legislation administered by NSW Treasury during 2023–24

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## Government Sector Finance Regulation 2024

The Government Sector Finance Regulation 2018 was remade with minor amendments as part of the staged repeal process under the section 10(2) of the *Subordinate Legislation Act 1989*. The Government Sector Finance Regulation 2024 took effect from the 30 June 2024.

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## Government Sector Finance Act 2018 amendments

- Revenue Legislation Amendment Act 2024
  - Statute Law (Miscellaneous Provisions) Act (No 2) 2023 No 35
  - Revenue, Fines and Other Legislation Amendment Act 2023 No 18
  - Statute Law (Miscellaneous Provisions) Act 2023 No 7
  - Government Sector Finance Amendment (Grants) Act 2023 No 1<sup>2</sup>
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## Government Sector Finance Regulation 2018 amendments

- Property NSW Amendment Act 2024 No 27
- Biosecurity Amendment (Independent Biosecurity Commissioner) Act 2023 No 56
- Greater Cities Commission Repeal Act 2023 No 52
- Statute Law (Miscellaneous Provisions) Act (No 2) 2023 No 35

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<sup>2</sup> Assented 31 May 2023, commenced 1 July 2023.

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## Other

- Appropriation Act 2024 No 36
- Aware Super Regulation 2023
- Emergency Services Levy Amendment (Land Classification) Act 2024 No 32
- Emergency Services Levy Amendment Act 2024 No 23
- First Home Buyer Legislation Amendment Act 2023 No 4<sup>3</sup>
- Revenue Legislation Amendment Act 2023 No 2<sup>4</sup>
- Revenue, Mining and Energy Legislation Amendment Act 2023 No 40
- State Insurance and Care Governance Amendment (ICNSW Governance) Act 2023 No 33
- State Insurance and Care Governance Amendment (ICNSW Board) Act 2023 No 16
- Treasury and Revenue Legislation Amendment Act 2023 No 26

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<sup>3</sup> Assented 8 June 2023, commenced 1 July 2023.

<sup>4</sup> Assented 31 May 2023, commenced 1 July 2023.



# Internal audit and risk management attestation statements for the 2023-24 financial year for NSW Treasury

## Internal Audit and Risk Management Attestation Statement for the 2023-2024 Financial Year for NSW Treasury

I, Michael Coutts-Trotter, 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

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#### Risk Management Framework

- |     |   |                  |
|-----|---|------------------|
| 1.1 | The agency head shall accept ultimate responsibility and accountability for risk management in the agency.  | <b>Compliant</b> |
| 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 ISO 31000:2018. | <b>Compliant</b> |

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#### 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.   | <b>Compliant</b> |
| 2.2 | The agency head shall ensure the agency has the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing. | <b>Compliant</b> |
| 2.3 | The agency head shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.   | <b>Compliant</b> |

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#### 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. | <b>Compliant</b> |
| 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'.  | <b>Compliant</b> |

#### Membership

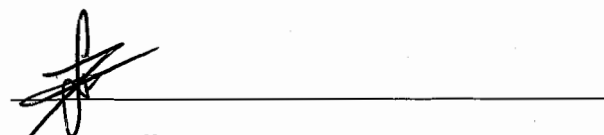
The chair and members of the Audit and Risk Committee are:

- Independent Chair, Julie Elliott, reappointed April 2022, second term expires April 2025. Former Independent Member, appointed September 2019, term concluded April 2022.
- Independent Member, Jeremy Chandler, reappointed July 2024, second term expires July 2027. Appointed July 2021, first term expired July 2024.
- Independent Member, Karen Orvad, appointed April 2022, first term expires April 2025.
- Independent Member, David Black, appointed May 2023, first term expires May 2026.



**Michael Coutts-Trotter**  
Secretary

Date: 14/10/24



**Sajiv De Silva**  
Chief Audit Executive  
Director, Risk, Compliance and Audit  
Office of General Counsel

Date: 14/10/24

# Internal Audit and Risk Management Attestation Statement for the 2023-2024 Financial Year for Liability Management Ministerial Corporations (LMMC)

I, Michael Coutts-Trotter, 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.  | <b>Compliant</b> |
| 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 ISO 31000:2018. | <b>Compliant</b> |

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### 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.   | <b>Compliant</b> |
| 2.2 | The agency head shall ensure the agency has the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing. | <b>Compliant</b> |
| 2.3 | The agency head shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.   | <b>Compliant</b> |

---


### 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. | <b>Compliant</b> |
| 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'.  | <b>Compliant</b> |

### Membership

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

- Independent Chair, Julie Elliott, reappointed April 2022, second term expires April 2025. Former Independent Member, appointed September 2019, term concluded April 2022.
- Independent Member, Jeremy Chandler, reappointed July 2024, second term expires July 2027. Appointed July 2021, first term expired July 2024.
- Independent Member, Karen Orvad, appointed April 2022, first term expires April 2025.
- Independent Member, David Black, appointed May 2023, first term expires May 2026.



**Michael Coutts-Trotter**  
Secretary  
Date: 14/10/24



**Sajiv De Silva**  
Chief Audit Executive  
Director, Risk, Compliance and Audit  
Office of General Counsel  
Date: 14/10/24

5

Sustainability

NSW Treasury is operating sustainably through:

## Government Resource Efficiency Policy

The Government Resource Efficiency Policy is an all-of-government policy that aims to help the NSW Government achieve its commitment to making NSW a more sustainable, liveable and resilient state.

In the past year, NSW Treasury achieved a 5-star energy rating, surpassing the government minimum design rating of 4.5 stars.

NSW Treasury has reduced our landfill waste by more than 40% by rolling out a new waste segregation format. The new format includes a dry waste stream that is burned in cement kilns and used to replace coal in the production of Australian cement.

With ongoing education programs, NSW Treasury has achieved a contamination rate of just 1.8% by weight in our recycled and dry waste streams.

## Aboriginal Procurement Policy (APP)

The NSW Treasury procurement team continues to proactively promote First Nations businesses to buyers. This includes providing contacts of suitable suppliers in various categories of goods and services, working to launch a dedicated intranet portal, and presenting the APP at new starter induction courses (attended by approximately 240 employees in 2023–24).

More contracts are being awarded to First Nations businesses, with recent examples being the engagement of firms to provide a review of procurement templates, an audit of the APP contracts, printing services, Advisory Board membership, and the ongoing engagement of suppliers delivering cabling, fit out and indoor plants.

As of December 2023, NSW Treasury has spent \$1.4 million with verified Aboriginal businesses in 2023–24, with a full-year target of \$5.4 million. NSW Treasury has awarded two contracts to verified Aboriginal businesses, with a full year target of five contracts.

For more details, see [chapter 3](#).

## Modern slavery

NSW Treasury is working with the NSW Anti-slavery Commissioner to develop guidance and support agencies with understanding and complying with their statutory obligations under the *Public Works and Procurement Act 1912* and the *Modern Slavery Act 2018*.

In June 2024, NSW Treasury released the first online educational module for government buyers, and it continues to develop additional modules in collaboration with the commissioner.

In December 2023, the commissioner released the *Guidance on Reasonable Steps to Manage Modern Slavery Risks in Operations and Supply Chains* (GRS). NSW Treasury is a key member of the commissioner's Shared Implementation Plan Working Group, which focuses on the implementation of the GRS.

NSW Treasury is proactive in ensuring that the goods and services it procures are not resultant of modern slavery. NSW Treasury is not aware of any other significant issues raised by the Anti-slavery Commissioner that concern our operations.

NSW Treasury has taken several actions in response to our statutory obligations including:

- developing a Modern Slavery Policy and Risk Management Plan applicable to all NSW Treasury employees and contractors
- raising awareness of modern slavery and the GRS, including launching an internal training module for new employees
- engaging a third-party risk management tool for modern slavery risk management in supply chains
- conducting a high-level risk assessment of supplier engagement, with no modern slavery risks identified
- updating procurement templates to incorporate GRS model tender and contract clauses, and evaluating supplier responses to modern slavery to ensure compliance.

NSW Treasury is addressing the issue of modern slavery in the prequalification schemes it manages, as well as providing advice to agencies.

The NSW Supplier Code of Conduct was amended to cover all forms of modern slavery.

A proof of concept was finalised to evaluate third-party risk management tools for modern slavery risks in supply chains, and to determine how they can be incorporated into due diligence processes for all of government.

## NSW Treasury climate risk assessment

NSW Treasury undertook a climate risk assessment in 2022–23 based on the Climate Risk Ready Guide, and our broader entity risk management practices. This work is in line with recommendations stemming from the 2021 Performance Audit Report on Managing Climate Risks to Assets and Services as well as the NSW Climate Change Adaptation Strategy.

The 2022–23 assessment remains applicable for the current financial year and work is continuing for the current financial year to implement mitigating actions identified in the assessment. This assessment supports NSW Treasury’s understanding of the climate risks it faces and embeds climate change into our decision making.

The NSW Government is implementing climate-related disclosures for NSW Government entities on a phased basis. NSW Treasury will be part of phase one, with our first climate related financial disclosure to be included alongside the 2024–25 Annual Report.

## Gender-responsive budgeting

NSW Treasury has made progress towards implementing gender-responsive budgeting by supporting agencies to pilot gender impact assessments in the 2023–24 Budget and 2024–25 Budget, with case studies and gender analysis published in the respective Gender Equality Budget Statements.

Gender impact assessments are a key component of gender-responsive budgeting, which applies a gender lens to policy development and resource allocation. The assessments consider how a proposed policy, program or project may have different impacts on people based on their gender.

In December 2023, NSW Treasury released *TPG23-27 Gender Impact Assessment Policy* for consultation. The policy, which comes into effect from 1 October 2024, requires general government sector agencies to complete gender impact assessments on new policy proposals that meet certain criteria.

# Social impact investment

NSW Treasury continued to support a broader and more diverse impact investing ecosystem, focusing on building capability in outcome-based contracting. Two key initiatives include:

- An outcome-based tender opportunity to advance education outcomes for First Nations girls in any school years from four to nine. The opportunity aims to empower and support the Aboriginal Community Controlled Organisation sector by trialling an outcome-based partnership approach to deliver programs with the greatest impact for community.
- Representing NSW Government to co-design the \$100 million Commonwealth Outcomes Fund, announced in the 2023–24 federal Budget. The Outcomes Fund seeks to partner with states and territories to deliver outcome-based initiatives targeting entrenched disadvantage.

## NSW Sustainability Bond Programme

In collaboration with TCorp and the Department of Climate Change, Energy, the Environment and Water, NSW Treasury co-led the publication of the NSW Sustainability Bond Program (SBP) Annual Report and added around \$450 million of eligible expenditure to the SBP asset pool. Throughout the year, NSW Treasury also worked closely with Sydney Metro and the SBP partners to evaluate eligibility of the Sydney Metro City and Southwest project for the SBP. The project was included in the SBP asset pool in July 2024 with the first tranche of \$3.2 billion, increasing the total size of the asset pool to over \$16.6 billion.

For more details, see [chapter 3](#).

## Climate Change Network

NSW Treasury is supporting the Climate Change Network's (CCN) work to prioritise and provide central strategic coordination of climate change policies across NSW Government. The CCN was set up by the Cabinet Office and Department of Climate Change, Energy, the Environment and Water to bring together all NSW Government portfolios to drive climate change action.

NSW Treasury consolidated an agency-wide stocktake of climate change activities in 2024 to inform the CCN's wider stocktake of climate change policies and programs. NSW Treasury is now providing strategic advice and inputs to inform the CCN's work to define strategic climate change priorities across NSW Government.

# Gender Equality Action Plan

NSW Treasury launched our updated [Gender Equality Action Plan](#) (GEAP) on International Women's Day in March 2024. The plan was developed as part of the NSW Secretaries Board's commitment for all departments to develop GEAPs by 2025, to actively champion gender equality and strive to ensure the people of NSW can fulfill their potential regardless of gender and background.

The updated GEAP process undertook internal and external consultation involving contributions by almost 200 NSW Treasury employees to inform the new actions to progress gender equality at NSW Treasury. The GEAP holds NSW Treasury accountable across five priority areas. This includes:

- recruitment, development and leadership
- flexibility and support
- gender responsible budgeting, procurement and policy
- governance and accountability.

The GEAP working group is now leading the implementation, monitoring and reporting on progress of the plan.

# Disability Inclusion Action Plan

NSW Treasury has a commitment to employing and supporting people with a disability. We are on track to launch our second Disability Inclusion Action Plan (DIAP) at the end of 2024. Alongside our refreshed DIAP, NSW Treasury has retained our Disability Confident Recruiter accreditation and continued our partnership with the Australian Disability Network on the *Stepping Into* internship program.

As of 30 June 2024, NSW Treasury had 29 employees identifying as having a disability, which equates to 4% of the workforce. This is a notable increase from the previous year's 2.7% (21 employees) and indicates NSW Treasury's commitment to reflect the community we serve. There is still more to do to meet our target of 5.6%.

# Reconciliation Action Plan

NSW Treasury's [Innovate Reconciliation Action Plan](#) (RAP) 2022–24 was completed in June 2024 and has delivered meaningful progress in the department's reconciliation journey. This includes the development of a cultural learning needs strategy and a plan to implement the sector-wide Aboriginal Employment Strategy, as well as the formation of a cross-government RAP community of practice.

The department's volunteer RAP working group delivered a large program to celebrate and acknowledge National Reconciliation Week and NAIDOC week, and created opportunities for truth-telling, healing and cultural learning.

NSW Treasury also provided educational events and support resources for staff during and following the national referendum on an Aboriginal and Torres Strait Islander Voice to Parliament.

For more details, see [chapter 3](#).

# Multicultural Action Plan

In 2023, an extensive internal consultation was undertaken with 110 participants to inform the development of a multicultural action plan. Following this process, NSW Treasury launched our first [Multicultural Action Plan 2024–27](#) in March 2024. Steps are underway to implement the plan.



# Work health and safety

For details, see [Appendix 3](#): Proactive work, health and safety risk management.

# Workforce diversity

For details, see [Appendix 2](#): Workforce diversity.

# 6

## Financial performance

# Independent Auditor's Report



## 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 comprises the Statement by the Secretary, the Statement of Comprehensive Income for the year ended 30 June 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (GSF Regulation) and the Treasurer's Directions
- presents fairly 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 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).

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

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 2024. 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
<b>Valuation of administered defined benefit superannuation and long service leave liabilities</b>	
<p>At 30 June 2024, Treasury reported administered defined benefit superannuation liabilities totalling \$38.0 billion and administered long service leave liabilities totalling \$10.9 billion.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>the administered defined benefit superannuation and long service leave liabilities are financially significant to Treasury</li> <li>the underlying valuation models (the models) used to value the liabilities are complex due to the significant degree of judgement required to determine key assumptions used to value these liabilities</li> <li>the values of the liabilities are sensitive to minor changes in valuation inputs.</li> </ul> <p>Further information on the valuation of administered defined benefit superannuation and long service leave liabilities is included in Note 19 'Administered Items'.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of the processes and key controls in place supporting the defined benefit superannuation liability and long service leave liability calculations</li> <li>assessing the completeness and accuracy of data used in the models</li> <li>reviewing the methodology and key assumptions for reasonableness (with the assistance of actuarial experts for defined benefit superannuation liabilities)</li> <li>assessing the qualifications, competence and objectivity of actuarial experts</li> <li>assessing the adequacy of the financial statement disclosures against the requirements of Australian Accounting Standards and Treasurer's Directions.</li> </ul>

## Other Information

Treasury's annual report for the year ended 30 June 2024 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 financial reports of the following Special Deposit Accounts and treasury related entities:

- Electricity Retained Interest Corporation - Ausgrid Fund
- Electricity Retained Interest - Endeavour Fund
- NSW Generations (Community Services and Facilities) Fund
- NSW Generations (Debt Retirement) Fund
- Social and Affordable Housing NSW Fund
- Restart NSW Fund
- Alpha Distribution Ministerial Holding Corporation
- Epsilon Distribution Ministerial Holding Corporation
- Electricity Assets Ministerial Holding Corporation
- Electricity Transmission Ministerial Holding Corporation
- Liability Management Ministerial Corporation
- Port Botany Lessor Ministerial Holding Corporation
- Port Kembla Lessor Ministerial Holding Corporation
- Port of Newcastle Ministerial Holding Corporation
- Ports Assets Ministerial Holding Company
- Electricity Retained Interest Corporation - Ausgrid
- Electricity Retained Interest Corporation - Endeavour

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, I have separately expressed an opinion on each of the above Special Deposit Accounts and Treasury related entities.

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 Regulation 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](http://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.

A handwritten signature in black ink, appearing to read 'Somaiya', written over a faint, light-colored rectangular stamp or watermark.

Somaiya Ahmed,  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 October 2024  
SYDNEY

# NSW Treasury's Financial Report for the year ended 30 June 2024





Treasury

# The Treasury

Financial Report  
for the year ended 30 June 2024

## The Treasury

### Statement by the Secretary for the year ended 30 June 2024

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 2024* and the Treasurer's Directions; and
- (b) present fairly The Treasury's financial position, financial performance and cash flows.



**Michael Coutts-Trotter**  
Secretary

**29 October 2024**

## The Treasury

### Statement of Comprehensive Income for the year ended 30 June 2024

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Continuing operations</b>				
<b>Expenses excluding losses</b>				
Employee-related expenses	2(a)	317,707	185,445	193,564
Operating expenses	2(b)	619,771	81,890	121,097
Depreciation and amortisation	2(c)	10,754	7,943	8,883
Grants and subsidies	2(d)	2,365,837	1,548,740	941,602
Finance costs	2(e)	68	73	74
Other expenses		3,804	-	-
<b>Total expenses excluding losses</b>		<b>3,317,941</b>	<b>1,824,091</b>	<b>1,265,220</b>
<b>Revenue</b>				
Appropriation	3(a)	4,083,080	1,656,306	953,000
Sale of goods and services	3(b)	4,352	8,891	91,784
Grants and contributions	3(c)	219,647	155,137	296,398
Personnel Services Revenue	3(d)	-	6,724	9,029
Acceptance by the Crown of employee benefits and other liabilities	3(e)	1,189	4,961	4,220
Investment revenue	3(f)	4,504	9,312	12,882
Other income	3(g)	97,424	557	1,072
<b>Total revenue</b>		<b>4,410,196</b>	<b>1,841,888</b>	<b>1,368,385</b>
<b>Operating result</b>		<b>1,092,255</b>	<b>17,797</b>	<b>103,165</b>
<b>Other Gains / (losses)</b>				
Gains/(losses) on disposal	5	14,901	(64)	(44)
(Losses)/gains on restoration provision	12	-	(114)	127
<b>Total gains / (losses)</b>		<b>14,901</b>	<b>(178)</b>	<b>83</b>
<b>Net result from continuing operations</b>	18	<b>1,107,156</b>	<b>17,619</b>	<b>103,248</b>
<b>Other comprehensive income</b>				
<b>Total other comprehensive income</b>		-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,107,156</b>	<b>17,619</b>	<b>103,248</b>

Budget reflects the original budget prior to the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No 6) 2023* effective 1 January 2024 which resulted in Office of Energy and Climate Change being transferred from Treasury to Department of Climate Change, Energy, the Environment and Water.

The accompanying notes form part of these financial statements.

## The Treasury

### Statement of Financial Position as at 30 June 2024

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	490,019	122,304	559,908
Receivables	7	70,792	13,808	64,979
Other financial assets		10,813	-	-
<b>Total current assets</b>		<b>571,624</b>	<b>136,112</b>	<b>624,887</b>
<b>Non-current assets</b>				
Receivables	7	3,033	-	61,529
Financial Assets at fair value		61,529	-	-
Property, plant and equipment				
- Land and building		1,104	-	-
- Plant and equipment	8	19,179	7,630	8,868
- Infrastructure systems		1,337,629	-	-
Right of Use Assets		3,783	-	-
Intangible assets	9	47,393	33,683	42,683
<b>Total non-current assets</b>		<b>1,473,650</b>	<b>41,313</b>	<b>113,080</b>
<b>Total assets</b>		<b>2,045,274</b>	<b>177,425</b>	<b>737,967</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	11	319,329	22,043	195,120
Contract Liabilities		6,720	-	-
Borrowings		757	-	-
Provisions	12	24,712	16,652	21,348
Other current liabilities	13	4,370	534	4,357
<b>Total current liabilities</b>		<b>355,888</b>	<b>39,229</b>	<b>220,825</b>
<b>Non-current liabilities</b>				
Contract Liabilities		4,006	-	-
Payables	11	-	364	-
Borrowings		2,157	-	-
Provisions	12	2,811	2,329	2,161
Other non-current liabilities	13	6,714	6,535	6,681
<b>Total non-current liabilities</b>		<b>15,688</b>	<b>9,228</b>	<b>8,842</b>
<b>Total liabilities</b>		<b>371,576</b>	<b>48,457</b>	<b>229,667</b>
<b>Net assets</b>		<b>1,673,698</b>	<b>128,968</b>	<b>508,300</b>
<b>EQUITY</b>				
Accumulated funds		1,673,698	128,968	508,300
<b>Total equity</b>		<b>1,673,698</b>	<b>128,968</b>	<b>508,300</b>

Budget reflects the original budget prior to the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No 6) 2023* effective 1 January 2024 which resulted in Office of Energy and Climate Change being transferred from Treasury to Department of Climate Change, Energy, the Environment and Water.

The accompanying notes form part of these financial statements.

**Statement of Changes in Equity for the year ended 30 June 2024**

	Notes	Accumulated Funds \$'000
<b>Balance at 1 July 2023</b>		<b>508,300</b>
<b>Net result for the year</b>		<b>17,619</b>
<b>Total other comprehensive income</b>		<b>-</b>
<b>Total comprehensive income for the year</b>		<b>17,619</b>
Decrease in net assets from equity transfers	14	(396,951)
<b>Balance at 30 June 2024</b>		<b>128,968</b>
<b>Balance at 1 July 2022</b>		<b>405,052</b>
<b>Net result for the year</b>		<b>103,248</b>
<b>Total other comprehensive income</b>		<b>-</b>
<b>Total comprehensive income for the year</b>		<b>103,248</b>
<b>Balance at 30 June 2023</b>		<b>508,300</b>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows for the year ended 30 June 2024

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Employee related		(313,348)	(167,078)	(176,742)
Grants and subsidies		(2,673,214)	(1,443,268)	(781,245)
Suppliers for goods and services		(315,764)	(79,799)	(242,124)
<b>Total payments</b>		<b>(3,302,326)</b>	<b>(1,690,145)</b>	<b>(1,200,111)</b>
<b>Receipts</b>				
Appropriations (excluding equity appropriations)		4,083,080	1,656,306	953,000
Sale of goods and services		4,125	11,092	92,959
Interest received		1,471	6,451	12,882
Grants and other contributions		219,647	150,271	297,070
Other		97,425	1,058	172
<b>Total receipts</b>		<b>4,405,748</b>	<b>1,825,178</b>	<b>1,356,083</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	18	<b>1,103,422</b>	<b>135,033</b>	<b>155,972</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment		-	-	(72,342)
Purchase of plant and equipment		(1,205,357)	(1,886)	(1,438)
Purchase of intangible assets		-	(2,994)	(2,756)
Other investing		(10,071)	-	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(1,215,428)</b>	<b>(4,880)</b>	<b>(76,536)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>				
		<b>(112,006)</b>	<b>130,153</b>	<b>79,436</b>
Opening cash and cash equivalents		602,025	559,908	480,472
Cash transferred out as a result of administrative restructuring	14	-	(567,757)	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	6	<b>490,019</b>	<b>122,304</b>	<b>559,908</b>

Budget reflects the original budget prior to the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No 6) 2023* effective 1 January 2024 which resulted in Office of Energy and Climate Change being transferred from Treasury to Department of Climate Change, Energy, the Environment and Water.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information**

**(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 is the NSW Government's principal whole-of-government financial and economic adviser.

Treasury provides advice to inform budget decision-making; manages the State's principal financial assets and liabilities; identifies opportunities for economic reform, monitors and forecasts the economy and state revenues, monitors the performance of its commercial agencies; and advises on performance and financial management policies.

Treasury is structured to meet the following disaggregated activities:

- Economic prosperity and wellbeing
- Financial responsibility and accountability
- Energy transition and climate change

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

Under the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No 6) 2023* the Office of Energy and Climate Change (OECC) has been transferred from the Treasury to the Department of Climate Change, Energy, the Environment and Water (DCCEEW) effective 1 January 2024. See Note 14 for details.

Treasury administers, but does not control, certain activities on behalf of the Crown in 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 19.

In regard to the notes to the financial statements, for administered items the notes not relevant are:

- 1f) Insurance,
- 1j)(ii) Income recognition and measurement – Rendering of services,
- 1k) Plant and equipment,
- 1l) Intangible Assets,
- 1q)(i) Employee benefits – Salaries and wages, annual leave and sick leave,
- 1v)(i) Equity and reserves – Accumulated funds,
- 1x) Budgeted amounts.

For controlled items the notes not relevant are:

- 1j) Income recognition and measurement - (v) Dividends and distributions and (vi) Fines and regulatory fees,
- 1m) Advances paid,
- 1n) Equity investments in NSW public sector entities,
- 1q)(iv) Employee benefits – LSL, defined benefit superannuation and related on-costs assumed by the Crown,
- 1r) Provisions – (ii) State's share of university superannuation and (iii) State's contribution to Commonwealth redress scheme,
- 1s) Borrowings,
- 1t) Contract assets and liabilities,
- 1u) Derivatives.

All other notes apply to both controlled and administered.

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

Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information (continued)**

**(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 2024* 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.

**(c) Going Concern**

The financial statements have been prepared on a going concern basis. It is expected that Treasury has adequate cash holding and cash inflows to continue operations for the foreseeable future.

**(d) Statement of compliance**

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

**(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, except for the new AAS issued but not yet effective set out below:

**AASB 18 Presentation and Disclosure in Financial Statements**

AASB 18 *Presentation and Disclosure in Financial Statements* was issued on 14 June 2024, with an operative date of 1 January 2028 for non-for-profit public sector entities. AASB 18 will supersede AASB 101 *Presentation of Financial Statements*. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.

**AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments**

AASB 2024-2 *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments* was issued on 5 August 2024, with an operative date of 1 January 2026. AASB 2024-2 amends AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments* requirements related to:

- settling financial liabilities using an electronic payment system; and
- assessing contractual cash flow characteristics of financial assets with environmental, social and corporate governance (ESG) and similar features.

This Standard also amends disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and adds disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. Management will assess the impact of AASB 2024-2 on its financial statements in due course.

**(f) Insurance**

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



Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information (continued)**

**(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) 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.

**(i) Grants and subsidies**

Grants made pursuant to the Net Assets Holding Level Policy (NAHLP), other insurance schemes, agency redundancy programs, cluster grants to Energy Corporation of NSW (EnergyCo) and Infrastructure NSW are recognised on an accrual basis. All other grants and subsidies are recognised as expenses when the payments are made.

**(j) 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.

Recoupment of costs

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.

Fee for services

The fee for services revenue from sale of goods and services mainly consists of revenue received from providing the rating services under National Australian Built Environment Rating systems (NABERS). Revenue received mainly includes rating certificate fees, training and accreditation for assessors, and accredited assessor renewal fees. The revenue is recognised when the performance obligation is satisfied by providing accreditation, certificates etc. This revenue stream has been transferred to DCCEEW effective 1 January 2024. Treasury retained the revenue for the first 6 months of the year.

Revenue for recoveries of quarantining costs from interstate jurisdictions and the Commonwealth Government is recognised on cash basis when Treasury obtains control over the assets (e.g. cash). This revenue stream is only applicable to the comparative information of fee for services.

Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information (continued)**

(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.

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 government owned businesses and distributions are received from the State's managed fund investments. Dividend income is recognised under AASB 9 *Financial Instruments* in the period when the Crown's right to receive the payment has been established. Distribution income is recognised when the Crown's right to receive the payment has been obtained.

(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 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.

**(k) Plant and equipment**

(i) Acquisition of plant and equipment

Plant and equipment is 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 14).

(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.

Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information (continued)**

(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	1.5-4 years
Office Equipment	7 years
Office Furniture	10 years
Leasehold Improvements	up to 20 years depending on the term of leasing arrangements

(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 the net result, a reversal of that impairment loss is also recognised in the net result.

**(l) 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 20 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 loss.

**(m) Advances paid**

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.

Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information (continued)**

**(n) Equity investments in NSW public sector entities**

The investment in public sector entities represent the State's equity investment in government-controlled entities within the Public Non-Financial Corporation (PNFC) and Public Financial Corporations (PFC) sector. The investments are administered by Treasury on behalf of the State.

The interest in the PNFC and PFC sectors is accounted for as an equity investment based on the State's proportional share of the carrying amount of net assets of those sectors.

Adjustments in the carrying amount of the equity investments (excluding equity injections and dividends) is recognised as net gains/(losses) from equity investments at fair value in the Administered Revenue note disclosure.

Equity injections into PNFC and PFC entities are recognised as an addition to the equity investment in entities in these sectors. The exception to this treatment is if there is no reasonable expectation of a sufficient rate of return on the injection, in which case, the transfer is recorded as a capital grant expense.

Whether there is no reasonable expectation of a sufficient rate of return on the investment is a matter of judgement. This judgement is made based on the facts and circumstances relevant to the equity injection at the time it is made.

Dividend income is recognised in the period when the Crown's right to receive the payment has been established and is reported separately as administered revenue. See note 1 k) (v).

**(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.

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.

Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information (continued)**

(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.

**(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.

**(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.

Treasury has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409*. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

## Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information (continued)****(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 Treasury Circular TC18-10 *Accounting for Superannuation*. 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, and agencies at the discretion of the Treasurer, 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.

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 *Employee Benefits*. The unfunded liabilities are actuarially assessed at the reporting date. More details are provided in Note 19.D.11. 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 19.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 role/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 22% share of the liabilities. The amount of provision is actuarially assessed and is recognised in administered provisions.

Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information (continued)**

(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 a risk-free discount 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. Gains and losses are recognised as administered income/administered expenses when the liabilities are derecognised, as well as through the amortisation process. The weighted average interest cost, including the amortisation of bond premium or discount, of the TCorp debt portfolio was 3.42 per cent (2023: 3.02 per cent).

**(t) Contract assets and liabilities**

Contract assets and liabilities relate to Commonwealth grants in contracts with sufficiently specific performance obligations. Administered contract assets relate to performance obligations in respect of Commonwealth grants and are recognised when performance obligations have been satisfied but the relevant milestone is not reached for billing yet. 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.

**(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 Note 14.

All Treasury administered equity transfers are recognised at fair value. Refer to Note 19.F.

Notes to the Financial Statements for the year ended 30 June 2024

**1. Statement of Material Accounting Policy information (continued)**

**(w) 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).

**(x) 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 17.

**(y) 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.

**(z) Impact of Climate-related matters on Financial Reporting for 2023-24**

Treasury has considered potential impacts of climate related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on Treasury's preparation of:

- Useful lives of property, plant and equipment
- Impairment of non-financial assets
- Receivables and financial assets
- Financial instruments
- Expected credit losses
- Provisions and contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Estimation uncertainty and significant judgements



Notes to the Financial Statements for the year ended 30 June 2024

**2. Expenses Excluding Losses**

	2024 \$'000	2023 \$'000
<b>(a) Employee-related expenses</b>		
Salaries and wages (including annual leave)	156,461	164,820
Superannuation		
- defined benefit plans	271	374
- defined contribution plans	13,017	13,304
Long service leave	5,310	4,387
Workers' compensation insurance	232	404
Payroll tax and fringe benefits tax	8,980	9,758
Redundancies	1,174	517
	<b>185,445</b>	<b>193,564</b>

The employee related expenses include \$6.72 million (2023: \$9.02 million) for the personnel services provided to EnergyCo. The employee related expenses that have been capitalised in property, plant and equipment and intangible assets are excluded from the above.

**(b) Operating expenses include the following:**

Auditor's remuneration - audit of the financial statements	1,894	1,785
Accommodation expense	9,343	8,208
COVID-19 expenses - CBD Revitalisation	120	120
Contractors	16,322	30,433
Centralised corporate support charges	13,126	14,212
Consultants	8,917	11,944
Computers maintenance, licenses and information management	13,278	24,653
Small business advising	2,506	311
Fees for services	6,254	14,194
Staff recruitment	611	557
Training	1,880	2,244
Building management maintenance and utilities	1,298	1,368
Internal audit fees	156	212
Maintenance <sup>(i)</sup>	129	105
Printing and advertising	566	819
Travel	368	625
Event management	176	230
Minor plant, equipment and stores	1,927	1,626
Audit & Risk Committee and Board administration	513	1,046
Insurance	234	254
Legal fees	1,495	2,188
Other	777	3,963
	<b>81,890</b>	<b>121,097</b>

**(i) Reconciliation - Total maintenance expense**

Maintenance expense - contracted labour and other (non-employee related)	129	105
Total maintenance expenses included in Note 2(b)	<b>129</b>	<b>105</b>

## Notes to the Financial Statements for the year ended 30 June 2024

**2. Expenses Excluding Losses (continued)**

	2024 \$'000	2023 \$'000
<b>(c) Depreciation and amortisation</b>		
Depreciation		
Plant and equipment	1,145	1,258
Leasehold improvements	1,850	1,883
	<u>2,995</u>	<u>3,141</u>
Amortisation of Software intangibles	4,948	5,742
	<u>7,943</u>	<u>8,883</u>
<b>(d) Grants and subsidies</b>		
Grants paid to cluster agencies <sup>(i)</sup>	691,178	120,508
Grants - Energy (including low income household, pensioners, hardship) <sup>(ii)</sup>	437,343	296,667
Grants and subsidies - Federal Government <sup>(iii)</sup>	6,317	15,142
Grants and subsidies - NSW Government <sup>(iii)</sup>	94,940	180,162
Grants to non-government organisations <sup>(iii)</sup>	312,652	299,797
Other	6,310	29,326
	<u>1,548,740</u>	<u>941,602</u>
<p>(i) Grants paid to EnergyCo and Infrastructure NSW during the 2023-24 financial year. Grants paid to EnergyCo was only up to 31 December 2023.</p> <p>(ii) OECC administers various rebates programmes to provide electricity and gas rebates to eligible NSW residents, including National Energy Bill Relief program which were reflected in Treasury's results up to 31 December 2023.</p> <p>(iii) OECC provides grants to support various Government and Non-Government agencies to build a net zero future by improving resource efficiency, developing net zero emission pathways and generating renewable energy on government owned assets. In addition to this, OECC is also responsible for providing grants as part of the Commonwealth's Energy Price Relief Plan to shield Australians from the worst impacts of global coal and gas price increases. Grants to non-government organisations in 2023-24, primarily up to 31 December 2023 include \$295.7 million (2023: \$268.2m) of rebates to NSW coal-fired electricity generators to moderate electricity prices ("coal price cap") in accordance with the Commonwealth's Energy Price Relief Plan, the <i>Energy and Utilities Administration Act 1987</i> and <i>Energy and Utilities Administration (Declaration of Coal Market Price Emergency) Order 2022</i>.</p>		
<b>(e) Finance costs</b>		
Unwinding of discount rate	73	74
	<u>73</u>	<u>74</u>

Notes to the Financial Statements for the year ended 30 June 2024

3. Revenue:

(a) Appropriations

Summary of Compliance

	2024 \$'000	2023 \$'000
Amount appropriated per <i>Appropriation Act</i>	4,083,080	1,416,460
Other Appropriations		
Variations made to the appropriations during the financial year		
- Section 4.9 <i>GSF Act 2018</i>		
transfers of functions between entities	(2,299,456)	81,779
<b>Total spending authority from parliamentary appropriations, other than deemed appropriations</b>	<b>1,783,624</b>	<b>1,498,239</b>
<b>Add:</b>		
The spending authority from deemed appropriations during the current year	198,857	218,097
The unutilised spending authority from deemed appropriations in prior years	312,487	94,390
<b>Total</b>	<b>2,294,968</b>	<b>1,810,726</b>
<b>Less: total expenditure out of Consolidated Fund</b>	<b>(1,633,002)</b>	<b>(1,110,489)</b>
<b>Variance</b>	<b>661,966</b>	<b>700,237</b>
Less: The spending authority from appropriations lapsed at 30 June	(150,622)	(387,750)
<b>Deemed appropriations balance carried forward to following years</b>	<b>511,344</b>	<b>312,487</b>
	2024 \$'000	2023 \$'000
Appropriations	1,830,306	953,000
Return of excess funds to Consolidated Fund	(174,000)	-
<b>Net appropriations drawn down for the year</b>	<b>1,656,306</b>	<b>953,000</b>

Notes to the Financial Statements for the year ended 30 June 2024

**3. Revenue (continued)**

The *Appropriation Act 2023 (Appropriations Act)* and the subsequent variations appropriate the sum of \$1.8 billion to the Treasurer out of the Consolidated Fund for the services of Treasury for the year 2023–24. The spending authority of the Treasurer from the *Appropriations Act* has been delegated or subdelegated to officers of the Treasury and entities that it is administratively responsible for, including:

- Infrastructure NSW.

*The Treasury and Energy Legislation Amendment Bill 2022* made some amendments to sections 4.7 and 4.9 of the *GSF Act*. These amendments commenced on 14 November 2022 and are applied retrospectively. As a result, the lead minister for each entity above, the Treasurer, is taken to have been given an appropriation out of the Consolidated Fund under the authority of s4.7 of the *GSF Act*, at the time the entity receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the entity. These deemed appropriations are taken to have been given for the services of Treasury.

In addition, government money that a GSF agency receives or recovers, from another GSF agency, of a kind prescribed by the GSF regulations that forms part of the Consolidated Fund, is now capable of giving rise to deemed appropriations where the receiving agency has a different lead Minister to the agency making the payment, or one or both of the agencies is a special office (as defined in section 4.7(8)).

On 16 June 2023, the *GSF Amendment (Deemed Appropriations) Regulation 2023* was approved to bring the GSF regulations in line with the above deemed appropriation amendments to the *GSF Act*.

The delegation/sub-delegations for the 2023-24 financial year and the 2022-23 financial year, authorising officers of the Treasury to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but do not specify an aggregate expenditure limit for the Treasury. However, as they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of Treasury to spend monies appropriated under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the limit from the *Appropriations Act* and other sources is disclosed in the summary of compliance table above.

The summary of compliance has been prepared by aggregating the spending authorities of the Treasurer for the services of Treasury. It reflects the status at the point in time this disclosure statement is being made.

The summary of compliance does not include appropriations for the Treasury – Administered items, NSW Generations Fund, Snowy Hydro Legacy Fund, state contingencies and special appropriation to Treasurer relating to integrity agencies expenses and special appropriations to Treasurer for expenditure related to Government's response to crises. This is because a separate amount has been appropriated for the services under the *Appropriations Act*.

Notes to the Financial Statements for the year ended 30 June 2024

**3. Revenue (continued)**

	2024	2023
	\$'000	\$'000
<b>(b) Sale of goods and services</b>		
<b>Rendering of services</b>		
Recoupment of costs		
- Crown, residual entities and others	2,358	2,196
Recoveries of quarantining costs from interstate jurisdictions and the Commonwealth Government	-	80,754
Education and training	120	292
Fee for services	5,510	6,866
Other	903	1,676
	<u>8,891</u>	<u>91,784</u>
<b>(c) Grants and contributions</b>		
Grants with sufficiently specific performance obligations		
- Grants from other government agencies	1,197	7,961
- Grants from Commonwealth government agencies	-	140
Grants without sufficiently specific performance obligations		
- Grants from other government agencies	8,661	55
- Grants from Commonwealth government agencies	205	5,170
- Contributions from electricity distributors to CCF*	145,074	283,072
	<u>155,137</u>	<u>296,398</u>

\* The Climate Change Fund (CCF)'s purpose is to address the impact of climate change, encourage energy and water saving activities, increase public awareness and acceptance of climate change. For the 2023-24 financial year commencing 1 July 2023, the fund receives annual contributions from defined licensed electricity distributors, as per *the Energy and Utilities Administration (Energy Contributions) Order 2023*. CCF has been transferred to DCCEEW effective 1 January 2024. Treasury retained the revenue for the first 6 months of the year.

**(d) Personnel Services Revenue**

Personnel services to EnergyCo	6,724	9,029
	<u>6,724</u>	<u>9,029</u>

Reimbursement of employee benefits and related on costs for EnergyCo to which the Treasury supplies personnel services is recognised as revenue. Revenue is recognised when the service has been provided. Refer to Note 2(a). The personnel services revenue of \$6.7m in the 2023-24 financial year only represents the amount of the first 6 months of the year.

The Treasury

Notes to the Financial Statements for the year ended 30 June 2024

**3. Revenue (continued)**

	\$'000	\$'000
<b>(e) Acceptance by the Crown of employee benefits and other liabilities</b>		
The following liabilities and/or expenses have been assumed by the Crown:		
Long service leave	4,689	3,849
Superannuation - defined benefit	254	359
Payroll tax	18	12
	<u>4,961</u>	<u>4,220</u>
<b>(f) Investment revenue</b>		
Interest Income on other financial assets	9,312	12,882
	<u>9,312</u>	<u>12,882</u>
<b>(g) Other income</b>		
Other	557	1,072
	<u>557</u>	<u>1,072</u>

Notes to the Financial Statements for the year ended 30 June 2024

4. Disaggregated Disclosure Statements for the year ended 30 June 2024

Major Activity Groups Descriptions

<b>Activity Group</b>	<b>Purpose:</b>
Economic prosperity and wellbeing	<p>New South Wales is Australia's largest state economy, accounting for around one third of the nation's economic output and home to nearly one third of Australians. Treasury is the Government's chief economic advisor, leading advice on economic policy, productivity, economic analysis, tax policy, and better regulation. Treasury contributes to a strong, resilient, and diverse economy through economic and productivity reform.</p> <p>This Activity also includes the development and implementation of whole of government reporting frameworks to support improvements in the wellbeing and prosperity of Aboriginal and Torres Strait Islander communities. ✓</p>
Financial responsibility and accountability	<p>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. Achieving this objective is supported by maintenance of key financial outcomes, including Maintaining the State's credit rating and achieving the Fiscal Targets contained in the <i>Fiscal Responsibility Act 2012</i> (FRA) and an unqualified Audit Office report to Parliament. All of Treasury's administered activities conducted on behalf of the Crown relates to this activity group, as such no separate disclosure is necessary.</p>
Energy transition and climate change	<p>This activity, led by the OECC which was part of Treasury for the first 6 months of the year was leading NSW's actions on climate change and energy reform to strengthen a growing economy. This involved the delivery of the NSW Net Zero Plan and programs that will strengthen the prosperity and quality of life of the people of New South Wales, while helping to achieve the State's objective to deliver a 50% cut in emissions by 2030 compared to 2005 levels. This activity has subsequently been transferred to the DCCEEW effective from 1 January 2024.</p>

The Treasury

Notes to the Financial Statements for the year ended 30 June 2024

4. Disaggregated Disclosure Statements for the year ended 30 June 2024 (continued)

	Economic prosperity and wellbeing		Financial responsibility and accountability		Energy transition and climate change		*Not Attributable		Total	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
<b>TREASURY'S EXPENSES &amp; INCOME</b>										
Expenses excluding losses										
Employee-related expenses	22,177	24,036	115,299	96,202	47,969	73,326	-	-	185,445	193,564
Operating expenses	9,604	11,736	49,930	46,967	22,356	62,394	-	-	81,890	121,097
Depreciation and amortisation	1,188	1,505	6,175	6,023	580	1,355	-	-	7,943	8,883
Grants and subsidies *	2,261	2,114	11,757	8,462	843,544	927,676	691,178	3,350	1,548,740	941,602
Finance costs	12	13	61	51	-	10	-	-	73	74
<b>Total expenses excluding losses</b>	<b>35,242</b>	<b>39,404</b>	<b>183,222</b>	<b>157,705</b>	<b>914,449</b>	<b>1,064,761</b>	<b>691,178</b>	<b>3,350</b>	<b>1,824,091</b>	<b>1,265,220</b>
Revenue										
Appropriation **	-	-	-	-	-	-	-	-	-	-
Sale of goods and services	-	77,326	2,358	5,624	6,533	8,834	1,656,306	953,000	1,656,306	953,000
Grants and contributions	-	3,747	3,090	273	152,047	292,378	-	-	8,891	91,784
Personnel Services Revenue	-	-	-	-	6,724	9,029	-	-	155,137	296,398
Acceptance by the Crown of employee benefits and other liabilities	-	2,171	3,742	157	1,219	1,892	-	-	4,961	4,220
Investment revenue	-	-	-	-	9,312	12,882	-	-	9,312	12,882
Other income	-	999	557	73	-	-	-	-	557	1,072
<b>Total revenue</b>	<b>-</b>	<b>84,243</b>	<b>9,747</b>	<b>6,127</b>	<b>175,835</b>	<b>325,015</b>	<b>1,656,306</b>	<b>953,000</b>	<b>1,841,888</b>	<b>1,368,385</b>
Gains / (losses)										
Losses on disposal	(5)	(8)	(29)	(33)	(30)	(3)	-	-	(64)	(44)
Gain on restoration provision	(18)	25	(96)	102	-	-	-	-	(114)	127
<b>Total gains / (losses)</b>	<b>(23)</b>	<b>17</b>	<b>(125)</b>	<b>69</b>	<b>(30)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(178)</b>	<b>83</b>
<b>Net result from continuing operations</b>	<b>(35,265)</b>	<b>44,856</b>	<b>(173,600)</b>	<b>(151,509)</b>	<b>(738,644)</b>	<b>(739,749)</b>	<b>965,128</b>	<b>949,650</b>	<b>17,619</b>	<b>103,248</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>(35,265)</b>	<b>44,856</b>	<b>(173,600)</b>	<b>(151,509)</b>	<b>(738,644)</b>	<b>(739,749)</b>	<b>965,128</b>	<b>949,650</b>	<b>17,619</b>	<b>103,248</b>

\*Not attributable grants and subsidies relate to grants to Energy Co and Infrastructure NSW.

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



The Treasury

Notes to the Financial Statements for the year ended 30 June 2024

4. Disaggregated Disclosure Statements for the year ended 30 June 2024 (continued)

TREASURY'S ASSETS & LIABILITIES	Economic prosperity and wellbeing		Financial responsibility and accountability		Energy transition and climate change		Not Attributable		Total	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
<b>ASSETS</b>										
Current assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	122,304	559,908
Receivables	3,162	2,005	10,646	9,268	-	53,706	-	-	13,808	64,979
<b>Total current assets</b>	<b>3,162</b>	<b>2,005</b>	<b>10,646</b>	<b>9,268</b>	<b>-</b>	<b>435,323</b>	<b>-</b>	<b>178,291</b>	<b>136,112</b>	<b>624,887</b>
Non-current assets										
Receivables	-	-	-	-	-	61,529	-	-	-	61,529
Plant and equipment	1,747	1,551	5,883	7,169	-	148	-	-	7,630	8,868
Intangible assets	7,714	6,660	25,969	30,774	-	5,249	-	-	33,683	42,683
<b>Total non-current assets</b>	<b>9,461</b>	<b>8,211</b>	<b>31,852</b>	<b>37,943</b>	<b>-</b>	<b>66,926</b>	<b>-</b>	<b>-</b>	<b>41,313</b>	<b>113,080</b>
<b>Total assets</b>	<b>12,623</b>	<b>10,216</b>	<b>42,498</b>	<b>47,211</b>	<b>-</b>	<b>502,249</b>	<b>-</b>	<b>178,291</b>	<b>177,425</b>	<b>737,967</b>
<b>LIABILITIES</b>										
Current liabilities										
Payables	5,048	2,667	16,995	12,327	-	180,126	-	-	22,043	195,120
Provisions	3,813	2,534	12,839	11,709	-	7,105	-	-	16,652	21,348
Other current liabilities	122	580	412	2,680	-	1,097	-	-	534	4,357
<b>Total current liabilities</b>	<b>8,983</b>	<b>5,781</b>	<b>30,246</b>	<b>26,716</b>	<b>-</b>	<b>188,328</b>	<b>-</b>	<b>-</b>	<b>39,229</b>	<b>220,825</b>
Non-current liabilities										
Payables	83	-	281	-	-	-	-	-	364	-
Provisions	533	368	1,796	1,700	-	93	-	-	2,329	2,161
Other non-current liabilities	1,497	1,189	5,038	5,492	-	-	-	-	6,535	6,681
<b>Total non-current liabilities</b>	<b>2,113</b>	<b>1,557</b>	<b>7,115</b>	<b>7,192</b>	<b>-</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>9,228</b>	<b>8,842</b>
<b>Total liabilities</b>	<b>11,096</b>	<b>7,338</b>	<b>37,361</b>	<b>33,908</b>	<b>-</b>	<b>188,421</b>	<b>-</b>	<b>-</b>	<b>48,457</b>	<b>229,667</b>
<b>Net assets</b>	<b>1,527</b>	<b>2,878</b>	<b>5,137</b>	<b>13,303</b>	<b>-</b>	<b>313,828</b>	<b>-</b>	<b>178,291</b>	<b>128,968</b>	<b>508,300</b>

Notes to the Financial Statements for the year ended 30 June 2024

**5. Other Gains/(Losses)**

	2024 \$'000	2023 \$'000
<b>Gains / (Losses) on Disposal</b>		
(Loss) on disposal of property, plant and equipment		
Written down value of assets disposed	-	(44)
Net loss on disposal of property, plant and equipment	-	(44)
(Loss) on disposal of intangible assets		
Written down value of assets disposed	(64)	-
Net loss on disposal of intangible assets	(64)	-
<b>Total gains / (losses) on disposal</b>	<b>(64)</b>	<b>(44)</b>

**6. Current Assets – Cash and Cash Equivalents**

	2024 \$'000	2023 \$'000
Cash at bank	122,304	559,908
	<b>122,304</b>	<b>559,908</b>

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)	122,304	559,908
Closing cash and cash equivalents (per Statement of Cash Flows)	<b>122,304</b>	<b>559,908</b>

Cash at bank at 30 June 2023 included \$365.1 million relating to CCF that is restricted cash and a special deposits account. During the 2023-24 financial year, the restricted cash balance has been transferred to DCCEEW as a result of administrative restructure effective 1 January 2024, refer to Note 10.

Refer to Note 23 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Notes to the Financial Statements for the year ended 30 June 2024

**7. Current / Non-Current Assets – Receivables**

	2024 \$'000	2023 \$'000
<b>Current</b>		
Trade receivables from contracts with customers	397	3,707
Accrued income	680	829
Receivables personnel services	-	1,587
GST	3,675	37,993
Loans receivable <sup>(i)</sup>	-	10,813
Other	8,295	7,496
	<b>13,047</b>	<b>62,425</b>
Prepayments	761	2,554
<b>Total current receivables</b>	<b>13,808</b>	<b>64,979</b>
<b>Non-Current</b>		
Loans receivable <sup>(i)</sup>	-	61,529
<b>Total non-current receivables</b>	<b>-</b>	<b>61,529</b>
<b>Total receivables</b>	<b>13,808</b>	<b>126,508</b>

(i) Treasury had provided a non-interest-bearing long-term loan to Scheme Financial Vehicle Pty Ltd (SFV) amounting to \$86.5 million (nominal amount) in December 2022 under the *Electricity Infrastructure Investment Act 2020 (NSW)* ("EIIA"). Treasury recorded the loan receivable at its fair value (present value of net future cash flows) and the difference between consideration paid on the loan was recorded as a grant expense to SFV. This receivable has been transferred to DCCEEW as a result of administrative restructure in the 2023-24 financial year.

Refer to Note 23 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Notes to the Financial Statements for the year ended 30 June 2024

**8. Property, Plant and Equipment**

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
<b>At 1 July 2023 - fair value</b>			
Gross carrying amount	8,567	19,507	28,074
Accumulated depreciation and impairment	(6,196)	(13,010)	(19,206)
<b>Net carrying amount</b>	<b>2,371</b>	<b>6,497</b>	<b>8,868</b>
<b>At 30 June 2024 - fair value</b>			
Gross carrying amount	6,518	20,093	26,611
Accumulated depreciation and impairment	(4,121)	(14,860)	(18,981)
<b>Net carrying amount</b>	<b>2,397</b>	<b>5,233</b>	<b>7,630</b>
<b>Year ended 30 June 2024</b>			
<b>Net carrying amount at start of year</b>	<b>2,371</b>	<b>6,497</b>	<b>8,868</b>
Additions	1,300	586	1,886
Disposals through administrative restructures	(129)	-	(129)
Depreciation expense	(1,145)	(1,850)	(2,995)
<b>Net carrying amount at end of year</b>	<b>2,397</b>	<b>5,233</b>	<b>7,630</b>
<b>At 1 July 2022 - fair value</b>			
Gross carrying amount	7,673	19,334	27,007
Accumulated depreciation and impairment	(5,241)	(11,151)	(16,392)
<b>Net carrying amount</b>	<b>2,432</b>	<b>8,183</b>	<b>10,615</b>
<b>At 30 June 2023 - fair value</b>			
Gross carrying amount	8,567	19,507	28,074
Accumulated depreciation and impairment	(6,196)	(13,010)	(19,206)
<b>Net carrying amount</b>	<b>2,371</b>	<b>6,497</b>	<b>8,868</b>
<b>Year ended 30 June 2023</b>			
<b>Net carrying amount at start of year</b>	<b>2,432</b>	<b>8,183</b>	<b>10,615</b>
Additions	1,230	208	1,438
Disposals	(336)	(35)	(371)
Depreciation expense	(1,258)	(1,883)	(3,141)
Other movements:			
Write back on disposal	303	24	327
<b>Net carrying amount at end of year</b>	<b>2,371</b>	<b>6,497</b>	<b>8,868</b>

Notes to the Financial Statements for the year ended 30 June 2024

**9. Intangible Assets**

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
<b>At 1 July 2023 - fair value</b>			
Gross carrying amount	74,201	4,262	78,463
Accumulated amortisation and impairment	(35,780)	-	(35,780)
<b>Net carrying amount</b>	<b>38,421</b>	<b>4,262</b>	<b>42,683</b>
<b>At 30 June 2024 - fair value</b>			
Gross carrying amount	62,581	965	63,546
Accumulated amortisation and impairment	(29,863)	-	(29,863)
<b>Net carrying amount</b>	<b>32,718</b>	<b>965</b>	<b>33,683</b>
<b>Year ended 30 June 2024</b>			
<b>Net carrying amount at start of year</b>	<b>38,421</b>	<b>4,262</b>	<b>42,683</b>
Additions	24	2,970	2,994
Disposals	(64)	-	(64)
Disposals through administrative restructures	(1,600)	(5,382)	(6,982)
Amortisation	(4,948)	-	(4,948)
Transfers from WIP to software	885	(885)	-
<b>Net carrying amount at end of year</b>	<b>32,718</b>	<b>965</b>	<b>33,683</b>
<b>At 1 July 2022 - fair value</b>			
Gross carrying amount	74,338	2,204	76,542
Accumulated amortisation and impairment	(30,873)	-	(30,873)
<b>Net carrying amount</b>	<b>43,465</b>	<b>2,204</b>	<b>45,669</b>
<b>At 30 June 2023 - fair value</b>			
Gross carrying amount	74,201	4,262	78,463
Accumulated amortisation and impairment	(35,780)	-	(35,780)
<b>Net carrying amount</b>	<b>38,421</b>	<b>4,262</b>	<b>42,683</b>
<b>Year ended 30 June 2023</b>			
<b>Net carrying amount at start of year</b>	<b>43,465</b>	<b>2,204</b>	<b>45,669</b>
Additions	96	2,660	2,756
Disposals	(835)	-	(835)
Amortisation	(5,742)	-	(5,742)
Transfers from WIP to software	602	(602)	-
Other movements:			
Write back on disposal	835	-	835
<b>Net carrying amount at end of year</b>	<b>38,421</b>	<b>4,262</b>	<b>42,683</b>

## The Treasury

Notes to the Financial Statements for the year ended 30 June 2024

### 10. Restricted Assets

#### Restricted Cash assets (included in cash and cash equivalents)

	2024 \$'000	2023 \$'000
Climate Change Fund (CCF)	-	365,112
	<u>-</u>	<u>365,112</u>

As a result of the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No 6) 2023* effective 1 January 2024, OECC was transferred from Treasury to DCCEEW. Balance of the CCF has been transferred to DCCEEW accordingly.

### 11. Current / Non-Current Liabilities – Payables

	2024 \$'000	2023 \$'000
<b>Current</b>		
Accrued salaries, wages and on-costs	3,387	5,048
Creditors	18,656	190,072
<b>Total current payables</b>	<u>22,043</u>	<u>195,120</u>
<b>Non-current</b>		
Other payables <sup>(1)</sup>	364	-
<b>Total non-current payables</b>	<u>364</u>	<u>-</u>
<b>Total payables</b>	<u>22,407</u>	<u>195,120</u>

Other non-current payable of \$0.36 million above is related to the non-debatable future payments for capacity services provided by Shell Energy Retail Pty Ltd (Shell Energy) under a retail electricity supply agreement. The State entered the agreement with Shell Energy, under which Shell Energy provides the supply of retail electricity to government agencies and other public bodies. It also requires Shell Energy to provide capacity services to the State (in the form of storage of electricity). Under the terms of the agreement, in the event that the battery energy storage system is not available for use, the State will be still required to pay any non-abatable portion of fixed capacity charge payments to Shell Energy. Therefore, a payable is recognised at 30 June 2024 for the non-debatable payments of \$0.47 million (current payable of \$0.11 million and non-current payable of \$0.36 million) at its fair value (present value of net future cash flows).

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

Notes to the Financial Statements for the year ended 30 June 2024

12. Current / Non-Current Liabilities – Provisions

	2024 \$'000	2023 \$'000
<b>Current</b>		
<b>Employee benefits and related on-costs</b>		
Annual leave	10,647	15,395
Provision for paid parental leave	1,090	-
Provision for on-costs on employee benefits	4,897	5,938
Provision for fringe benefits tax	18	15
<b>Total current provision</b>	<b>16,652</b>	<b>21,348</b>
<b>Non-current</b>		
<b>Employee benefits and related on-costs</b>		
Provision for payroll tax on long service leave liability	108	116
Provision for on-costs on long service leave liability	208	219
	<b>316</b>	<b>335</b>
<b>Other</b>		
Restoration costs	2,013	1,826
<b>Total non-current provision</b>	<b>2,329</b>	<b>2,161</b>
<b>Aggregate employee benefits and related on-costs</b>		
Provisions-current	16,652	21,348
Provisions-non-current	316	335
Accrued salaries, wages and on-costs (Note 11)	3,387	5,048
	<b>20,355</b>	<b>26,731</b>
<b>Movements in provisions (other than employee benefits)</b>		
<b>Restoration costs</b>		
Carrying amount at the beginning of financial year	1,826	1,889
Unwinding /change in the discount rate	73	64
Change in estimated restoration costs	114	(127)
Carrying amount at end of financial year	<b>2,013</b>	<b>1,826</b>
<b>Other provisions</b>		
Carrying amount at the beginning of financial year	-	22,284
Amounts used	-	(22,284)
Carrying amount at end of financial year	-	-

The restoration provision relates to the make good obligation for Treasury's office premises. It is calculated with reference to the current market price and discounted at 3.94 per cent (2023: 3.99 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 accommodation term.

Notes to the Financial Statements for the year ended 30 June 2024

**13. Current / Non-Current Liabilities – Other Liabilities**

	2024 \$'000	2023 \$'000
<b>Current</b>		
Occupancy agreement incentive	534	921
Unearned revenue	-	3,436
	<u>534</u>	<u>4,357</u>
<b>Non-current</b>		
Occupancy agreement incentive	6,535	6,681
	<u>6,535</u>	<u>6,681</u>
<b>Total Other Liabilities</b>	<u>7,069</u>	<u>11,038</u>

**14. Equity Transfer**

Effective from 1 January 2024, under the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No 6) 2023*, the Office of Energy and Climate Change was transferred from Treasury to Department of Climate Change, Energy, the Environment and Water. Refer to the table below for details of the financial impact.

	Treasury to DCCEEW (for Office of Energy & Climate Change) \$'000
<b>Current assets</b>	
Cash and cash equivalents	567,757
Receivables	43,246
<b>Total current assets</b>	<u>611,003</u>
<b>Non current assets</b>	
Property, plant and equipment	129
Intangibles	6,982
Receivables	63,038
<b>Total non current assets</b>	<u>70,149</u>
<b>Total assets</b>	<u>681,152</u>
<b>Current liabilities</b>	
Payables	274,350
Provisions	9,748
<b>Total current liabilities</b>	<u>284,098</u>
<b>Non current liabilities</b>	
Provisions	103
<b>Total non current liabilities</b>	<u>103</u>
<b>Total liabilities</b>	<u>284,201</u>
<b>Decrease in net assets from equity transfer</b>	<u>396,951</u>

During the 2022-23 financial year there were no equity transfers in or out as a result of administrative orders.



Notes to the Financial Statements for the year ended 30 June 2024

15. Commitments

	2024 \$'000	2023 \$'000
<b>Capital Commitments</b>		
Aggregate capital expenditure contracted for at balance date and not provided for:		
Not later than one year	236	1,006
<b>Total (including GST)</b>	<b>236</b>	<b>1,006</b>

16. Contingent Liabilities and Contingent Assets

As at 30 June 2024, Treasury has not identified any contingent liabilities, or contingent assets (2023: Nil).

17. Budget Review

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 Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are disclosed below.

**Net Result**

Treasury's net result was \$17.6 million operating profit compared to a budget profit of \$1.1 billion. The key factors that contributed to the variance of \$1.1 billion include:

- The Machinery of Government (MOG) transfer of the Office of Energy and Climate Change (OECC) out of Treasury from 1 January 2024. This resulted in a budget transfer of \$2.5 billion revenue and \$1.4 billion of expenses which drove the majority of the difference between budget and actuals for the 2023-24 financial year.
- The results include 6 months of actuals from Energy, Climate Change and Sustainability (ECCS) prior to the MOG, as well as \$371 million of cluster grant expenses to EnergyCo paid up to 31 December 2023.
- The remaining major variances are due to:
  - lower actual appropriation revenue of \$2.4 billion due to the s.4.9 transfer of functions from Treasury to DCCEEW (\$2.3 billion) and lower draw downs.
  - lower actual grants and contributions revenue of \$64.5 million primarily as a result of lower contributions for Climate Change Fund subsequently transferred out of Treasury.
  - lower actual other revenues \$96.9 million as these were primarily for OECC related budgets.
  - lower actual employee related expenses \$132.3 million due to delays in Treasury projects which were primarily carried forward as well as underspends in base funding from delayed recruitment activities for both Treasury and ECCS.
  - lower actual operating expenses \$537.9 million due to the MOG and the remaining a result of underspends in projects for Treasury and ECCS, some of which are moved to the next financial year.
  - lower actual grants and subsidies \$817.1 million due to the MOG and the remaining actuals are primarily from ECCS reflecting 6 months of results only.

**Assets and Liabilities**

The net asset position was lower than budget by \$1.5 billion. Key factors that contributed to the variance include:

- Total assets is \$1.86 billion lower than budget primarily due to the following:
  - The majority is due to the Machinery of Government (MOG) transfer of the Office of Energy and Climate Change (OECC) out of Treasury from 1 January 2024. This resulted in a budget transfer of \$1.83 billion assets.
  - This includes:
    - Total current assets is \$435.5 million lower due to lower cash of \$367.7 million due to transfer of cash as part of the MOG to DCCEEW and lower receivables of \$56.9 million budgeted for GST input tax credits on coal price cap expenses which budget was transferred to DCCEEW as part of the MOG.

Notes to the Financial Statements for the year ended 30 June 2024

**17. Budget Review (continued)**

- Total non-current assets is \$1.4 billion lower primarily due to lower than budgeted infrastructure system assets of \$1.3 billion related to EnergyCo infrastructure assets that were originally included in Treasury's budgeted amounts but are not in actuals as Treasury does not consolidate EnergyCo. From 2024-25 budget will be held by EnergyCo following the MOG. Actuals were also lower than budgeted non-current receivables by \$61.5 million mainly due to the Scheme Financial Vehicle held by ECCS which was transferred to DCCEEW as part of the MOG.
- The remaining \$0.3 billion lower actual assets is primarily due to the return of cash to the Consolidated Fund of \$0.2 billion at year end.
- Total liabilities is \$323.1 million lower than budget, primarily due to the following:
  - Machinery of Government (MOG) transfer of the Office of Energy and Climate Change (OECC) out of Treasury from 1 January 2024 of \$332.3 million of liabilities. This includes:
    - Total current liabilities were \$316.7 million lower than budget primarily due to lower than budgeted current payables by \$297.3 million primarily due to coal price cap grant GST payable subsequently transferred to DCCEEW.
    - Total non-current liabilities were \$6.4 million lower than budget primarily driven by lower than budgeted contract liabilities and borrowings.
  - This is offset by other small movements in current and non current liabilities.

**Cashflow**

The overall net cash flow for the period was \$242.2 million higher than budget as a result of the following:

- Lower net cash inflows from operating activities \$968.4 million primarily due to reduced appropriation revenue following transfer of 6 months of appropriation revenue to DCCEEW, and lower grants and subsidies paid and grant revenue receipts following the transfer of OECC functions from Treasury.
- Lower net cash outflows from investing activities \$1.21 billion primarily due to EnergyCo cashflows included in the budgeted cash flows but excluded from Treasury's actuals.

The Treasury

Notes to the Financial Statements for the year ended 30 June 2024

**18. Reconciliation of cash flows from operating activities to net result**

	Notes	2024 \$'000	2023 \$'000
<b>Net cash flows from operating activities</b>		<b>135,033</b>	<b>155,972</b>
Depreciation and amortisation expense	2(c)	(7,943)	(8,883)
Losses on disposal of plant and equipment and intangible assets	5	(64)	(44)
(Decrease) / increase in receivables		(6,417)	26,690
(Increase) / decrease in provisions		(3,341)	20,535
Increase in payables and other liabilities		(99,649)	(91,022)
<b>Net result</b>		<b>17,619</b>	<b>103,248</b>

Notes to the Financial Statements for the year ended 30 June 2024

**19. Administered Items**

Treasury administers a variety of transactions and balances on behalf of the Crown and in accordance with the relevant legislation requirements. This activity is generally linked to Treasury's financial responsibility and accountability as 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 administered assets including information on funds flows is disclosed at Note 19.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.

**19.A - Administered revenue**

	Note	2024 \$'000	2023 \$'000
<b>Administered revenue</b>			
Grants and subsidies	A.1, A.6		
Commonwealth general purpose		26,660,319	26,023,528
Commonwealth specific purpose payments		4,577,368	4,093,534
Commonwealth national partnership payments		4,988,498	5,836,686
Interest		566,448	387,409
Fair value gains/(losses)	A.2	1,265,391	1,512,141
Dividends	A.3	454,448	439,285
Distributions	A.3	379,406	455,910
Fines, regulatory fees and other contributions	A.4	404,817	329,828
Net gains/(losses) from equity investments	A.5	34,104,909	6,264,751
<b>Total administered revenue</b>		<b>73,401,604</b>	<b>45,343,072</b>

**A.1** - Grant funding from the Commonwealth, receipted into the State's main Consolidated Fund bank account (ConFund bank account), which is administered by Treasury. The funding is distributed to departments or agencies through the appropriations process from the ConFund bank account 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 19.A.6. The related contract liabilities and obligations arising under the contracts with the Commonwealth are disclosed at Note 19.D.3 and Note 19.D.9.

**A.2** - Fair value movements on the State's investments in managed funds (TCorpIM Funds) and derivative contracts. The fair value gains in 2024 were mainly driven by favourable performance in local and international financial markets.

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

**A.4** - Treasury collects minimal fines and regulatory fees, the majority of this balance 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. From 1 October 2023, Treasury commenced collecting the Housing and Productivity contributions as required under the *Environmental Planning and Assessment Act 1979*.

**A.5** - This represents the net gains/(losses) from the State's equity investment in government-controlled entities within the PNFC and PFC sectors.

Notes to the Financial Statements for the year ended 30 June 2024

19. Administered Items (continued)

A.6 – Grants and subsidies revenue recognition approaches

	2024 \$'000	2023 \$'000
Grants and subsidies with sufficiently specific performance obligations (AASB 15)	50,479	114,088
Grants and subsidies relating to the acquisition or construction of recognisable non-financial assets (AASB 1058)	3,216,345	2,360,974
Grants and subsidies without sufficiently specific performance obligations (AASB 1058)	32,959,361	33,478,686
<b>Total grants and subsidies</b>	<b>36,226,185</b>	<b>35,953,748</b>

19.B - Administered expenses

	Note	2024 \$'000	2023 \$'000
<b>Administered expenses</b>			
Employee – long service leave	B.1	1,676,004	1,412,022
Superannuation – defined benefit plans	B.2		
Superannuation interest cost		1,656,300	1,579,250
Actuarial (gains)/losses		( 2,591,605)	( 524,831)
Actual return on Fund assets less interest income		( 1,054,325)	( 1,850,603)
Current service cost		170,649	199,115
Interest	B.3		
Interest on borrowings		4,516,514	3,191,696
Unwinding of discounts on provisions		54,014	49,314
Net (gains)/losses on settlement of borrowings	B.4	( 75)	( 43,462)
Other expense			
GST administration costs	B.5	196,125	202,878
Covid-19 disaster payments	B.6	-	69,304
Other		59,519	78,626
Grants to Transport Asset Holding Entity	B.7	-	1,622,951
Other grants and subsidies	B.8	286,844	326,281
<b>Total administered expenses</b>		<b>4,969,964</b>	<b>6,312,541</b>

**B.1** - Costs associated with the Crown's assumption of GGS agencies' long service leave obligations. An actuarial triennial review was performed as at 31 October 2023 and the results of the review are reflected in the 2023-24 financial year.

**B.2** - Costs associated with the Crown's assumption of defined benefit superannuation funding responsibility. The actuarial gains in the 2023-24 financial year are mainly due to the rate of CPI increase and movement in the 10-year Commonwealth bond rate at 30 June 2024.

Notes to the Financial Statements for the year ended 30 June 2024

**19. Administered Items (continued)**

**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 repaid \$121.8 million of its Borrowings during the year (2023: \$3,339.2 million) and incurred early retirement break costs/(benefit).

**B.5** - The State's reimbursement to the Commonwealth for GST collection activity undertaken by the ATO.

**B.6** - The State's reimbursement to the Commonwealth for the COVID-19 disaster payments and pandemic leave disaster payments. No payments were made in the 2023-24 financial year.

**B.7** - In the prior 2022-23 financial year, the government changed its intent and expectations in relation to the future operating model of Transport Asset Holding Entity (TAHE), as there was no longer a reasonable expectation of earning a sufficient rate of return on the contribution made to TAHE. The change in direction resulted in the cash contribution being reported as capital grants paid to TAHE, instead of the capital injections. In the 2023-24 financial year, TAHE received the grants from Transport for NSW and the Crown's grant payments to TAHE ceased.

**B.8** - Grant payments to Local Governments and Public and Private Trading Enterprises.

**19.C - Administered assets**

	Note	2024 \$'000	2023 \$'000
<b>Administered assets</b>			
Cash and cash equivalents	C.1, C.7	2,577,935	2,820,305
Receivables	C.2		
Dividends and contributions		456,786	442,245
Government guarantee fees		370,153	335,475
Other		117,090	19,817
Investments, loans and placements			
Financial assets at fair value	C.3	26,317,574	26,671,477
Advances paid	C.4	1,032,656	1,043,677
Derivatives	C.5	127,742	113,172
Equity investment in NSW public sector entities	C.6	155,965,891	123,003,031
<b>Total administered assets</b>		<b>186,965,827</b>	<b>154,449,199</b>

**C.1** - Cash and cash equivalents comprise of cash at bank and restricted cash held in Special Deposit Accounts (SDAs).

**C.2** - Receivables are remitted to the ConFund bank account or SDAs when cash is received.

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

	2024 \$'000	2023 \$'000
Restart NSW Fund	5,962,219	7,430,044
Social and Affordable Housing NSW Fund	1,609,972	1,576,346
NSW Generations (Debt Retirement) Fund	16,994,874	16,019,736
Snowy Hydro Legacy Fund	1,750,509	1,645,351
<b>Total</b>	<b>26,317,574</b>	<b>26,671,477</b>

**19. Administered Items (continued)**

**C.4** - Treasury manages advances made by the Crown to government agencies. The advances have a face value of \$1,255.8 million as at 30 June 2024 (2023: \$1,272 million) and stated interest rate of 0.0 – 6.0 per cent and mature in 1 - 18 years.

**C.5** - 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.

**C.6** - The State's equity investment in the PNFC and PFC sectors is administered by Treasury on behalf of the State and is accounted for as an equity investment based on the State's proportional share of the carrying amount of net assets of those sectors.

The Treasury

Notes to the Financial Statements for the year ended 30 June 2024

19. Administered Items (continued)

19.C - Administered assets (continued)

C.7 - Restricted Cash

The table below discloses transactions and restricted cash balances of each SDA included in cash and cash equivalents. The cash balances are restricted as there are specific legislative requirements associated with the use of these funds.

	2023-24				2022-23			
	Opening balance \$'000	Receipts \$'000	Payments \$'000	Closing balance \$'000	Opening balance \$'000	Receipts \$'000	Payments \$'000	Closing balance \$'000
NSW Policyholders Protection Fund	157,554	-	-	157,554	157,554	-	-	157,554
Crown Long Service Leave Pool	37,553	10,465	(4,185)	43,833	31,189	10,020	(3,656)	37,553
Structured Finance Activities <sup>1</sup>	499	14	(513)	-	485	14	-	499
Confiscated Proceeds Account <sup>2</sup>	119,118	47,812	(47,158)	119,772	110,264	45,378	(36,524)	119,118
Restart NSW Fund <sup>3</sup>	820,637	1,973,554	(2,310,269)	483,922	399,829	2,001,434	(1,580,626)	820,637
Electricity Network Residual Liabilities Fund	204,286	8,850	-	213,136	198,415	5,871	-	204,286
Social and Affordable Housing NSW Fund	12,207	87,140	(87,198)	12,149	12,294	76,054	(76,141)	12,207
ERIC - A Fund	1,164	193,169	(193,421)	912	324	50,624	(49,784)	1,164
ERIC - E Fund	20,505	130,122	(120,971)	29,656	3,169	163,704	(146,368)	20,505
Snowy Hydro Legacy Fund	491,952	-	(70,141)	421,811	536,547	90,000	(134,595)	491,952
NSW Generations (Debt Retirement) Fund	122,319	5,861	(121,818)	6,362	3,363,413	98,160	(3,339,254)	122,319
NSW Generations (Community Services and Facilities) Fund	535,555	542,989	(266,846)	811,698	32,264	510,835	(7,544)	535,555
Housing and Productivity Fund <sup>4</sup>	-	4,696	-	4,696	-	-	-	-
<b>Total</b>	<b>2,523,349</b>	<b>3,004,672</b>	<b>(3,222,520)</b>	<b>2,305,501</b>	<b>4,845,747</b>	<b>3,052,094</b>	<b>(5,374,492)</b>	<b>2,523,349</b>

<sup>1</sup>The Structured Finance Activities SDA was closed during the year with the residual funds paid to the Consolidated Fund.

<sup>2</sup> For the Confiscated Proceeds Account, a corresponding administered liability is recognised (refer to Note 19.D.8).

<sup>3</sup> In the 2021-22 financial year, \$20 million was paid to the Department of Education (DoE) out of the Restart NSW Fund's bank account but was yet to be paid to suppliers or delivering entities for the approved projects. In the 2023-24 financial year, DoE refunded the \$20 million into the Restart NSW Fund's bank account.

<sup>4</sup>The Housing and Productivity Fund was established during the 2023-24 financial year as a result of an amendment to the *Environmental Planning and Assessment Act 1979*.



Notes to the Financial Statements for the year ended 30 June 2024

19. Administered Items (continued)

19.D - Administered Liabilities

	Note	2024 \$'000	2023 \$'000
<b>Administered liabilities</b>			
Bank overdraft	D.1, D.10	14,390,452	11,927,030
Payables	D.2	1,166,400	920,094
Contract liabilities	D.3	721	-
Borrowings	D.2		
Borrowings from TCorp		138,759,519	117,799,442
Borrowings from Commonwealth		412,234	457,000
Derivatives	D.4	-	6,018
Employee provisions	D.5	10,867,025	10,127,339
Superannuation Provision	D.6, D.11		
Plan assets		(33,189,444)	(33,739,009)
Present value of obligation		71,206,631	75,297,359
Other Provisions	D.7		
State's share of University superannuation		926,462	988,067
State's contribution to Commonwealth redress scheme		353,700	335,000
Land remediation, restorations and other claims		89,514	94,983
Other Liabilities			
Confiscated proceeds	D.8, C.7	119,772	119,118
Obligations related to Commonwealth grants	D.9	156,592	166,620
Other		3,220	9,954
<b>Total administered liabilities</b>		<b>205,262,798</b>	<b>184,509,015</b>

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

**D.2** - Treasury administers the Crown Debt Portfolio, being borrowings from TCorp and administers the State's borrowings from the Commonwealth. Payables comprise interest charges.

**D.3** - Contract liabilities relate to performance obligations in respect of Commonwealth grants. The performance obligations will be 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 GGS agencies, together with consequential on-costs.

**D.6** - The Crown assumes the unfunded defined benefit superannuation liability of most GGS agencies and some non-GGS 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** - Monies recovered until used in accordance with the *Criminal Assets Recovery Act 1990*.

**D.9** - 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 for the year ended 30 June 2024

19. Administered Items (continued)

D.10 – ConFund bank account transactions

Treasury administers the ConFund bank account 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 bank account.

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

	2024 \$'000	2023 \$'000
<b>Opening bank balance</b>	<b>(11,927,030)</b>	<b>( 19,650,397)</b>
<b>Receipts</b>		
Retained taxes, fees and fines	45,390,571	41,565,198
Commonwealth grants <sup>1</sup>	36,124,463	35,570,625
Mining royalties	3,021,686	4,912,799
Financial distributions	577,864	540,359
Other	306,884	553,490
	<b>85,421,468</b>	<b>83,142,471</b>
<b>Payments</b>		
Appropriations paid to:		
Principal departments and special offices <sup>2</sup>	(100,367,717)	( 96,868,090)
NSW Treasury for administered items	(9,400,734)	( 8,914,865)
	<b>(109,768,451)</b>	<b>(105,782,955)</b>
<b>Other cash transfers</b>		
Proceeds from borrowings	20,817,610	28,104,538
Proceeds from other financial assets	-	1,500,000
Interest receipts	568,593	389,166
Advance repayments	142,649	128,176
Other	354,709	241,971
	<b>21,883,561</b>	<b>30,363,851</b>
<b>Closing bank balance</b>	<b>(14,390,452)</b>	<b>(11,927,030)</b>

<sup>1</sup> Includes transfer payments to non-government schools and local governments with corresponding receipts from the Commonwealth government. Refer to Note 21.

<sup>2</sup> Includes appropriation to Treasury for controlled activities. Refer to Note 3(a).

In addition to the closing bank balance above, the following amounts have been appropriated and form part of the below SDAs. These amounts represent a cumulative spending authority and are available for immediate use for the purposes of the respective SDAs but have not been transferred to the bank accounts established for SDAs.

During the 2023-24 financial year, the *NSW Generations Funds Act 2018* and the *Transport Administration Act 1988* were amended to transfer the appropriated amount hypothecated to the respective SDA to the Consolidated Fund. The remaining hypothecated amounts were paid into the Digital Restart Fund and the Transport for NSW Fund from the Consolidated Fund.

Accordingly, as at 30 June 2024, no amounts continue to be hypothecated to the SDAs.

**Appropriated amounts hypothecated to certain Special Deposit Accounts**

Authority	Special Deposit Accounts	2024 \$'000	2023 \$'000
NSW Generation Fund Act 2018	NSW Generations (Debt Retirement) Fund	-	4,582,033
Digital Restart Fund Act 2020	Digital Restart Fund	-	102,000
Transport Administration Act 1988	Transport for NSW Fund	-	6,341,881
		<b>-</b>	<b>11,025,914</b>

Notes to the Financial Statements for the year ended 30 June 2024

D.11 - 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 as 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

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 2021 Triennial Valuation of the Pooled Fund schemes
- an additional allowance for staff reductions
- AASB 119 *Employee Benefits* applies (for reporting purposes) and AASB 1056 *Superannuation Entities* (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.

Notes to the Financial Statements for the year ended 30 June 2024

**19. Administered Items (continued)**

**D.11 - Superannuation provision (continued)**

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 2021 and reflected in 2021-22 financial statements. The next actuarial investigation will be performed as at 30 June 2024 and the results will be reflected in the 2024-25 financial statements.

**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 2023 and the results are reflected in the 2023-24 financial year. The next triennial actuarial investigation will be performed as at 30 June 2026.

**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 with the last actuarial investigation was performed as at 1 January 2024 and the results are reflected in the 2023-24 financial year. The next triennial actuarial investigation will be performed in 2027.

The Treasury

Notes to the Financial Statements for the year ended 30 June 2024

19. Administered Items (continued)

D.11 - Superannuation provision (continued)

Reconciliation of the defined benefit obligation	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	2024 Total \$'000	2023 Total \$'000
<i>Value at beginning of the year</i>	12,678,465	1,871,550	45,948,176	13,139,913	1,149,855	509,400	75,297,359	77,388,688
Transfers in/(out) through equity and other	-	-	-	-	-	-	-	13,787
Current service cost	77,919	33,407	6,023	-	53,300	-	170,649	199,115
Interest cost	495,079	72,778	1,816,826	523,061	45,700	20,100	2,973,544	2,776,846
Contributions from participants	74,366	-	6,751	2,143	-	200	83,460	96,494
Actuarial (gains)/losses arising from:								
Changes in demographic assumptions	-	-	-	-	-	1,600	1,600	-
Changes in financial assumptions	(87,456)	2,174	(1,503,699)	(531,554)	37,400	16,600	(2,066,535)	(1,308,876)
Liability experience	136,992	11,428	(499,408)	(164,027)	(13,955)	2,300	(526,670)	784,045
Benefits paid	(1,335,327)	(198,053)	(2,581,899)	(602,299)	(52,500)	(27,400)	(4,797,478)	(4,677,299)
Taxes, premiums & expenses paid	(7,637)	3,961	62,892	12,486	-	(1,000)	70,702	24,559
<b><i>Value at end of the year</i></b>	<b>12,032,401</b>	<b>1,797,245</b>	<b>43,255,662</b>	<b>12,379,723</b>	<b>1,219,800</b>	<b>521,800</b>	<b>71,206,631</b>	<b>75,297,359</b>

Reconciliation of the fair value of fund assets

<i>Value at beginning of the year</i>	8,615,706	1,225,504	18,718,915	4,843,485	-	335,399	33,739,009	33,955,065
Transfers in/(out) through equity and other	-	-	-	-	-	-	-	28,298
Interest income	334,458	47,356	730,342	191,888	-	13,200	1,317,244	1,197,596
Actual return on Fund assets less interest income	260,565	42,873	583,973	151,314	-	15,600	1,054,325	1,850,603
Employer contributions	232,598	42,854	1,068,663	318,966	52,500	6,601	1,722,182	1,263,693
Contributions from participants	74,366	-	6,751	2,143	-	200	83,460	96,494
Benefits paid	(1,335,327)	(198,053)	(2,581,899)	(602,299)	(52,500)	(27,400)	(4,797,478)	(4,677,299)
Taxes, premiums & expenses paid	(7,637)	3,961	62,892	12,486	-	(1,000)	70,702	24,559
<b><i>Value at end of the year</i></b>	<b>8,174,729</b>	<b>1,164,495</b>	<b>18,589,637</b>	<b>4,917,983</b>	<b>-</b>	<b>342,600</b>	<b>33,189,444</b>	<b>33,739,009</b>
<b>Total net defined benefit liability</b>	<b>3,857,672</b>	<b>632,750</b>	<b>24,666,025</b>	<b>7,461,740</b>	<b>1,219,800</b>	<b>179,200</b>	<b>38,017,187</b>	<b>41,558,350</b>

Member numbers

Member numbers	SASS	SANCS	SSS	PSS	JPS	PCSS	2024 Total	2023 Total
Contributors	7,997	8,602	365	245	145	5	17,359	20,480
Deferred benefits	7,265	7,587	310	49	-	3	15,214	16,614
Pensioners	3,965	-	45,479	6,743	226	245	56,658	57,307
Pensioners fully commuted	-	-	11,565	-	-	-	11,565	12,083

The Treasury

Notes to the Financial Statements for the year ended 30 June 2024

19. Administered Items (continued)

D.11 - Superannuation provision (continued)

The weighted average duration of defined benefit obligations is 10 years for the Pooled Fund, 14 years for JPS and 13 years for PCSS.

Key actuarial assumptions

	30 June 2024			30 June 2023		
	Pooled Fund %	PCSS %	JPS %	Pooled Fund %	PCSS %	JPS %
Discount rate	4.36	4.36	4.36	4.07	4.07	4.07
Salary increase rate (excluding promotional increases)	4.56% for 24/25; 3.80% for 24/25, 3.80% for 25/26; 3.78% for 26/27; 3.80% for 27/28, 3.70% pa thereafter	0.0% for 24/25, 3.80% for 25/26, 3.78% for 26/27, 3.80% for 27/28, 3.70% pa thereafter	0.0% for 24/25, 3.80% for 25/26, 3.78% for 26/27, 3.80% for 27/28, 3.70% pa thereafter	5.74% for 23/24, 3.65% for 24/25, 3.20% pa thereafter	0.0% for 23/24, 0.0% for 24/25, 2.74% for 25/26, 3.20% pa thereafter	0.0% for 23/24, 0.0% for 24/25, 2.74% for 25/26, 3.20% pa thereafter
Rate of CPI increase	4.25% for 23/24; 3.00% for 24/25; 2.75% for 25/26; 2.50% pa thereafter	N/A	N/A	6.60% for 22/23 (actual); 4.75% for 23/24; 3.00% for 24/25; 2.75% for 25/26; 2.50% pa thereafter	N/A	N/A
Pensioner mortality	The pensioner mortality assumptions are those that were used for the 2021 Actuarial Investigation of the Pooled Fund. For more details refer to the accompanying letter.	as per 2023 triennial actuarial valuation	as per 2024 triennial actuarial valuation	The pensioner mortality assumptions are those used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report on the trustee's website. The report shows the pension mortality rates for each age.	as per 2020 triennial actuarial valuation	as per 2021 triennial actuarial valuation

Key economic assumptions

	30 June 2024			30 June 2023		
	Pooled Fund %	PCSS %	JPS %	Pooled Fund %	PCSS %	JPS %
Weighted-average assumptions						
Expected rate of return on Fund assets backing current pension liabilities	7.0	6.5	7.0	7.0	6.2	6.1
Expected rate of return on Fund assets backing other liabilities	6.2	N/A	N/A	6.2	N/A	N/A
Expected salary increase rate (excluding promotional salary increases)	4.56% for 24/25; 3.80% for 25/26; 3.78% for 26/27; 3.80% for 27/28; 3.70% pa thereafter	0.0% for 24/25, 3.80% for 25/26, 3.78% for 26/27, 3.80% for 27/28, 3.70% pa thereafter	0.0% for 24/25, 3.80% for 25/26, 3.78% for 26/27, 3.80% for 27/28, 3.70% pa thereafter	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter	0.0% for 23/24, 0.0% for 24/25, 2.74% for 25/26, 3.20% pa thereafter	0.0% for 23/24, 0.0% for 24/25, 2.74% for 25/26, 3.20% pa thereafter
Expected rate of CPI increase	3.70% for 23/24; 2.50% pa thereafter	N/A	N/A	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter	N/A	N/A

Notes to the Financial Statements for the year ended 30 June 2024

19. Administered Items (continued)

19.E – Reconciliation of net administered assets/(liabilities)

Treasury administers the State's Budget process, which entails collection and allocation of funds 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	2024 \$'000	2023 \$'000
<b>Opening net administered assets</b>		<b>( 30,059,816)</b>	<b>( 16,478,573)</b>
<b>Increases/(decrease) in net assets</b>			
Administered revenue	A	73,401,604	45,343,072
Transfers of State revenues collected by other agencies	E.1	48,379,993	46,526,192
Transfers of asset sale proceeds	E.2	-	1,504
Contributions from general government agencies	E.3	323,201	215,437
Administered expenses	B	( 4,969,964)	( 6,312,541)
Appropriations	E.4	( 100,367,717)	( 96,868,090)
Grants to agencies from SDAs and other	E.5	( 2,584,156)	( 1,375,752)
Grants to NSW Self Insurance Corporation	E.6	( 967,886)	( 742,125)
Grants to fund agency redundancies	E.7	( 21,938)	( 64,714)
Grants to First Home Owners Grant Scheme		( 15,385)	( 31,347)
Grants to Builders Grant Scheme		( 9,773)	( 50,676)
Equity transfers			
Capital injections into government owned businesses	F	( 915)	-
Other equity transfers in/out with government agencies	E.8, F	( 1,142,049)	( 272,603)
Interest paid to agencies under Treasury Banking System	E.9	( 390,375)	( 258,318)
Other		128,205	308,718
<b>Net increase/(decrease) in net administered assets</b>		<b>11,762,845</b>	<b>( 13,581,243)</b>
<b>Closing net administered assets</b>		<b>( 18,296,971)</b>	<b>( 30,059,816)</b>

**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 ConFund bank account.

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

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

**E.4** - Appropriations paid out of the ConFund bank account 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 ConFund bank account and from SDAs. Grant funding is in accordance with decisions of Government effected via the State's Budget process. Funding sourced from ConFund bank account 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 the NAHLP authorised by Government. The grants also include payments to the Home Building Compensation Fund and the Emergency and Rescue Workers Compensation Fund.

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

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

**E.9** - Interest paid to agencies under the Treasury Banking system.

Notes to the Financial Statements for the year ended 30 June 2024

**19. Administered Items (continued)**

**19.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 a summary of the increase/(decrease) in net administered assets from equity transfers during the year.

	<b>\$'000</b>
<b>2024</b>	
Other administrative restructure	(1,142,049)
Capital injection into Electricity Retained Interest Corporation-Endeavour Energy	(915)
	<b>( 1,142,964)</b>
<b>2023</b>	
Other administrative restructure	(287,114)
Net superannuation assets/(liabilities) transferred in	14,511
	<b>( 272,603)</b>

**20. 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 the 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 employers 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.

**Transactions related to facilities at Port Kembla, Port Botany and Port of Newcastle**

The State is liable to compensate NSW Ports, which owns Port Botany and Port Kembla, if the Port of Newcastle develops a competing container terminal and certain contractual conditions are satisfied. It is not practical to estimate the potential impact of this claim at balance date given the compensation is subject to various conditions being met.



Notes to the Financial Statements for the year ended 30 June 2024

**20. 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 <sup>1,2</sup>	Orange Hospital Redevelopment <sup>2</sup>
Eastern Distributor	Prospect Water Filtration Plant and Treatment Works <sup>2</sup>
Illawarra and Woronora Water Treatment Plant <sup>2</sup>	Regional Rail <sup>2</sup>
Lane Cove Tunnel	Royal North Shore Hospital Redevelopment <sup>2</sup>
Long Bay Prison and Forensic Hospital <sup>2</sup>	Sydney International Convention, Exhibition and Entertainment Precinct
M2 Motorway	Sydney Light Rail <sup>2</sup>
Macarthur Water Filtration Plant <sup>2</sup>	Sydney Metro City & Southwest: Operations, Trains & Systems <sup>2</sup>
Mater Hospital <sup>2</sup>	VISY Mill: Tumut Timber Supply Agreement
New Grafton Correctional Centre	Waratah Rolling Stock <sup>2</sup>
Newcastle Integrated Service Operator	WestConnex <sup>2</sup>
North West Rail Link – Operations, Trains and Systems <sup>2</sup>	Western Sydney Orbital
NorthConnex <sup>2</sup>	Western Sydney Airport – Stations, Systems, Trains, Operations & Maintenance <sup>2</sup>
Northern Beaches Hospital <sup>2</sup>	

These guarantees are considered unlikely to ever be exercised.

<sup>1</sup> The Crown holds a guarantee, a contingent asset, which fully offsets this contingent liability.

<sup>2</sup> These projects include payment guarantees, which give lenders a similar assurance as if they were lending to a Crown agency.

**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. The State also retains the costs for remediating contamination at certain legacy/end of life sites, including Wallerawang power station and associated ash dams as the power station ceased operation prior to the end of 2018.

**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. While Liddell power station ceased operating in 2023, Bayswater power station is still operating at the reporting date.

Notes to the Financial Statements for the year ended 30 June 2024

**20. Administered contingent assets, contingent liabilities and guarantees (continued)**

- *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 has also retained the liability for remediating ash dam contamination (migration of contamination in water from ash dams) and legacy contamination (contamination associated with identified asbestos landfill sites) to 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.

**Treasury Corporation (TCorp)**

*Guarantees issued by TCorp*

The State guaranteed the securities, borrowings and derivative liabilities issued by TCorp with a market value of \$176.3 billion (2023: \$148.2 billion) under the GSF Act.

The State has also guaranteed TCorp's loan facility to NSW Local councils. As at the reporting date these loans were valued at \$1,077.4 million (2023: \$1,020.3 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 \$91.8 million (2023: \$66.4 million).

## The Treasury

### Notes to the Financial Statements for the year ended 30 June 2024

#### 21. Transfer payments

The ConFund bank account 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 and Environment.

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

	2024 \$'000	2023 \$'000
<b>Payments</b>		
Non-government schools - recurrent	(5,976,419)	(5,559,564)
Local government - financial assistance	(635,212)	(840,600)
Local government - roads	(260,433)	(347,414)
	<b>(6,872,064)</b>	<b>(6,747,578)</b>
<b>Receipts</b>		
Non-government schools - recurrent	5,976,419	5,559,564
Local government - financial assistance	635,212	840,600
Local government - roads	260,433	347,414
	<b>6,872,064</b>	<b>6,747,578</b>

#### 22. Trust Fund

Under section 26 of the *Trustee Companies Act 1964* (Act) unclaimed estate monies received from a trustee company are paid into the Testamentary and Trust Fund (Fund) and constitute one common fund (Common Fund) available for investment. Interest received from investment of the Common Fund is credited to the Interest Account which is an account within the Fund.

Whilst the Attorney General is the Minister responsible for the administration of the Act, sections 26, 27 and 28 confers functions on the Treasurer (and consequently the Department of Treasury) in respect of the administration and management of the Fund.

As at balance date and throughout the year, the Department of Customer Service, acting through the Chief Commissioner of the State Revenue, is administering and managing this Fund, and is receiving monies paid under section 26 of the Act and paying them into the Fund.

As Treasurer performs only a custodial role in respect of these monies under the Act, and because the monies cannot be used for the achievement of Treasury's own objectives, these funds are not recognised in the financial statements.

The following is a summary of the balances in the Fund (in the Common Fund and in the Interest Account):

	30 June 2024			30 June 2023		
	Common Fund \$'000	Interest Account \$'000	Total \$'000	Common Fund \$'000	Interest Account \$'000	Total \$'000
Cash balance at the beginning of the financial year	4,363	12,710	17,073	4,363	12,220	16,583
Add: Receipts	-	740	740	-	490	490
Cash balance at the end of the financial year	<b>4,363</b>	<b>13,450</b>	<b>17,813</b>	<b>4,363</b>	<b>12,710</b>	<b>17,073</b>

Notes to the Financial Statements for the year ended 30 June 2024

**23. Financial Instruments**

Treasury's principal financial instruments are cash deposits held within the Treasury Banking System (TBS), short term receivables, long 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 and long 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 2024 \$'000	Carrying Amount 2023 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	6	Amortised cost	122,304	559,908
Receivables <sup>(i)</sup>	7	Amortised cost	9,372	85,961
<b>Financial liabilities</b>				
Payables <sup>(ii)</sup>	11	Financial liabilities measured at amortised cost	21,851	194,244

(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 2024 and 30 June 2023 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.

## The Treasury

### Notes to the Financial Statements for the year ended 30 June 2024

#### 23. 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 2024.

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
<b>30 June 2024 (\$'000)</b>						
Expected credit loss rate	n/a	0%	0%	0%	0%	0%
Total gross carrying amount	270	97	8	-	22	397
Expected credit loss	-	-	-	-	-	-
	Current	< 30 days	30 - 60 days	61 - 90 days	>91 days	Total
<b>30 June 2023 (\$'000)</b>						
Expected credit loss rate	n/a	0%	0%	0%	0%	0%
Total gross carrying amount	2,302	1,122	344	98	87	3,953
Expected credit loss	-	-	-	-	-	-

Treasury recognises an allowance for Expected Credit Losses (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.

Treasury had provided a non-interest-bearing long-term loan to Scheme Financial Vehicles Pty Ltd (SFV) of \$86.5 million (nominal amount) in December 2022 under *Electricity Infrastructure Investment Act 2020 (NSW)* ("EIIA"). Treasury did not recognise an allowance for ECLs for this loan because SFV activities are highly regulated by the EIIA. SFV is designed to operate at break-even point, and it has the legal entitlement to recover all costs incurred for the purpose of the Electricity Roadmap through contribution order charges to distribution network service providers. The SFV loan balance has been transferred to DCCEEW as a result of administrative restructure effective 1 January 2024.

#### (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: *Payment of Accounts*. 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 (2023: \$Nil).

## The Treasury

### Notes to the Financial Statements for the year ended 30 June 2024

#### 23. Financial Instruments (continued)

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

Maturity Analysis	\$'000		Maturity Dates		
	Interest Rate Exposure		<1 yr	1 - 5 yrs	>5 yrs
	Weighted Average Effective Int. Rate	Nominal Amount			
<b>2024</b>					
<b>Financial liabilities</b>					
Payables	0%	21,851	21,487	215	149
<b>2023</b>					
<b>Financial liabilities</b>					
Payables	0%	194,244	194,244	-	-

#### (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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below for interest rate 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 2023. 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.

Treasury is not exposed to interest rate risk at 30 June 2024 as Treasury does not earn interest on its cash at bank in accordance with the requirements of *TD23-18 Management of Cash, Banking and Payments*.

For the cash at bank balance at 30 June 2023, a reasonably possible change of +1.0 / -1.0 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.

	Carrying amount \$'000	-1%	Equity	+1%	Equity
		Net Result \$'000	\$'000	Net Result \$'000	\$'000
<b>2023</b>					
<b>Financial assets</b>					
Cash and cash equivalents	559,908	(5,599)	(5,599)	5,599	5,599
<b>Total Increase / (decrease)</b>		<b>(5,599)</b>	<b>(5,599)</b>	<b>5,599</b>	<b>5,599</b>

Notes to the Financial Statements for the year ended 30 June 2024

**23. Financial Instruments (continued)**

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

The long-term loan receivable was classified as Level 2 in the fair value hierarchy. The fair value of the long-term loan receivable was calculated using present value of net future cash flows and discounted using NSW TCorp bond rate (4.2% p.a.) with similar credit rating and maturity.

**24. Related Party Disclosures**

**(a) Ultimate parent**

The NSW Government is the ultimate parent of Treasury.

**(b) Compensation of key management personnel (KMP)**

KMPs 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, Treasury Deputy Secretaries, Chief of Staff and Executive Director - Treasury Finance and Services (formerly: Executive Director - Finance and Operations).

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 reporting period there were no material transactions between key management personnel or their associates and Treasury.

	2024	2023
	\$'000	\$'000
Short-term employee benefits:		
Salaries	3,605	3,608
Other monetary allowances	17	54
Non-monetary benefits	2	2
Other long-term benefits	186	62
Termination benefits	-	825
Total remuneration	<u>3,810</u>	<u>4,551</u>

During the year, Treasury incurred \$178,370 (2023: \$631,050) in respect of the key management personnel services that are provided by other government entities, including the Department of Planning, Housing and Infrastructure (DPHI).

**(c) Transactions with other 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.

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. This includes property rented from Property NSW, insurance arrangements with the NSW Self Insurance Corporation, Department of Customer Service for ICT and corporate shared services, Department of Planning and Environment (DPE) for corporate shared services and reimbursement of costs incurred in relation to energy operations.

Notes to the Financial Statements for the year ended 30 June 2024

**25. Events after the Reporting Period**

There were no known events after the reporting period which could give rise to a material impact on the reported results or financial position of Treasury as at 30 June 2024.

**End of the Financial Statements**



# Appendix 1: Human resources statistics

Table 3: Full-time equivalent (FTEs) per group

Source: Treasury Workforce Profile Data 2024

Group	2021-22	2022-23	2023-24
Economic Strategy and Productivity	123.77	149.20	164.75
Policy and Budget	175.71	166.55	176.05
Commercial	174.80	175.63	187.66 <sup>5</sup>
Financial Management and Services	n/a	217.81	207.21
Office of General Counsel	18.60	16.2	25.04
Office of the Secretary and Ministerial Services	n/a	n/a	22.08
Office of the Secretary	7	5	n/a
EnergyCo	33.51	63.71	Part of NSW Treasury until 1 January 2024, when it transferred to the new Department of Climate Change, Energy, the Environment and Water.
Energy, Climate Change and Sustainability	365.05	462.04	Part of NSW Treasury until 1 January 2024, when it transferred to the new Department of Climate Change, Energy, the Environment and Water.
<b>FTE</b>	<b>1065.98</b>	<b>1256.14</b>	<b>782.79</b>

On 20 June 2024 NSW Treasury had 782.79 full-time equivalent (FTE) staff. This equates to a headcount of 828 staff.

Note: due to internal structural changes to Treasury Groups and changes related to machinery-of-government, divisional FTE comparisons cannot be accurately mapped.

<sup>5</sup> Commercial data includes Procurement Reform and Banking. Procurement and Banking and Financial Services moved out of the Commercial Group to become a new group, Procurement Reform and Banking in August 2024 after the 2023-24 financial year.

Table 4: Headcount by age group

Source: Treasury Workforce Profile Data 2024

Age group	2021–22	2022–23	2023–24
20 to 24	32	46	35
25 to 29	147	193	136
30 to 34	220	263	143
35 to 39	203	262	159
40 to 44	172	191	110
45 to 49	125	151	80
50 to 54	80	101	71
55 to 59	71	79	51
60+	49	53	43

Table 5: Non-executive full-time and part-time staff by classification and grade

Source: Treasury Workforce Profile Data 2024

Grade	Full-time equivalent	Actual staff number
Grade 1/2	11.97	14
Grade 3/4	50.2	52
Grade 5/6	74.5	76
Grade 7/8	124.11	133
Grade 9/10	193.23	206
Grade 11/12	211.23	226
Other	–	–

Note: The clerk-equivalent pay grade was used for some OECC staff.

Table 6: Senior executive grades and remuneration

Source: Treasury Workforce Profile Data 2024

Senior executives headcount	2021-22		2022-23		2023-24	
	Female	Male	Female	Male	Female	Male
Executive band 4	-	1	-	1	-	1
Executive band 3	3	4	4	3	4	1
Executive band 2	11	12	12	13	10	14
Executive band 1	45	59	48	61	34	46
Other	-	-	-	-	-	-
<b>Total</b>	<b>66</b>	<b>76</b>	<b>64</b>	<b>78</b>	<b>48</b>	<b>62</b>
<b>Combined total</b>	<b>142</b>		<b>142</b>		<b>110</b>	

Note: includes temporary assignments and excludes secondments (no pay).

Table 7: Senior executive average remuneration

Source: Treasury Workforce Profile Data 2024

Senior executive average remuneration	2021-22	2022-23	2023-24
Executive band 4	\$614,000	\$623,300	\$623,300
Executive band 3	\$470,935	\$462,309	\$482,409
Executive band 2	\$333,896	\$334,943	\$321,183
Executive band 1	\$242,910	\$249,217	\$240,627
Total monetary value and value of employment benefits paid to contracted senior executives represented as a percentage of NSW Treasury's total salary-related expenses	29%	26%	23%

Note: figures are rounded to the nearest dollar and per cent.

## Appendix 2: Workforce diversity

Table 8: Workforce diversity – number of respondents

Source: Treasury Workforce Profile Data 2024

Employee profile / respondents	2021–22	2022–23	2023–24
Full-time equivalent	1065.98	1256.14	782.79
Responded to question on ethnicity	852	1086	663
Responded to question on language	840	1082	670
Responded to question on disability	850	1064	618
Responded to question on identifying as First Nations people	884	1097	676

Table 9: Workforce diversity – performance versus benchmark (percentage)

Source: Treasury Workforce Profile Data 2024 – Diversity Report

Workforce diversity group	Benchmark	2022	2023	2024
Women <sup>1</sup>	50%	57%	62.6%	56.4%
Aboriginal and/or Torres Strait Islander People <sup>2</sup>	3.3%	1.1%	1.8%	1.9%
People whose first language spoken as a child was not English <sup>3</sup>	23.2%	27.6%	36.1%	38.6%
People with disability <sup>4</sup>	5.6%	2.5%	2.9%	4.2%
People with disability requiring work-related adjustment	N/A	1.1%	1.4%	1.9%

**Note 1:** The benchmark of 50% for representation of women across the sector intends to reflect the gender composition of the NSW community.

**Note 2:** The NSW Public Sector Aboriginal Employment Strategy 2019–25 takes a career pathway approach in that it sets an ambitious target of 3% Aboriginal employment at each non-executive grade of the public sector by 2025.

**Note 3:** The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language, according to the Australian Bureau of Statistics (ABS) Census of Population and Housing. The ABS Census does not provide information about first language, but does provide information about country of birth.

**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% to 5.6% by 2027. This target now sits under election commitment 239 'Improve the recruitment and retention of NSW Government workforce with disability and meet the 5.6% target for total workforce identifying as having a disability'.

Table 10: Workforce diversity – performance versus benchmark (distribution index)

Source: Treasury Workforce Profile Data 2024 – Diversity Report

Workforce diversity group	Benchmark	2022	2023	2024
Women	100	95	96	97
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	97	95	97
People with disability	100	104	n/a	98
People with disability requiring work-related adjustment	100	n/a	n/a	n/a

A 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 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 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 diversity group is less than 20 or when the number of other employees is less than 20.

# Appendix 3: Proactive work health and safety risk management

Implementation of our work, health and safety (WHS) targets and plan continues with a focus on three priorities:

- reducing psychosocial hazards in the workplace
- enabling a mentally healthy workplace environment
- embedding a high level of safety and wellbeing management system awareness and implementation across NSW Treasury through consultation, communication, training and governance programs.

Annual WHS mandatory training is conducted yearly and for all new employees.

People risk workshops have been conducted with executives to ensure effective management of psychosocial risks across the organisation. Comprehensive learning and development programs supporting people leaders and employees in the prevention and management of psychosocial risks is supported by an employee assistance program (EAP) including manager coaching and support.

Staff sentiment surveys are conducted monthly to identify emerging trends and progress against plans developed off the back of the People Matter Employee Survey (PMES) results. Improvement is seen across the target areas including workload management, wellbeing, communication and recognition.

WHS committee meetings continue to facilitate WHS consultation and communication throughout the organisation every two months.

There were 17 incidents reported in the 2023–24 financial year (includes one OECC-related incident<sup>6</sup>).

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<sup>6</sup> The Office of Energy and Climate Change was part of NSW Treasury until 1 January 2024, when it transferred to the new Department of Climate Change, Energy, the Environment and Water.

# Appendix 4: NSW Procurement Board 2023–24 Annual Report

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## 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 (WofG) 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.

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## The 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 was subject to the direction and control of the Minister for Domestic Manufacturing and Government Procurement for the period 1 July 2023 to 30 June 2024.

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## The Board's major achievements in 2023-24 include:

- Directing agencies to prioritise local SMEs by increasing the level at which agencies can purchase goods and services directly from small and medium businesses from \$150,000 to \$250,000.
- Directing agencies to ensure that small businesses are no longer required to submit proof of insurance when they tender. Instead, proof of insurance will only be required when a contract is awarded.
- Supporting NSW government agencies to procure from social enterprises by providing access to the Social Traders register of verified social enterprises.
- Setting agency group targets in the Aboriginal Procurement Policy (APP) for procurement spend and goods and services contracts with recognised Aboriginal businesses.
- Assisting the NSW Anti-slavery Commissioner to convene a Shared Implementation Plan (SIP) Working Group to guide the creation of a SIP to prevent the occurrence of modern slavery in NSW government supply chains.
- Holding seven Gather and Grow events held across NSW to provide opportunities for Aboriginal businesses to learn about procurement opportunities and network with NSW government buyers and suppliers.

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## 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. In March 2024, the Framework was updated to include changes to key procurement policies that have occurred since April 2022.

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## Aboriginal Procurement Policy

The APP supports sustainable growth of recognised Aboriginal businesses by driving demand through NSW government procurement of goods, services and construction. The APP:

- Sets targets for each agency group of 1% of addressable procurement spend to be directed to recognised Aboriginal businesses, and for 3% of goods and services contracts to be awarded to recognised Aboriginal businesses (excluding construction contracts)
- Requires a minimum 1.5% Aboriginal participation across high-value NSW government contracts valued at \$7.5 million or more, by employing Aboriginal or Torres Strait Islander peoples, subcontracting with Aboriginal businesses or investing in education, training or capability building for Aboriginal staff or businesses contributing to the contract.

Targets are set for each agency group and are reviewed annually.

Procurement spend and contracting results for the 2023-24 financial year demonstrate that NSW government agencies are continuing to increase procurement spend with recognised Aboriginal businesses in NSW under the APP.



The 2023 APP Review Report was published on 29 September 2023, including 17 stakeholder recommendations for the NSW Government to consider.

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## Members and Deputies

The following NSW government officers were members of the Board in 2023-24:

Secretary, The Treasury (Chair)

Secretary, Department of Communities and Justice

Secretary, Department of Customer Service

Secretary, Department of Education

Secretary, Department of Enterprise, Industry and Trade

Secretary, Department of Planning, Housing and Infrastructure

Secretary, Department of Premier

Secretary, Department of Regional NSW

Secretary, NSW Health

Secretary, Transport for NSW

During 2023-24, all Secretaries were represented by delegates appointed by the Minister for Domestic Manufacturing and Government Procurement.

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## Meetings

The Board held four scheduled meetings in 2023-24:

- 30 August 2023
- 29 November 2023
- 28 March 2024
- 13 June 2024

The Board held two extraordinary meetings in 2023-24:

- 11 July 2023 to discuss the divestment of PwC's government consulting business.
- 14 February 2024 to discuss the Comprehensive Expenditure Review.

In addition, in 2023-24 eight matters were considered out-of-session by email.

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# Agency Accreditation Program Status

## A. Goods and Services Procurement

The Agency Accreditation Program for Goods and Services Procurement (G&S Program) sets minimum standards for agency procurement to improve outcomes delivered across NSW government. The G&S Program aims to assure agency capability and capacity to deliver value for money, efficiency and effectiveness through government goods and services procurement. NSW Procurement administers the G&S Program on behalf of the Board.

As at June 2024, there were 17 accredited entities, including a combined Level 2 accreditation for NSW Treasury and its sub-entity NSW Procurement.

All accredited agencies except for the Department of Education completed their annual self-reporting for FY22/23.

The Department of Education Trigger Event Action Plan following the merging of the goods and service procurement team with the construction procurement team was completed in November 2023 and was noted by the Board at the November meeting.

## 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 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.

NSW Public Works manages the Construction Procurement Accreditation and Assurance Programs on behalf of the Board (in consultation with the Construction Leadership Group (CLG)). Key management responsibilities include ensuring the Program remain effective, fit for purpose and aligns with the business objectives of NSW Government.

### *The Accreditation Program*

Accredited agencies have the autonomy to procure construction related services of any value and are authorised to provide procurement assurance to unaccredited agencies when they need to procure construction services over the value of \$1.3 million.

To gain accreditation, agencies complete a rigorous assessment process to determine construction procurement capability and capacity meets the requirements of the Program and compliance with all relevant government legislation, policies and procedures.

Accreditation must be supported by the agency's Secretary and is maintained via the submission of annual self-attestation reports to the Board by 31 August each year.

As at 30 June 2024, 15 agencies held construction procurement accreditation.

Department	Entity
NSW Department of Education	Schools Infrastructure
NSW Department of Education	TAFE NSW
NSW Department of Health	Health Infrastructure
Department of Planning, Housing & Infrastructure	Corporate Services
Department of Planning, Housing & Infrastructure	Sydney Olympic Park Authority
Department of Communities and Justice	Land & Housing Corporation
Department of Communities & Justice	NSW Police Force
Department of Communities & Justice	Dept of Communities & Justice
Department of Communities & Justice	Venues NSW
NSW Treasury	Infrastructure NSW
Dept of Primary Industries & Regional Development	NSW Public Works
Transport for NSW	Sydney Metro
Transport for NSW	Transport for NSW
Department of Climate Change, Energy, the Environment and Water	Taronga Conservation Society Aust.
Dept of Climate Change, Energy, the Environment & Water	Water Infrastructure NSW

At the August 2023 Board meeting, the Board placed an embargo on any new agency accreditation applications for six months. This was due to the impending Parliamentary inquiry into government procurement. A decision was made at the March 2024 Board meeting to extend the embargo, pending the outcome of the inquiry.

An application from Venues NSW was submitted in May 2023 (prior to the freeze). Further information was requested by the Board to support the application and the final approval was granted at the November 2023 Board meeting.

During the reporting period, DPE Water Group underwent a restructure resulting in Water Infrastructure NSW moving from DPE Water to the (new) Department of Climate Change, Energy, Environment & Water and Roads and Maritime merged into Transport for NSW, creating a single construction procurement accreditation.

## ***Assurance Process for Construction Procurement***

The Assurance Process was launched 1 January 2021 to complement the Accreditation Program for Construction Procurement 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.

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## **Administration**

The Board's administrative support and its costs for 2023-24 were met by NSW Treasury.

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## **Statutory reporting requirements**

The Board has a statutory requirement to report details of any direction given to it by the Minister for Domestic Manufacturing and Government Procurement.

The Minister gave the Board the following direction on 5 November 2023:

The Board is directed to issue as soon as possible a direction pursuant to section 175 of the Act to the following effect:

1. permit Agencies to negotiate directly with and engage small (and medium) businesses to provide goods and services, valued up to and including \$250,000 (excluding GST), including where there are mandated procurement arrangements in place;
  2. to ease the administrative burden on small (and medium) businesses, require Agencies to collect insurance details and/or proof of insurance at the time of contract award; and
  3. ensure Agencies take reasonable steps to verify and confirm that small (and medium) businesses meet the definitions noted below.
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## **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 CLG, the Risk and Compliance Subcommittee (RCS) and the International Procurement Agreements Steering Committee (IPASC). WofG Category Management Working Groups have also been established under the PLG.

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## Procurement Leadership Group

The PLG is the primary advisory group of the Board, under s.168 of the Public Works and Procurement Act 1912. The PLG supports the 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 2024 the PLG's members included the Chief Procurement Officers or equivalents from most agency groups. There were also members from Infrastructure NSW, and ICT/Digital Sourcing at the Department of Customer Service.

The PLG met 12 times between 1 July 2023 and 30 June 2024.

Monthly meetings:

- 27 July 2023
- 23 August 2023
- 21 September 2023
- 26 October 2023
- 23 November 2023
- 15 February 2024
- 21 March 2024
- 18 April 2024
- 23 May 2024
- 20 June 2024

Stand-alone sessions:

- 7 July 2023 – Aboriginal Procurement Policy Update
- 15 October 2023 – Parliamentary Inquiry

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## Construction Leadership Group

The CLG coordinates construction procurement policy on behalf of the Procurement Board. CLG members include key NSW government agencies engaged in the delivery of the large long-term pipeline of infrastructure investment for NSW government.

The CLG has four key subcommittees focused on commercial matters, environmental sustainability, industry culture and diversity, and Work, Health and Safety. These subcommittees reflect the CLG priority areas.

Key achievements for 2023-24 via the CLG and its subcommittees include:

- Continued transparency and visibility of upcoming procurements via publication and regular updates of the NSW Major Infrastructure Project Pipeline.
- Finalisation of a data sharing arrangement between SafeWork NSW and CLG members to improve data sharing on safety matters.
- Regular engagement with the construction industry through the Infrastructure Industry Forum, the Construction Industry Culture Taskforce and the Construction Industry Leadership Forum.

- Quarterly WofG Contractor Performance Reporting for major projects.
  - Refresh of the 10 Point Commitment to the construction sector to renew construction policy priorities and commitments.
  - Management of the Infrastructure Skills Legacy Program.
  - Delivery of the NSW Infrastructure Traineeship Induction and Graduation events and delivery of the Infrastructure Traineeship report.
  - Delivery of the Interim report on the Draft Construction Industry Culture Standard.
  - Ongoing management of the construction procurement accreditation and pre-qualification schemes.
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## Risk and Compliance Subcommittee

The RCS assists the Board to meet its statutory obligations, objectives, and functions, and reflect the best outcome for WofG.

The objective of the RCS is to support the Board in fulfilling its functional obligations by:

- monitoring compliance by government agencies with the requirements of the *Public Works and Procurement Act 1912* (the Act), including NSW Procurement Board Directions and policies
- investigating and dealing with complaints about the procurement activities of government agencies.

The RCS comprises representatives from across different areas of procurement including the Board, PLG, CLG and ICT and Digital Leadership Group.

The RCS met four times between 1 July 2023 and 30 June 2024:

- 26 July 2023
  - 18 October 2023
  - 27 March 2024
  - 22 May 2024
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## International Procurement Agreements Steering Committee

The IPASC is an advisor to the Board on procurement requirements relevant to international procurement agreements. The IPASC did not meet in 2023-24.

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## Procurement Board Directions

The Act gives the Board the authority to issue directions to agencies. During 2023-24 the Board issued six directions covering:

- Skills, training and diversity in construction
- Interim approval process for engagement contracts with PwC
- Procurement opportunities for small (and medium) businesses
- Mandated registration of all NSW government suppliers on the buy.nsw supplier hub
- Engagement of professional services suppliers
- Engagement of professional services suppliers through the Performance and Management Services Scheme.

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## 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 Board. The role of the 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 four complaints during 2023-24. Three complaints have been resolved by the relevant agency and one complaint was referred to the Independent Commission Against Corruption for review.

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## Inquiry Into Procurement Practices of Government Agencies in NSW

The terms of reference for the inquiry were referred to the Standing Committee on Social Issues by the Minister for Domestic Manufacturing and Government Procurement on 12 September 2023.

- NSW Treasury coordinated the whole of government response submission which included input from central procurement agencies and accredited agencies.
- The Committee received 63 submissions from a range of stakeholders including government agencies, industry groups, academics and members of the public.
- Six hearings occurred between April 2024 and July 2024. Witnesses were called from government agencies (including NSW Treasury, Customer Service, Health, Infrastructure, NSW Public Works and Transport), the Audit Office of NSW, the NSW Independent Commission Against Corruption, commissions, disability services, social traders and unions.
- On 21 June, the Committee released its first report which included four findings and nine recommendations to improve procurement practices of government agencies within the NSW Government.
- NSW Treasury also coordinated the whole of government response to the First Report which provided government support of eight recommendations; and support in principle one recommendation.

- Two supported recommendations that are relevant to the Board are:
  - Recommendation 6: That the NSW Government assess its agency accreditation programs, in particular for construction procurement, with a view to implementing robust accreditation levels to better qualify agencies to meet their procurement needs; and
  - Recommendation 8: That the NSW Procurement Board develop an independent and robust compliance and enforcement mechanism, with increased data monitoring capabilities, to meet its obligations under the NSW Procurement Policy Framework and the *Public Works and Procurement Act 1912*.
- The Committee has indicated a second report focusing on social procurement, labour considerations, environmental impacts and local procurement will be released in October 2024.



# Appendix 5: Overseas trips and promotion

In 2023–24, there was one overseas trip involving NSW Treasury officials. In December 2023, a delegation of four Office of Energy and Climate Change<sup>7</sup> staff travelled to Dubai to attend the United Nations Framework Convention on Climate Change 28th Conference of the Parties.

The purpose of this travel was to strengthen the NSW Government’s international connections to support best-practice climate change and energy policy development including on achieving net zero emissions, and to increase collaboration between NSW, Australian Government and other Australian state and territory officials.

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<sup>7</sup> The Office of Energy and Climate Change was part of NSW Treasury until 1 January 2024, when it transferred to the new Department of Climate Change, Energy, the Environment and Water.

# Appendix 6: Risk management and related activities

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## Risk management and fraud and corruption prevention

During the current financial year, NSW Treasury had an effective Risk Management Framework and a Fraud and Corruption Control System Framework.

NSW Treasury's Enterprise Risk Management Framework sets a consistent approach to identifying, recording, assessing, evaluation and managing risks. The Risk Management Framework complies with the requirement set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector (TPP20-08)* and conforms to the Australian and New Zealand Standard for Risk Management (AS/NZS ISO 31000:2018).

Risk management is integrated into key NSW Treasury projects where applicable, with risks proactively identified and mitigated.

NSW Treasury Executive Board and Audit and Risk Committee periodically monitors enterprise and emerging risks.

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## Compliance

NSW Treasury updated our Gifts and Benefits Policy and Conflict of Interest Policy to align with the latest regulatory changes and provide further practical guidance.

The compliance team manages and reports on various declarations such as incidents, gifts and benefits and conflicts of interest. It also conducted a Senior Executive Compliance Questionnaire Attestation to assess the executives' and their teams' awareness and compliance with policies, completion of required training, and reporting of misconduct.

NSW Treasury staff completed compulsory online training on key areas such as risk management, fraud prevention, code of conduct and privacy to ensure adherence to policies, helping employees understand their roles and responsibilities.

Our practices and updates are presented on a quarterly basis to the Audit and Risk Committee for noting and feedback.

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## Audit

NSW Treasury has a three-year internal audit plan which is reviewed annually by the Audit and Risk Committee. The Risk Compliance and Audit team continually monitors progress in addressing recommendations arising from internal and external audits, which is reported quarterly to the committee.

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## Business continuity planning

NSW Treasury continues to enhance our Business Continuity Plan, and has updated our Business Continuity Management Policy (and supporting documents) to ensure our readiness and to provide accessible, easy-to-understand guidance in the event of disruptive incidents.

# Appendix 7: Government Information (Public Access) Act 2009

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## 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.

NSW 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 efficiently and effectively. NSW Treasury reviews our program to ensure that the information that is in the public's interest and assists people with access to services is made publicly available on the NSW Treasury website.

NSW Treasury proactively releases information in all appropriate circumstances based on public interest in favour of disclosure and to enhance transparency.

In the 2023–24 reporting period, NSW Treasury proactively released information and tools including:

- Treasurer's directions
- Treasury policy papers
- Treasury circulars
- Budget papers
- annual report
- financial reports
- research and information papers.

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## Number of access applications received

NSW Treasury received 23 formal access applications under the GIPA Act, including transferred applications.

## Statistical information about access applications

The following tables are set out according to Schedule 2 of the Government Information (Public Access) Regulation 2018.

Table 11: Number of applications by type of applicant and outcome<sup>8</sup>

Type of applicant	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	2	3	0	2	0	1	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	1	0	1	0	0	0	0	0
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	3	4	1	8	1	0	0	0

<sup>8</sup> More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table 12 Number of applications by type of application and outcome.

Table 12: Number of applications by type of application and outcome

Type of applicant	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 <sup>9</sup>	0	0	0	3	0	0	0	0
Access applications (other than personal information applications)	6	7	2	7	1	1	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

Table 13: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	3
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	3
Invalid applications that subsequently became valid applications	11

<sup>9</sup>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 14: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

Type of consideration	Number of times consideration used <sup>10</sup>
Overriding secrecy laws	0
Cabinet information	4
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0

Table 15: Other public interest considerations against disclosure: matters listed in table to section 14 of the GIPA Act

Matters listed in table to Section 14 of the Act	Number of occasions when applications not successful
Responsible and effective to government	3
Law enforcement and security	0
Individual rights, judicial processes and natural justice	3
Business interests of agencies and other persons	3
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate freedom of information legislation	1

<sup>10</sup> 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 15 Other public interest considerations against disclosure: matters listed in table to section 14 of the GIPA Act.

Table 16: Timelines

Timeline	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	23
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0

Table 17: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

Type of review	Decision varied	Decision upheld	Total
Internal review	1	1	2
Review by Information Commissioner	0	1	1
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	0	0

Table 18: Applications for review under Part 5 of the Act (by type of applicant)

Type of application	Number of applications for review
Applications by access applicants	3
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table 19: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

Type of transfer	Number of applications transferred
Agency-initiated transfers	4
Agency-initiated transfers in part	0
Applicant-initiated transfers	2

# Appendix 8: Protecting privacy and personal information

NSW Treasury holds and uses a wide range of personal, private and confidential information. NSW Treasury respects the privacy rights of all and strives to meet our privacy obligations to the highest standard.

As a NSW Government agency, NSW Treasury must comply with the requirements of *the Privacy and Personal Information Protection Act 1998* (the PPIP Act) and the *Health Records and Information Privacy Act 2001* (the HRIP Act).

From November 2023, amendments to the PPIP Act established a mandatory notification of data breach scheme. In addition to meeting this requirement, NSW Treasury conducted an extensive privacy policy review and developed privacy data breach response plans, resulting in the following policies:

- Privacy Management Plan and Guidelines (TIPP 5.19)
- Data Breach (Privacy) Policy (TIPP 5.20)
- Data Breach (Privacy) Response Plan and Procedure (TIPP 5.20A) (internal document)

NSW Treasury has implemented a data breach reporting regime and an end-to-end digital privacy assessment, which enable a rapid response to suspected breach and embed privacy obligations in everyday work. These measures were supported through a privacy eLearning module – mandatory for all staff – and participation in the Information and Privacy Commission NSW Privacy Awareness Week.

NSW Treasury conducted a privacy management internal audit in 2023 and an all-staff survey to establish a baseline.

Going forward, NSW Treasury continues to strive for best practice in the application of privacy principles in all aspects of the work we do for the people of NSW.



## Appendix 9: Funds granted to non-government community organisations

During the six months, from 1 July 2023 until 31 December 2023, OECC<sup>11</sup> distributed grants of over \$310 million to non-government community organisations. The majority of this, being \$268 million; was for the Commonwealth's Energy Price Relief Plan, with the aim to shield Australians from the worst impacts of global and gas price increases.

OECC had also provided grants to support various non-government agencies to build a net zero future by improving resource efficiency, developing net zero emission pathways and generating renewable energy on government-owned assets.

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<sup>11</sup> The Office of Energy and Climate Change was part of NSW Treasury until 1 January 2024, when it transferred to the new Department of Climate Change, Energy, the Environment and Water.

## Appendix 10: Accounts payable performance 2023–24

NSW Treasury outsources various services including financial services. During 2023–24, InfoSys (GovConnectNSW) provided services including the payment processing of tax invoices after they had been certified and approved for payment by delegated NSW Treasury officers.

During 2023–24, there were no instances where penalty interest was paid for the late payment of invoices to small business owners (as per NSW Treasury Circular TC 11/12 Payment of Accounts).

Small business supplier payments are currently set at five 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 90% compliant on average across the 2024 financial year.

Table 20: Aged analysis at the end of each quarter<sup>12</sup>

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
<b>All suppliers</b>					
September 2023	58,079	144,266	127,821	290	13,801
December 2023	225,823	163,348	108,439	454	1,006
March 2024	1,262	10	–	–	–
June 2024	3,945	1	–	–	–
<b>Small business suppliers</b>					
September 2023	3,332	467	87	24	68
December 2023	3,715	228	56	107	9
March 2024	–	10	–	–	–
June 2024	–	–	–	–	–

<sup>12</sup> Aged invoices for inter-government transactions are included in this data, with aged payment discussed and agreed upon between agencies. Data as of 1 January 2024 does not include the Office of Energy and Climate Change.

Table 21: Accounts due or paid within each quarter<sup>13</sup>

Measure	Sep 2023	Dec 2023	Mar 2024	Jun 2024
<b>All suppliers</b>				
Number of accounts due for payment	16,874	23,893	403	509
Number of accounts paid on time	15,657	22,928	381	487
Actual percentage of accounts paid on time (based on number of accounts)	93%	96%	95%	96%
Dollar amount of accounts due for payment	374,075,462	539,121,905	24,711,174	27,363,077
Dollar amount of accounts paid on time	182,740,200	402,598,306	24,229,413	26,629,422
Actual percentage of accounts paid on time (based on \$)	49%	75%	98%	97%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-
<b>Small business suppliers</b>				
Number of accounts due for payment	589	721	50	85
Number of accounts paid on time	318	410	40	76
Actual percentage of accounts paid on time (based on number of accounts)	54%	57%	80%	89%
Dollar amount of accounts due for payment	4,449,853	5,533,429	496,433	1,436,341
Dollar amount of accounts paid on time	2,278,025	3,023,926	380,950	1,077,306
Actual percentage of accounts paid on time (based on \$)	51%	55%	77%	75%

<sup>13</sup> The Office of Energy and Climate Change was part of NSW Treasury until 1 January 2024, when it transferred to the new Department of Climate Change, Energy, the Environment and Water, as such only reflecting results for 1 July to 31 December 2023.

Measure	Sep 2023	Dec 2023	Mar 2024	Jun 2024
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-

**Note 1:** For the six months to December 2023, accounts paid on time (based on number of accounts) was 95% for Traditional NSW Treasury, 96% for OECC.

**Note 2:** For the six months to December 2023, accounts paid on time (based on dollars) was 98% for Traditional NSW Treasury, 73% for OECC.

**Note 3:** For the six months to December 2023, small business suppliers paid on time (based on number of accounts) was 86% for Traditional NSW Treasury, 54% for OECC.

**Note 4:** For the six months to December 2023, small business suppliers paid on time (based on dollars) was 80% for Traditional NSW Treasury, 45% for OECC.

# Appendix 11: Expenditure on consultants

Table 22: Expenditure on consultants costing \$50,000 or more

Consultants	Project description	Amount (excl. GST) \$
<b>Finance and Accounting/Tax</b>		
KPMG Australia Pty Ltd	Engaged to provide advisory services for NSW Government Banking Tender Strategy	434,472
Publicis Sapient Australia Pty Ltd	Engaged to support the development of a strategic all-of-government customer payment business case	270,900
Energetics Pty Ltd	Provided strategic advice on electricity procurement – Retail supply of electricity and capacity services contract	99,962
Inside Policy Pty Ltd	Provided technical data services to assist in the development of the methodology to quantify non-targeted government expenditure for First Nations people	75,475
<b>Economic services</b>		
Economic Alternatives Pty Ltd	Provided advisory services for the Independent Toll Review	906,294
Clarity Consult Pty Ltd	Traffic adviser for the Toll Review	695,980
P.I. Research Pty. Ltd	Advisory services for the Independent Toll Review	441,206
Publicis Sapient Australia Pty Ltd	Engaged to undertake pricing transparency work for the Toll Review	200,681
Royal Bank of Canada	Provided financial advisory services for the Independent Toll Review	370,000
Deloitte Access Economics Pty Ltd	Provided advice on the impact of the <i>Port of Newcastle (Extinguishment of Liability) Act 2022</i> on the state's finances	226,706
Ashton, Paul	Authorship and editorial services to NSW Treasury Bicentenary history publication	191,800

Consultants	Project description	Amount (excl. GST) \$
Ronsisvalle, Mark Anthony	Development and strategic oversight of NSW Treasury's responses to the Commonwealth Grants Commission's 2025 review of methods for calculating relative state fiscal capacities and distributing the national GST pool	172,034
Independent Pricing and Regulatory Tribunal	Independent determination of the compensation amount payable by Port of Newcastle to the state in accordance with the <i>Port of Newcastle (Extinguishment of Liability) Act 2022</i>	150,000
Shape Transport Pty Ltd	Traffic peer-review advisory services for the Independent Toll Review	117,600
Behavioural Insights (Australia) Pty	Development of case studies of regulatory experiments	72,519
Environmental Resources Management	Environmental advice in relation to the management of ongoing legacy issues associated with the divestment of electricity generation assets	65,545
Victoria University	Economic modelling and common planning assumptions for the Budget	63,636
<b>Organisational review</b>		
KPMG Australia Pty Ltd	Review into Star Entertainment Group Ltd (SGR)	228,271
<b>Legal services</b>		
Norton Rose Fullbright Australia	Review and update Crown Casino Duty Agreement	105,694
<b>Governance and policy</b>		
Finlay Consulting	Negotiation services for casino duties, levies, cashless gaming trial and jobs guarantee agreements	101,063
<b>Management services</b>		
ICA Partners	Financial advice and transaction manager services for Stage 1b Generator Engagement Project	310,000

Consultants	Project description	Amount (excl. GST) \$
Arup Australia Pty Ltd	Hydrogen and Clean Energy consultancy services provided for the delivery of NSW Hydrogen Infrastructure Masterplan	252,810
Richard Bolt Consulting Pty Ltd	Provided advice on Energy Infrastructure Roadmap implementation	87,743
<b>Environmental services</b>		
Environmental Resources Management	Advisory services provided for new low-carbon industry	2,294,841
<b>Consultants costing less than \$50,000</b>		
Economic services	40 projects	565,503
Finance and accounting/tax	12 projects	262,495
Legal	4 projects	86,499
Organisational review	2 projects	67,725
<b>Total expenditure on consultations</b>		<b>8,917,452</b>

# Appendix 12: Treasurer's Directions and NSW Treasury Policy and Guidelines

Table 23: Treasurer's Directions (TD) and NSW Treasury Policy and Guidelines (TPG)

Reference number	Name of instrument	Date issued or updated	Year issued
TPG24-20	Working accounts in the Special Deposits Account	24/6/2024	2024
TPG24-17	Agency Direction for the 2023-24 Mandatory Annual Returns to Treasury	12/6/2024	2024
TD24-19	Amendment to TD21-02 Mandatory Annual Returns to Treasury	12/6/2024	2024
TPG24-16	Agency guidelines for the 2023-24 mandatory annual returns to Treasury for NSW public sector agencies that are not included in TD21-02	12/6/2024	2024
TD24-18	Amendment to TD21-03 Submission of Annual GSF Financial Statements for NSW public sector agencies that are not included in TD21-02	12/6/2024	2024
TPG24-14	Guidance – Accounting for Bid Cost Contributions	23/5/2024	2024
TPG24-08	CFO Certification on the Internal Control Framework over Financial Systems and Information	15/4/2024	2024
TD24-04	Amendment to TD19-02 Mandatory Early Close as at 31 March each year	19/3/2024	2024
TPG24-06	Mandates of options and major policy decisions under Australian Accounting Standards	11/3/2024	2024
TPG24-05	Financial Reporting Code for NSW General Government Sector Agencies	11/3/2024	2024
TPG24-03	Agency Direction for the 2023–24 Mandatory Early Close	6/3/2024	2024
TPG24-01	Management of NSW Government Payments	31/1/2024	2024
TPG23-23	Funding for Redundancy Payments	22/12/2023	2023
TPG23-27	Gender Impact Assessment Policy	15/12/2023	2023
TD23-24	SDA Account financial reports	29/11/2023	2023
TPG23-17	Disaster Cost-Benefit Framework	30/10/2023	2023
TPG23-21	Determining the present value of a provision	25/9/2023	2023



Reference number	Name of instrument	Date issued or updated	Year issued
TD23-18	Management of cash, banking and payments	3/10/2023	2023
TPG23-22	Supplementary Guidelines: Nominee Directors for the Insurance and Care NSW Board	20/10/2023	2023
TPG23-10	Annual Reporting Requirements	23/8/2023	2023
TPG23-19	Guidelines for Community Service Obligations	21/8/2023	2023

As of 30 June 2024, NSW Treasury has **127** current policies, **67** were issued within the last five years (1 July 2020 to 30 June 2024) and **21** were issued in financial year 2023–24.

# Appendix 13: Notes

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## Exemptions

No exemptions were requested for this report.

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## Application for extension of time

An extension of time (one week) was requested to finalise preparation of the report. This arose due to delays in approvals and incorporating late important feedback.

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## Implementation of price determination

Treasury is not subject to a determination or recommendation of the Independent Pricing and Regulatory Tribunal.

# Appendix 14: Crown-Related Entities annual reports



Treasury

# Alpha Distribution Ministerial Holding Corporation

Financial Statements  
for the year ended 30 June 2024

**Alpha Distribution Ministerial Holding Corporation**

**Financial Statements  
for the year ended 30 June 2024**

**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 2024* and the Treasurer's directions; and
- (b) present fairly the Alpha Distribution Ministerial Holding Corporation's financial position, financial performance, and cash flows.



**Michael Coutts-Trotter  
Secretary, NSW Treasury**

17 September 2024

Alpha Distribution Ministerial Holding Corporation

Statement of Comprehensive Income  
for the year ended 30 June 2024

	Notes	Budget 2024 \$000	Actual 2024 \$000	Actual 2023 \$000
<b>Expenses excluding losses</b>				
Employee related expenses	4(a)	359	358	343
Operating expenses	4(b)	7,882	8,642	7,540
<b>Total expenses excluding losses</b>		<b>8,241</b>	<b>9,000</b>	<b>7,883</b>
<b>Revenue</b>				
Investment revenue	5(a)	11,638	11,954	11,389
Contract service revenue	5(b)	8,242	9,014	7,899
<b>Total Revenue</b>		<b>19,880</b>	<b>20,968</b>	<b>19,288</b>
Losses on disposal	6	-	(7,734)	(9,096)
<b>Net result</b>		<b>11,639</b>	<b>4,234</b>	<b>2,309</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to net result in subsequent periods:</i>				
Superannuation actuarial gains/(losses)	12(ii)	(3,023)	2,431	799
<b>Total other comprehensive income</b>		<b>(3,023)</b>	<b>2,431</b>	<b>799</b>
<b>Total comprehensive income</b>		<b>8,616</b>	<b>6,665</b>	<b>3,108</b>

The accompanying notes form part of these financial statements.

## Alpha Distribution Ministerial Holding Corporation

### Statement of Financial Position as at 30 June 2024

	Notes	Budget 2024 \$000	Actual 2024 \$000	Actual 2023 \$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	29,845	30,205	28,563
Receivables	8	25	27	24
<b>Total current assets</b>		<b>29,870</b>	<b>30,232</b>	<b>28,587</b>
<b>Non-current assets</b>				
Other financial assets	9	176,374	168,454	165,489
<b>Total non-current assets</b>		<b>176,374</b>	<b>168,454</b>	<b>165,489</b>
<b>Total assets</b>		<b>206,244</b>	<b>198,686</b>	<b>194,076</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	10	47	53	50
Contract liabilities	13	273	277	262
<b>Total current liabilities</b>		<b>320</b>	<b>330</b>	<b>312</b>
<b>Non-current liabilities</b>				
Provisions	11	12,202	6,747	8,820
<b>Total non-current liabilities</b>		<b>12,202</b>	<b>6,747</b>	<b>8,820</b>
<b>Total liabilities</b>		<b>12,522</b>	<b>7,077</b>	<b>9,132</b>
<b>Net assets</b>		<b>193,722</b>	<b>191,609</b>	<b>184,944</b>
<b>Equity</b>				
Accumulated funds		193,722	191,609	184,944
<b>Total equity</b>		<b>193,722</b>	<b>191,609</b>	<b>184,944</b>

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 2024

	Notes	Accumulated funds \$000	Total \$000
<b>Balance at 1 July 2023</b>		<b>184,944</b>	<b>184,944</b>
Net result for the year		4,234	4,234
<b>Other comprehensive income</b>			
Superannuation actuarial gains	12(ii)	2,431	2,431
<b>Total other comprehensive income</b>		<b>2,431</b>	<b>2,431</b>
<b>Total comprehensive income for the year</b>		<b>6,665</b>	<b>6,665</b>
<b>Balance at 30 June 2024</b>		<b>191,609</b>	<b>191,609</b>
<b>Balance at 1 July 2022</b>		<b>181,836</b>	<b>181,836</b>
Net result for the year		2,309	2,309
<b>Other comprehensive income</b>			
Superannuation actuarial gains	12(ii)	799	799
<b>Total other comprehensive income</b>		<b>799</b>	<b>799</b>
<b>Total comprehensive income for the year</b>		<b>3,108</b>	<b>3,108</b>
<b>Balance at 30 June 2023</b>		<b>184,944</b>	<b>184,944</b>

The accompanying notes form part of these financial statements.



**Alpha Distribution Ministerial Holding Corporation**

**Statement of Cash Flows  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$000	Actual 2024 \$000	Actual 2023 \$000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Suppliers for goods and services		(8,899)	(1,125)	(1,124)
<b>Total Payments</b>		<b>(8,899)</b>	<b>(1,125)</b>	<b>(1,124)</b>
<b>Receipts</b>				
Sale of goods and services		9,266	1,512	1,503
Interest received		915	1,255	823
<b>Total Receipts</b>		<b>10,181</b>	<b>2,767</b>	<b>2,326</b>
<b>Net cash flows from operating activities</b>	17	<b>1,282</b>	<b>1,642</b>	<b>1,202</b>
<b>Net cash flows from investing activities</b>		-	-	-
<b>Net cash flows from financing activities</b>		-	-	-
<b>Net increase in cash and cash equivalents</b>		<b>1,282</b>	<b>1,642</b>	<b>1,202</b>
Opening cash and cash equivalents		28,563	28,563	27,361
<b>Closing cash and cash equivalents</b>	7	<b>29,845</b>	<b>30,205</b>	<b>28,563</b>

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 2024

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## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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 the 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 by it 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 since 1 December 2016 (as profit is not its principal objective). 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 the 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 obligations remaining with the ADMHC relate only to the retired employees.

On 9 December 2021, APG Asset Management Group acquired a 16.8 per cent interest in Ausgrid from Australian Super and became an investor in the Ausgrid network and party to the Long-Term Ausgrid network lease.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION

##### 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)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- the requirements of the *Government Sector Finance Regulation 2024*
- 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 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 lease option to extend the lease for a further 99 years after the lease has expired by the NSW Government has not been included at this stage due to uncertainty. 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 comprises of the unguaranteed residual value of the lease 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.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (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.

##### *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 markets and subject to economic cycles.

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

##### **Going concern**

The ADMHC's financial statements have been prepared on a going concern basis. It is expected that the ADMHC has adequate cash holdings 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 6.21 (2) and (5) of the GSF Act states that the Treasurer may provide funding to or repays debts of ADMHC (being a GSF agency) if required.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (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 FY2023-24*

The accounting policies applied in 2023-24 are consistent with those of the previous financial year.

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 the ADMHC.

*ii. Issued but not yet effective*

As mandated by NSW Treasury Policy and Guidelines TPG24-06 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, ADMHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

Management has 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 ADMHC:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative date 1 January 2024)
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative date 1 January 2025)

##### **AASB 18 Presentation and Disclosure in Financial Statements**

AASB 18 *Presentation and Disclosure in Financial Statements* was issued on 14 June 2024, with an operative date of 1 January 2028 for not-for-profit public sector entities. AASB 18 will supersede AASB 101 *Presentation of Financial Statements*. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Comparative information

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

##### 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
<b>Lease outgoing recoupment</b>	<p>Lease outgoing recouped from the lessees under the 99-year finance lease.</p> <p>The performance obligations in relation to lease outgoing recoupment is typically satisfied when the lease outgoing are paid to the relevant government authorities and government trading enterprises. Performance obligations are completed over time.</p> <p>Payment from the customer is typically due within 30 days after the service provision.</p>	<p>Revenue is recognised when the lease outgoing are paid and is measured based on the amount paid.</p> <p>No significant element of financing is deemed present as payments are made within six months after the service delivery on average.</p>
<b>Contract service income</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Performance obligations are completed over time.</p> <p>Annual payment is normally due in December each year.</p>	<p>Revenue is recognised when the services are provided.</p> <p>No significant element of financing is deemed present as payments are made within six months after the service delivery on average.</p>

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### 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 *Leases*.

##### Assets

##### 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 *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 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. The lease option to extend the lease for a further 99 years after the lease has expired by the NSW Government has not been included at this stage due to uncertainty.

##### *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 of the leased asset.

A receivable is recognised of 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.



## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 sale, the net present value of the relevant land is derecognised from the finance lease receivable in accordance with AASB 16 *Leases* paragraph 77. The future values of the land disposed are shown in Note 9 and the gains or losses on sale of the land are reflected in Note 6.

#### **Derecognition of financial assets**

A financial asset (or part thereof) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the ADMHC transfers the financial assets:

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

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**

##### **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 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (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 or 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 in 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 equivalent and other taxes**

Following the sale of the discontinued operations and the ADMHC's conversion to a General Government Sector Entity, the ADMHC is no longer subject to the National Tax Equivalent Regime. The ADMHC is wholly owned by the NSW Government and is exempt from all forms of taxation except the Goods and Services Tax (GST). Fringe Benefits Tax is not relevant as ADMHC has no staff.

#### **Statement of Cash Flows**

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.

#### **Impact of Climate-related matters on Financial Reporting for 2023-24**

Management has considered potential impacts of climate-related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on the ADMHC's preparation of:

- Receivables and financial assets
- Financial instruments
- Expected credit losses
- Provisions and contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Estimation uncertainty and significant judgements

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 4. EXPENSES EXCLUDING LOSSES

	2024	2023
	\$'000	\$'000
<b>a) Employee related expenses</b>		
Superannuation - defined benefit expense <sup>(i)</sup>	358	343
<b>Total</b>	358	343
<b>b) Other operating expenses</b>		
Lease outgoing expenditures	8,365	7,288
Administrative charge <sup>(ii)</sup>	206	188
Audit fees - audit of financial statements	71	64
<b>Total</b>	8,642	7,540
<b>Total expenses excluding losses</b>	9,000	7,883

Expenses are recognised when incurred.

**(i) Superannuation – defined benefit expense**

The expenses relate to former Ausgrid employees as no staff are employed directly by ADMHC. Refer to Note 12.

**(ii) Administrative charge**

The ADMHC has no employees. Finance Officers of the NSW Treasury provide administrative services, including the preparation of the ADMHC financial statements disclosed in Note 19(c).

#### 5. REVENUE

**(a) Investment revenue**

Interest income	1,255	823
Finance income on the net investment in the lease <sup>(iii)</sup>	10,699	10,566
	11,954	11,389

**(b) Contract service revenue**

Lease outgoing recoupment <sup>(iv)</sup>	8,365	7,288
Contract service income <sup>(v)</sup>	649	611
	9,014	7,899
<b>Total revenue</b>	20,968	19,288

**(iii) Finance income on the net investment in the lease**

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.

**(iv) Lease outgoing recoupment**

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

**(v) 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 specific performance obligations are specified under the enforceable network lease contract.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 6. LOSSES ON DISPOSAL

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss on disposal of assets for which finance lease is entered into as a lessor	(7,734)	(9,096)
	<b>(7,734)</b>	<b>(9,096)</b>

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 after it is approved by Treasury. When this occurs, the selling constitutes a partial surrender of the lease in respect of the land sold. The sales proceeds are paid directly to the lessee by the purchasers. The net present value of the relevant land is derecognised from the finance lease receivable.

#### 7. CASH AND CASH EQUIVALENTS

Cash at bank	30,205	28,563
<b>Total</b>	<b>30,205</b>	<b>28,563</b>

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:

Cash and cash equivalents (per Statement of Financial Position)	30,205	28,563
Closing cash and cash equivalents (per Statement of Cash Flows)	<b>30,205</b>	<b>28,563</b>

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

#### 8. RECEIVABLES

<b>Current</b>		
GST receivable	27	24
<b>Total</b>	<b>27</b>	<b>24</b>

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.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 9. OTHER FINANCIAL ASSETS

	2024 \$'000	2023 \$'000
<b>Non-current</b>		
Finance lease receivable <sup>(i)</sup>	168,454	165,489
<b>Total</b>	<b>168,454</b>	<b>165,489</b>

##### (i) Finance lease receivable

Pursuant to the long-term lease transaction, the ADMHC is the lessor and Ausgrid Asset Partnership is the lessee in the 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.

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 \$52.1 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 \$10.7 million (2023: \$10.6 million) was recognised in the year (refer to Note 5(a)).

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

The lease contains three clauses relevant to land improvements, additional land transactions and the option to extend the lease:

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;
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; and
3. the ADMHC has the option to extend the lease for a further 99 years at expiration of the current lease or allow the current lease to expire. Such notice must be given 10 years prior to the end of the lease term. The lease extension is not factored into the current calculation as exercise is not certain at this stage.

##### **Reconciliation of net investment in lease**

Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	52,101,829	54,497,846
Less: unearned finance income	(51,933,375)	(54,332,357)
<b>Net investment in finance leases</b>	<b>168,454</b>	<b>165,489</b>

##### **Reconciliation of unguaranteed residual amounts (undiscounted)**

Opening balance	54,497,846	57,510,291
Less disposal - partial surrender of the lease	(2,396,017)	(3,012,445)
<b>Closing balance</b>	<b>52,101,829</b>	<b>54,497,846</b>

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 10. PAYABLES

	2024	2023
Current	\$'000	\$'000
Accruals	53	50
<b>Total</b>	<b>53</b>	<b>50</b>

GST receivable and payable were netted off in 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 18.

#### 11. PROVISIONS

Non-Current		
Superannuation Liability (Note 12(iii))	6,747	8,820
<b>Total</b>	<b>6,747</b>	<b>8,820</b>

On completion of the lease transaction on 30 November 2016, all defined benefit superannuation provisions and employee's rights, obligations and liabilities 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. Asset and Liability values of the ADMHC's superannuation defined benefit funds are provided by the funds' Actuary, Mercer Consulting (Australia) Pty Ltd.

##### **Significant events**

On completion of the 99-year lease transaction, all employees and their respective defined benefit plans were transferred to Ausgrid Management Pty Ltd. The defined benefit plan that remains with the ADMHC relates to retired employees.

##### **Nature of benefits provided by the fund**

The Construction and Building Unions Superannuation Fund (Cbus) Pool B Subdivision of the Defined Benefits Section provides defined benefits. The defined benefit members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. A component of the defined benefit member's final benefit is derived from a multiple of salary and years of membership. These divisions are closed to new members except for members of eligible schemes who can transfer their entitlements into Cbus.

Disclosures below are prepared in relation to Pool B Subdivision of the Defined Benefits Section of Cbus, this subdivision is referred to as "the Fund" hereafter.

##### **Regulatory framework**

On 12 May 2023 the defined benefit plan that remained with the ADMHC was transferred from the Energy Industries Superannuation Scheme (EISS) to Cbus by way of a Successor Fund Transfer. As a result, all EISS members as at 12 May 2023 are now members of Cbus.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 12. UNFUNDED SUPERANNUATION (continued)

The former EISS 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. Following legislative amendment contained in the *Treasury and Energy Legislation Amendment Act 2022* and making of the *Superannuation Administration (Cbus Transitional Provisions) Regulation 2022* all EISS members were transferred to Cbus in May 2023. The Fund is regulated primarily by the *Superannuation Industry (Supervision) Act 1993 (Cth)* ("the SIS legislation"), and 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.

APRA has determined that Cbus will be required to conduct annual actuarial valuations. The first valuation under Cbus was performed as at 30 June 2023. The next actuarial valuation is due to be performed as at 30 June 2024.

#### **Governance**

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

- administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund's rules;
- management and investment of the Fund assets;
- compliance with other applicable regulations, and
- compliance with the Trust Deed.

#### **Risk exposure**

There are a number of risks to which the Fund exposes participating employers. The more significant risks relating to the defined benefits are:

- **Investment risk** - The risk that investment returns will be lower than assumed and the employers 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 independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements  
for the year ended 30 June 2024

12. UNFUNDED SUPERANNUATION (continued)

	2024	2023
<b>Member Numbers</b>		
Contributors	-	-
Deferred benefits	1	1
Pensioners	104	110

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

	2024	2023
	\$'000	\$'000
Net interest	358	343
<b>Total net expense</b>	<b>358</b>	<b>343</b>

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

Actuarial gains/(losses) on liabilities	844	(1,344)
Actuarial gains on assets	1,587	2,143
<b>Total actuarial gains</b>	<b>2,431</b>	<b>799</b>

*(iii) Reconciliation of the superannuation net (liability)*

<b>Net (liability) at the beginning of the year</b>	<b>(8,820)</b>	<b>(9,276)</b>
Net interest (expense) on the net defined benefit (liability)	(358)	(343)
Return on plan assets, excluding amounts included in interest income	1,587	2,143
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
Actuarial gains arising from changes in financial assumptions	1,859	2,917
Actuarial (losses) arising from liability experience	(1,015)	(4,261)
<b>Net (liability) at the end of the year</b>	<b>(6,747)</b>	<b>(8,820)</b>

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

<b>Present value of defined benefit obligations at the beginning of the year</b>	<b>(82,711)</b>	<b>(83,043)</b>
Interest (expense)	(3,271)	(2,979)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
Actuarial gains arising from changes in financial assumptions	1,859	2,917
Actuarial (losses) arising from liability experience	(1,015)	(4,261)
Benefits paid	4,487	4,440
Taxes, premiums and expenses paid	201	215
<b>Present value of defined benefit obligations at the end of the year</b>	<b>(80,450)</b>	<b>(82,711)</b>



**Alpha Distribution Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**12. UNFUNDED SUPERANNUATION (continued)**

**(v) Reconciliation of the fair value of fund assets**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Fair value at the beginning of the year</b>	73,891	73,767
Interest income	2,913	2,636
Actual return on fund assets less interest income	1,587	2,143
Benefits paid	(4,487)	(4,440)
Taxes, premiums and expenses paid	(201)	(215)
<b>Fair value at the end of the year</b>	<b>73,703</b>	<b>73,891</b>

**Fair value of fund assets**

The Fund's assets are invested in four Reserves (i.e. an Employer Reserve, a Contributor Reserve, a Deferred Reserve and an Other Reserve) the total of which is shown in the table below.

There are no Employer 'sub-funds' in the Fund; however, the Fund's administrator maintains a notional defined benefit asset account in respect of each Employer, which facilitates tracking of each Employer's funding status and contribution requirements.

The bulk of the assets held in the other reserves are invested in accordance with members' investment choices.

Fair value of fund assets		
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,789,757	1,794,453
Level 3 - Unobservable inputs	-	-
<b>Total</b>	<b>1,789,757</b>	<b>1,794,453</b>

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 2024

#### 12. UNFUNDED SUPERANNUATION (continued)

The percentage invested in each asset class at the end of the reporting period is:

Asset Category*	2024	2023
Alternatives	Nil	13%
Global equities	22%	23%
Australian equities	17%	14%
Infrastructure	13%	10%
Property	11%	16%
Private equity	Nil	3%
Cash	7%	10%
Fixed income	Nil	11%
Global credit	8%	Nil
Australian fixed interest	11%	Nil
Global fixed interest	11%	Nil
<b>Total</b>	<b>100%</b>	<b>100%</b>

\* Due to the transfer of the defined benefit plan from EISS to Cbus the asset categories have changed compared to prior year.

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 2024

#### 12. UNFUNDED SUPERANNUATION (continued)

##### *Significant actuarial assumptions at the end of the reporting period*

	2024	2023
Discount rate	4.36% p.a.	4.07% p.a.
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	4.25% for 2024/25 3.0% for 2025/26, 2.75% for 2026/27, then 2.5% p.a.	6.65% for 2023/24, 3.5% for 2024/25, 3% for 2025/26, then 2.5% p.a.
Pensioner mortality	Mercer standard pensioner mortality tables have been used. These rates are based on the mortality experience of Australian Public Sector pensioners over the years 2012 to 2017, including improvement rates based on Australian Life Tables 2015-17.	The pensioner mortality rates used are as per the actuarial investigation of the Scheme as at 30 June 2021 (the rates are disclosed in the actuarial investigation available from the Trustee website). The pension mortality rates are based on experience of the Australian 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 2024

	Base case	Scenario A - 1% discount rate	Scenario B +1% discount rate
Discount rate	4.36% p.a.	3.36% p.a.	5.36% p.a.
Rate of CPI increase	as above	as above	as above
Defined benefit obligation (\$'000)	80,450	90,531	71,872
	Base case	Scenario C +0.5% rate of CPI	Scenario D -0.5% rate of CPI
Discount rate	4.36% p.a.	4.36% p.a.	4.36% p.a.
Rate of CPI increase	as above	as above +0.5% p.a.	as above -0.5% p.a.
Defined benefit obligation (\$'000)	80,450	85,127	76,095
	Base case	Scenario E Lower pensioner mortality rates*	Scenario F Higher pensioner mortality rates**
Defined benefit obligation (\$'000)	80,450	91,553	69,182

\* Assumes mortality rates, including future improvements, as if the pensioner were 3 years younger than actual.

\*\* Assumes mortality rates, including future improvements, as if the pensioner were 3 years older than actual.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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 2023

	Base case	Scenario A - 1% discount rate	Scenario B +1% discount rate
Discount rate	4.07% p.a.	3.07% p.a.	5.07% p.a.
Rate of CPI increase	as above	as above	as above
Defined benefit obligation (\$'000)	82,711	94,203	73,175
	Base case	Scenario C +0.5% rate of CPI	Scenario D -0.5% rate of CPI
Discount rate	4.07% p.a.	4.07% p.a.	4.07% p.a.
Rate of CPI increase	as above	as above +0.5% p.a.	as above -0.5% p.a.
Defined benefit obligation (\$'000)	82,711	87,971	77,836
	Base case	Scenario E Lower pensioner mortality rates*	Scenario F Higher pensioner mortality rates**
Defined benefit obligation (\$'000)	82,711	84,051	82,587

\* Assumes the short-term pensioner mortality improvement factors for years 2021-2027 also apply for years after 2027.

\*\* Assumes the long-term pensioner mortality improvement factors for years post 2027 also apply for years 2021 to 2027.

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

#### *Asset/Liability matching strategies*

The Employer Reserve assets are managed via a framework designed to gradually reduce investment risk as the defined benefit liabilities mature over time.

#### *Funding arrangements for employer contributions*

Funding arrangements are usually reviewed at least every three years following the release of an actuarial review; however, APRA has determined Cbus will be required to conduct an annual valuation. Funding arrangements were last reviewed as at 30 June 2023, following completion of Cbus's first actuarial investigation of the Fund. 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.

#### *Net surplus*

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

	2024 \$'000	2023 \$'000
Net market value of Fund assets	73,703	73,891
Accrued benefits	(67,064)	(63,032)
<b>Net surplus</b>	<b>6,639</b>	<b>10,859</b>

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 12. UNFUNDED SUPERANNUATION (continued)

Please note that the above AASB 1056 *Superannuation Entities* results are based on the financial assumptions used for the 30 June 2023 actuarial investigation. The economic assumption under AASB 1056 is different with the assumption used under AASB 119 *Employee Benefits*. For AASB 1056 financial assumptions, please refer to economic assumptions section for details.

#### **Contribution recommendations**

Recommended contribution rates for the ADMHC are:

	2024	2023
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	2024	2023
Expected rate of return on Fund assets backing current pension liabilities	5.9%	6.1%
Expected rate of return on Fund assets backing other liabilities	5.9%	6.1%
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	3.5% for 2024/25, then 2.5% p.a.	2.5% p.a.

#### **Expected contributions**

As at 30 June 2024

	\$'000
Expected employer contributions to be paid in the period 1 July 2024 to 30 June 2025	-

As at 30 June 2023

	\$'000
Expected employer contributions to be paid in the period 1 July 2023 to 30 June 2024	-

#### **Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation is 10 years (2023: 12 years).

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 12. UNFUNDED SUPERANNUATION (continued)

##### 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 uncertain economic environment with high inflation and interest rates, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 *Employee Benefits* paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056 *Superannuation Entities*, 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 the Fund's assets in current financial conditions, sensitivities to this assumption for the AASB 1056 results in the table below (results for 2023 shown for comparative purposes).

2024	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets	5.9% p.a.	5.4% p.a.	6.4% p.a.
Rate of CPI increase	3.5% for 2024/25, then 2.5% p.a.	3.5% for 2024/25, then 2.5% p.a.	3.5% for 2024/25, then 2.5% p.a.
Accrued Benefits (\$000)	67,064	70,305	64,063
2023	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets	6.1% p.a.	5.6% p.a.	6.6% p.a.
Rate of CPI increase	2.5% p.a.	2.5% p.a.	2.5% p.a.
Accrued Benefits (\$000)	63,032	66,131	60,167

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 13. CONTRACT LIABILITIES

	2024	2023
	\$'000	\$'000
<b>Current contract liabilities</b>		
Unearned revenue	277	262
<b>Total</b>	277	262
<b>Contract liabilities reconciliation</b>		
Opening balance	262	245
Contract service invoiced/received	664	628
Revenue recognised upon performance obligation fulfilled <sup>(i)</sup>	(649)	(611)
Closing balance	277	262
Revenue recognised that was included in the contract liability balance at the beginning of the year	262	245
Transaction price allocated to the remaining performance obligations from the contract with customers	277	262

**(i) Revenue recognised upon performance obligation fulfilled**

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 obligations are specified under the enforceable network lease contract. Refer to Note 5(b).

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 2024-25 financial year.

#### 14. COMMITMENTS

The ADMHC does not have capital expenditure commitments as at the reporting date (2023: nil).

#### 15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

##### Contingent Assets

ADMHC does not have any contingent assets to report as at 30 June 2024 (2023: nil).

##### Contingent Liabilities

###### *Rent calculation dispute*

A claim was made by Flemington Properties Pty Limited (landlord) against the ADMHC on 10 June 2022. The claim relates to a rent calculation which Ausgrid (the private sector network operator) is in dispute with the landlord. Ausgrid will defend and manage the claim on behalf of ADMHC.

Pre-existing tenancy leases prior to the Ausgrid network long-term lease (Ausgrid Head Lease) remained in the name of ADMHC as a lessee. The Ausgrid Head Lease provided the ADMHC with an indemnity from Ausgrid for any future costs incurred. Therefore, although ADMHC is a party to the case, upon a dispute resolution, any outstanding payables and obligations will be met by Ausgrid. This matter is still ongoing.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

##### *Network pole fire*

ADMHC was made a party to a legal proceeding regarding an alleged network pole fire in Mooney Mooney in September 2021 and which Ausgrid is currently defending. Ausgrid indemnifies ADMHC in respect of any costs relating to the matter, therefore any potential outstanding payables and obligations will be met by Ausgrid.

There are no other contingent liabilities to report as at 30 June 2024 (2023: nil).

#### 16. BUDGET REVIEW

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 transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

##### **Net result**

For the year ended 30 June 2024, ADMHC made a net operating profit of \$4.2 million which was \$7.4 million lower than the budget estimate due to loss incurred on land disposals in 2024, mainly resulting from the Tranche 2 surrender of properties transferred to Ausgrid's Aurora Property Partnership. The Aurora Property Partnership was established in 2023 to hold surplus properties held by the Ausgrid group. The properties transferred to the Aurora Property Partnership were surrendered from the Ausgrid distribution lease.

Total expenses excluding losses of \$9.0 million and total revenue of \$21.0 million were \$0.8 million and \$1.1 million higher than the budget estimate respectively, mainly due to higher lease outgoing expenses and recoupment, which net off.

Other comprehensive income of \$2.4 million is \$5.5 million higher than the budget estimate. This is due to an actuarial gain instead of an actuarial loss on superannuation, mainly attributable to a lower discount rate used in the budget estimate. The \$2.4 million actuarial gains on superannuation liabilities are driven by the following:

- actuarial gains on superannuation liabilities of \$1.8 million driven by an increase in the discount rate to 4.4 per cent (2023: 4.1 per cent).
- actuarial loss on superannuation liabilities of \$1.0 million driven by a change on liability experience.
- investment gains of \$1.6 million on fund assets.

##### **Assets and Liabilities**

Net assets for the year were \$191.6 million, \$2.1 million lower than the budget estimate.

Total assets were \$198.7 million and \$7.6 million below the budget estimate mainly due to the Aurora Tranche 2 land disposals in 2024 as noted above.

There has been a decrease in the total liabilities of \$5.4 million compared to the budget estimate, mainly due to the higher than expected actuarial gains in 2024.

##### **Cash flows**

The actual net cash flows from operating activities resulted in an inflow of \$1.6 million, \$0.4 million above the budgeted net operating cash flows.

Cash and cash equivalents held at reporting date was \$30.2 million, \$0.4 million above the budget estimate. This is mainly due to higher interest revenue on cash deposits as a result of higher interest rates.



## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 17. NOTES TO THE STATEMENT OF CASH FLOWS

##### Reconciliation of Cash Flows from Operating Activities to Net Result

	2024	2023
	\$'000	\$'000
<b>Net cash flow from operating activities</b>	1,642	1,202
<b>Adjustments for non-cash items</b>		
Losses on disposal of assets	(7,734)	(9,096)
Superannuation actuarial (gains)	(2,431)	(799)
Finance lease income	10,699	10,566
<b>Net changes in assets and liabilities during the financial year</b>		
Increase in receivables	3	1
(Increase) in payables	(3)	(4)
Decrease in provisions	2,073	456
(Increase) in contract liabilities	(15)	(17)
<b>Net result</b>	4,234	2,309

#### 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 GSF Act.

##### Financial Instrument Categories

			2024	2023
	Notes	Category	\$'000	\$'000
<b>Financial Assets</b>				
Cash and cash equivalents	7	Amortised cost	30,205	28,563
<b>Financial Liabilities</b>				
Payables	10	Financial liabilities measured at amortised cost	53	50

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.

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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.

As at 30 June 2024, 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 *Financial Instruments* 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.

##### 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 +1 / -1 per cent is used (2023: +1 / -1 per cent).

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 18. FINANCIAL INSTRUMENTS (continued)

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.

2024	Carrying amount \$'000	-1%	Equity \$'000	+1%	Equity \$'000
		Net result \$'000		Net result \$'000	
Cash and cash equivalents	30,205	(302)	(302)	302	302
2023	Carrying amount \$'000	-1%	Equity \$'000	+1%	Equity \$'000
		Net result \$'000		Net result \$'000	
Cash and cash equivalents	28,563	(286)	(286)	286	286

#### 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 Treasury Circular (TC) 11-12 *Payment of Accounts*. 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.

	Weighted average effective interest rate %	Nominal amount \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000	< 1 Year \$'000	1 - 5 Years \$'000	> 5 Years \$'000
<b>2024</b>								
Payables	-	53	-	-	53	53	-	-
<b>Total financial liabilities</b>	-	<b>53</b>	-	-	<b>53</b>	<b>53</b>	-	-
<b>2023</b>								
Payables	-	50	-	-	50	50	-	-
<b>Total financial liabilities</b>	-	<b>50</b>	-	-	<b>50</b>	<b>50</b>	-	-

## Alpha Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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

Key management personnel (KMP) are 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. 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 their role in directing overall government policy and making 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 are required to complete annual declarations in relation to the related party transactions. All KMP have declared that neither they nor 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.

Pursuant to the Ausgrid distribution network long term lease transaction, ADMHC is the 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 and prior reporting period.

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 \$227,041 inclusive of GST (2023: \$207,232) and is shown as an administrative charge in Note 4.

#### 20. EVENTS AFTER THE REPORTING PERIOD

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 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (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).

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

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

## 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 Regulation 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](http://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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 September 2024  
SYDNEY



Treasury

# Epsilon Distribution Ministerial Holding Corporation

Financial Statements  
for the year ended 30 June 2024

**Epsilon Distribution Ministerial Holding Corporation**

**Financial Statements  
for the year ended 30 June 2024**

**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 2024* and the Treasurer's directions; and
- present fairly the Epsilon Distribution Ministerial Holding Corporation's financial position, financial performance and cash flows.



**Michael Coutts-Trotter**  
**Secretary, NSW Treasury**

17 September 2024



**Epsilon Distribution Ministerial Holding Corporation**

**Statement of Comprehensive Income  
as at 30 June 2024**

	Notes	Budget 2024 \$000	Actual 2024 \$000	Actual 2023 \$000
<b>Expenses excluding losses</b>				
Employee related expenses	4(a)	185	220	246
Operating expenses	4(b)	3,166	2,686	2,728
<b>Total expenses excluding losses</b>		<b>3,351</b>	<b>2,906</b>	<b>2,974</b>
<b>Revenue</b>				
Investment revenue	5(a)	2,580	2,651	2,347
Contract service revenue	5(b)	3,534	3,045	3,072
<b>Total Revenue</b>		<b>6,114</b>	<b>5,696</b>	<b>5,419</b>
Losses on disposal	6	-	(32)	(19)
<b>Net result</b>		<b>2,763</b>	<b>2,758</b>	<b>2,426</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to net result in subsequent periods</i>				
Superannuation actuarial gains/(losses)	15(ii)	(2,815)	2,215	1,505
<b>Total other comprehensive income</b>		<b>(2,815)</b>	<b>2,215</b>	<b>1,505</b>
<b>Total comprehensive income</b>		<b>(52)</b>	<b>4,973</b>	<b>3,931</b>

The accompanying notes form part of these financial statements.

**Epsilon Distribution Ministerial Holding Corporation**

**Statement of Financial Position  
as at 30 June 2024**

	Notes	Budget 2024 \$000	Actual 2024 \$000	Actual 2023 \$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	11,907	11,966	10,391
Receivables	8	-	-	707
<b>Total current assets</b>		<b>11,907</b>	<b>11,966</b>	<b>11,098</b>
<b>Non-current assets</b>				
Other financial assets	9	35,411	35,377	33,238
<b>Total non-current assets</b>		<b>35,411</b>	<b>35,377</b>	<b>33,238</b>
<b>Total assets</b>		<b>47,318</b>	<b>47,343</b>	<b>44,336</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	10	103	98	92
Contract liabilities	11	636	636	613
<b>Total current liabilities</b>		<b>739</b>	<b>734</b>	<b>705</b>
<b>Non-current liabilities</b>				
Provisions	12	7,548	3,406	5,401
<b>Total non-current liabilities</b>		<b>7,548</b>	<b>3,406</b>	<b>5,401</b>
<b>Total liabilities</b>		<b>8,287</b>	<b>4,140</b>	<b>6,106</b>
<b>Net assets</b>		<b>39,031</b>	<b>43,203</b>	<b>38,230</b>
<b>Equity</b>				
Accumulated funds		39,031	43,203	38,230
<b>Total equity</b>		<b>39,031</b>	<b>43,203</b>	<b>38,230</b>

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 2024**

	Notes	Accumulated funds \$000	Total equity \$000
<b>Balance at 1 July 2023</b>		<b>38,230</b>	<b>38,230</b>
Net result for the year		2,758	2,758
<b>Other comprehensive income</b>			
Superannuation actuarial gains/(losses)	15(ii)	2,215	2,215
<b>Total other comprehensive income</b>		<b>2,215</b>	<b>2,215</b>
<b>Total comprehensive income for the year</b>		<b>4,973</b>	<b>4,973</b>
<b>Balance at 30 June 2024</b>		<b>43,203</b>	<b>43,203</b>
<b>Balance at 1 July 2022</b>		<b>34,299</b>	<b>34,299</b>
Net result for the year		2,426	2,426
<b>Other comprehensive income</b>			
Superannuation actuarial gains/(losses)	15(ii)	1,505	1,505
<b>Total other comprehensive income</b>		<b>1,505</b>	<b>1,505</b>
<b>Total comprehensive income for the year</b>		<b>3,931</b>	<b>3,931</b>
<b>Balance at 30 June 2023</b>		<b>38,230</b>	<b>38,230</b>

The accompanying notes form part of these financial statements.

**Epsilon Distribution Ministerial Holding Corporation**

**Statement of Cash Flows  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$000	Actual 2024 \$000	Actual 2023 \$000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Suppliers for goods and services		(3,142)	(709)	(1,188)
<b>Total Payments</b>		<b>(3,142)</b>	<b>(709)</b>	<b>(1,188)</b>
<b>Receipts</b>				
Sale of goods and services		4,251	1,804	875
Interest received		407	480	307
<b>Total Receipts</b>		<b>4,658</b>	<b>2,284</b>	<b>1,182</b>
<b>Net cash flows from operating activities</b>	14	<b>1,516</b>	<b>1,575</b>	<b>(6)</b>
<b>Net cash flows from investing activities</b>		-	-	-
<b>Net cash flows from financing activities</b>		-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,516</b>	<b>1,575</b>	<b>(6)</b>
Opening cash and cash equivalents		10,391	10,391	10,397
<b>Closing cash and cash equivalents</b>	7	<b>11,907</b>	<b>11,966</b>	<b>10,391</b>

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 2024

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## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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 since 14 June 2017 (as profit is not its principal objective). Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

These financial statements for the year ended 30 June 2024 have been 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 Edwards consortium 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 obligation remaining with the EDMHC relates to retired employees.

On 9 May 2023, AMP Capital (holding on behalf of REST Industry Super) announced that it had agreed to divest its 12.6% stake to a fund managed by Macquarie Asset Management.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION

##### Basis of preparation

The entity's financial statements are general purpose financial statements which have been prepared 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 requirements of the *Government Finance Regulation 2024*
- 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 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 assets including the associated land. At the end of the lease the land will revert back to the EDMHC. The lease option to extend the lease for a further 99 years after the lease has expired by the NSW Government has not been included at this stage due to uncertainty. 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 comprises of the unguaranteed residual value of the lease 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 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.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (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.

##### **Going concern**

The EDMHC's financial statements have been prepared on a going concern basis. It is expected that the EDMHC has adequate cash holdings 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 when required. Section 6.21 (2) and (5) of the GSF Act states that the Treasurer may provide funding to or repay debts of EDMHC (being a GSF agency) if required.

##### **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.

##### **Statement of compliance**

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



## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

###### *i. Effective for the first time in FY2023-24*

The accounting policies applied in FY2023-24 are consistent with those of the previous financial year.

There were no new or amended standards commencing in FY2023-24 which have a material impact on EDMHC. 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 the EDMHC.

###### *ii. Issued but not yet effective*

As mandated by Policy and Guidelines TPG24-06 *Mandates of options and major policy decisions under Australian Accounting Standards*, EDMHC has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative for annual periods beginning on or after 1 January 2024)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative for annual periods beginning on or after 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative for annual periods beginning on or after 1 January 2024)
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative for annual periods beginning on or after 1 January 2024)
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative for annual periods beginning on or after 1 January 2025)

##### **AASB 18 Presentation and Disclosure in Financial Statements**

AASB 18 *Presentation and Disclosure in Financial Statements* was issued on 14 June 2024, with an operative date of 1 January 2028 for not-for-profit public sector entities. AASB 18 will supersede AASB 101 *Presentation of Financial Statements*. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (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.

##### **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
<b>Lease outgoing recoupment</b>	<p>Relates to council rates and other lease outgoings recouped from the lessees under the 99-year finance lease.</p> <p>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.</p> <p>Performance obligations are completed over time. Payment from the customer is typically due within 30 days after the service provision.</p>	<p>Revenue is recognised when the lease outgoings are paid and is measured based on the amount paid.</p> <p>No significant element of financing is deemed present as payments are made within six months after the service delivery on average.</p>
<b>Contract service income</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Performance obligations are completed over time. Annual payment is normally due in June each year.</p>	<p>Revenue is recognised when the services are provided.</p> <p>No significant element of financing is deemed present as payments are made within six months before the service delivery on average.</p>

##### **Investment revenue**

Investment revenue relates to interest revenue and finance income from the lease.

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*. It mainly relates to the unwinding of the interest rate on the finance lease receivable.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Assets

##### 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 *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 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, the 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. The lease option to extend the lease for a further 99 years after the lease has expired by the NSW Government has not been included at this stage due to uncertainty.

###### *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 of the leased asset.

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

In accordance with TPP 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 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 *Leases* paragraph 77. The future values of the land disposed are shown in Note 9 and the gains or losses on sale of the land are reflected in Note 6.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Derecognition of financial assets

A financial asset (or part thereof) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the EDMHC transfers the financial assets:

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

##### Liabilities

##### 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 or when the payment is due (whichever is earlier) 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.

In accordance with AASB 119 *Employee Benefits*, the defined benefit superannuation scheme's 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 a profit or 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 in 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 a different lender or 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 equivalent and other taxes

Following the sale of the discontinued operations and the EDMHC's conversion to a General Government Sector Entity, the EDMHC is no longer subject to the National Tax Equivalent Regime. The EDMHC is wholly owned by the NSW Government and is exempt from all forms of taxation except for the Goods and Services Tax (GST). Fringe Benefits Tax is not relevant as EDMHC has no staff.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Statement of Cash Flows

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.

##### Impact of Climate-related matters on Financial Reporting for 2023-24

Management has considered potential impacts of climate related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on the EDMHC's preparation of:

- Receivables and financial assets
- Financial instruments
- Expected credit losses
- Provisions and contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Estimation uncertainty and significant judgements

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 4. EXPENSES EXCLUDING LOSSES

	2024	2023
	\$000	\$000
<b>a) Employee related expenses</b>		
Superannuation - defined benefits expense <sup>(i)</sup>	220	246
<b>Total</b>	220	246
<b>b) Other operating expenses</b>		
Lease outgoing expenditure	2,401	2,471
Administrative charge <sup>(ii)</sup>	206	188
Audit fees - audit of financial statements	79	69
<b>Total</b>	2,686	2,728
<b>Total expenses excluding losses</b>	2,906	2,974

Expenses are recognised when incurred.

##### ***(i) Superannuation – defined benefits expense***

In the FY2023-24, the employee related expenses are now reported as a separate category line. The expenses relate to former Endeavour employees as no staff are employed directly by EDMHC.

##### ***(ii) Administrative charge***

The EDMHC have no employees. Finance Officers of the NSW Treasury provide administrative services, including the preparation of the EDMHC financial statement disclosed in Note 19(c).

#### 5. REVENUE

<b>(a) Investment revenue</b>		
Interest income	480	307
Finance income on the net investment in the lease <sup>(i)</sup>	2,171	2,040
	2,651	2,347
<b>(b) Contract service revenue</b>		
Lease outgoing recoupment <sup>(ii)</sup>	2,401	2,471
Contract service income <sup>(iii)</sup>	644	601
	3,045	3,072
<b>Total revenue</b>	5,696	5,419

##### ***(i) Finance income on the net investment in the lease***

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.

##### ***(ii) Lease outgoing recoupment***

This relates to council rates and other lease outgoings recouped from the lessee under the 99-year finance lease.

##### ***(iii) 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 specific performance obligations are specified under the enforceable network lease contract.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 6. LOSSES ON DISPOSAL

	2024	2023
	\$000	\$000
Loss on disposal of assets for which finance leases are entered into as a lessor	(32)	(19)
<b>Total</b>	<b>(32)</b>	<b>(19)</b>

Under the lease agreement, the lessee is permitted to sell land which forms part of the leased assets when deemed surplus to requirements after seeking approval from NSW Treasury. 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	11,966	10,391
<b>Total</b>	<b>11,966</b>	<b>10,391</b>

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)	11,966	10,391
Closing cash and cash equivalents (per Statement of Cash Flows)	11,966	10,391

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

#### 8. RECEIVABLES

<b>Current</b>		
Other receivables	-	707
<b>Total</b>	<b>-</b>	<b>707</b>

Details regarding credit risk, liquidity risk and market risk of the above receivables are disclosed in Note 13.

#### 9. OTHER FINANCIAL ASSETS

<b>Non-current</b>		
Finance lease receivable <sup>(i)</sup>	35,377	33,238
<b>Total</b>	<b>35,377</b>	<b>33,238</b>

##### **(i) Finance lease receivable**

Pursuant to the long-term lease transaction, the EDMHC is the lessor and Endeavour Energy Asset Partnership is the 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.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 9. OTHER FINANCIAL ASSETS (continued)

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 \$11.9 billion (\$12.7 billion at inception), using an annual indexation of 3.61 per cent. The present value at inception of the lease was \$24.1 million, discounted at nominal pre-tax discount rate of 6.54 per cent. Finance income of \$2.2 million (2023: \$2.0 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 three clauses relevant to land improvements, additional land transactions and the option to extend the lease:

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.
3. the EDMHC has the option to extend the lease for a further 99 years at expiration of the current lease or allow the current lease to expire. Such notice must be given 10 years prior to the end of the lease term. The lease extension is not factored into the current calculation as exercise is not certain at this stage.

<b>Reconciliation of net investment in lease</b>	<b>2024</b>	<b>2023</b>
	<b>\$000</b>	<b>\$000</b>
Unguaranteed residual amounts - undiscounted	11,944,408	11,955,790
Less: unearned finance income	(11,909,031)	(11,922,552)
Net investment in finance leases	<b>35,377</b>	<b>33,238</b>

<b>Reconciliation of unguaranteed residual amounts (undiscounted)</b>		
Opening balance	11,955,790	11,962,820
Less disposal - partial surrender of the lease	(11,382)	(7,030)
Closing balance	<b>11,944,408</b>	<b>11,955,790</b>

#### 10. PAYABLES

<b>Current</b>		
Accruals	59	53
GST payable	39	39
<b>Total</b>	<b>98</b>	<b>92</b>

GST receivable and payable were netted off in 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.



## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 11. CONTRACT LIABILITIES

	2024 \$000	2023 \$000
<b>Current contract liabilities</b>		
Unearned revenue	636	613
<b>Total</b>	<b>636</b>	<b>613</b>
<b>Contract liabilities reconciliation</b>		
Opening balance	613	571
Contract service invoiced/received	667	643
Revenue recognised upon performance obligation fulfilled - refer to Note 5(b)	(644)	(601)
Closing balance	<b>636</b>	<b>613</b>
Revenue recognised that was included in the contract liability balance at the beginning of the year	613	571
Transaction price allocated to the remaining performance obligations from the contract with customers	636	613

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 FY2024-25.

#### 12. PROVISIONS

<b>Non-Current</b>		
Superannuation Liability	3,406	5,401
<b>Total</b>	<b>3,406</b>	<b>5,401</b>

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.

#### 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 GSF Act.

			Carrying Amount	
			2024 \$000	2023 \$000
<b>Financial assets</b>				
Cash and cash equivalents	7	Amortised cost	11,966	10,391
Receivables <sup>(i)</sup>	8	Amortised cost	-	707
<b>Financial liabilities</b>				
Payables	10	Financial liabilities measured at amortised cost	59	53

*(i) 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.*

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 13. FINANCIAL INSTRUMENTS (continued)

##### 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 2024, the EDMHC has exposure to the following risks:

- Credit risk
- Market 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.

##### 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 *Financial Instruments* 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.

**Epsilon Distribution Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**13. 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 EDMHC's net result and equity due to a reasonably possible change in risk variable is outlined below. A reasonably possible change of -1.0 per cent and +1.0 per cent were used (FY2023: +1.0 / -1.0 per cent). 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.

2024	Carrying amount \$'000	Net result \$'000	-1.0%	+1.0%
			Equity \$'000	Equity \$'000
Cash and cash equivalents	11,966	(120)	(120)	120

2023	Carrying amount \$'000	Net result \$'000	-1.0%	+1.0%
			Equity \$'000	Equity \$'000
Cash and cash equivalents	10,391	(104)	(104)	104

**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 *Payment of Accounts*. 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.

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

	Weighted average effective interest rate %	Nominal amount \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000	< 1 Year \$'000	1 - 5 Years \$'000	> 5 Years \$'000
<b>2024</b>								
Payables	-	59	-	-	59	59	-	-
<b>Total financial liabilities</b>	-	<b>59</b>	-	-	<b>59</b>	<b>59</b>	-	-
<b>2023</b>								
Payables	-	53	-	-	53	53	-	-
<b>Total financial liabilities</b>	-	<b>53</b>	-	-	<b>53</b>	<b>53</b>	-	-

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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:

	2024 \$000	2023 \$000
<b>Net cash flows from operating activities</b>	1,575	(6)
<b>Adjustments for non-cash items</b>		
Superannuation actuarial (gains)	(2,215)	(1,505)
Finance lease income	2,171	2,040
Losses on disposal of assets	(32)	(19)
<b>Net changes in assets and liabilities during the financial year</b>		
Increase/(decrease) in receivables	(707)	707
(Increase) in payables	(6)	(8)
Decrease in provisions	1,995	1,259
(Increase) in contract liabilities	(23)	(42)
<b>Net result</b>	<b>2,758</b>	<b>2,426</b>

#### 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 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 EDMHC's superannuation defined benefit funds are provided by the funds' 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 that remains with the EDMHC relates to retired employees.

##### Nature of the benefits provided by the Fund

The Construction and Building Unions Superannuation Fund (Cbus) Pool B Subdivision of the Defined Benefits Section provides defined benefits. The defined benefit members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. A component of the defined benefit member's final benefit is derived from a multiple of salary and years of membership. These Divisions are closed to new members except for members of eligible schemes who can transfer their entitlements into Cbus.

Disclosures below are prepared in relation to Pool B Subdivision of the Defined Benefits Section of Cbus, this subdivision are referred to as "the Fund" hereafter.

##### Regulatory Framework

On 12 May 2023, the defined benefit plan that remained with the EDMHC was transferred from the Energy Industries Superannuation Scheme (EISS) to Cbus by way of a Successor Fund Transfer. As a result, all EISS members as at 12 May 2023 are now members of Cbus.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

The former EISS 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. Following legislative amendment contained in the *Treasury and Energy Legislation Amendment Act 2022* and making of the *Superannuation Administration (Cbus Transitional Provisions) Regulation 2022* all EISS members were transferred to Cbus in May 2023. The Fund 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.

APRA has determined that Cbus will be required to conduct annual actuarial valuations. The first valuation under Cbus was performed as at 30 June 2023. The next actuarial valuation is due to be performed as at 30 June 2024.

#### Governance

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

- Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund's rules
- Management and investment of the Fund assets
- Compliance with other applicable regulations
- Compliance with the Trust Deed.

#### Risk exposure

There are a number of risks to which the Fund exposes participating employers. 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 which increase the cost of providing the defined benefits.

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

**Epsilon Distribution Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)**

<b>Member numbers</b>	<b>2024</b>	<b>2023</b>
Contributions	-	-
Deferred benefits	2	2
Pensioners	87	91

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

	<b>2024</b>	<b>2023</b>
	<b>\$000</b>	<b>\$000</b>
Net interest	(220)	(246)
<b>Total net expense</b>	<b>(220)</b>	<b>(246)</b>

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

Actuarial gains/(losses) on liabilities	1,015	(117)
Actuarial gains on assets	1,200	1,622
<b>Total actuarial gains</b>	<b>2,215</b>	<b>1,505</b>

**(iii) Reconciliation of the superannuation net (liability)**

<b>Net (liability) at the beginning of the year</b>	<b>(5,401)</b>	<b>(6,660)</b>
Net interest (expense) on the net defined benefit (liability)	(220)	(246)
Return on plan assets, excluding amounts included in interest income	1,200	1,622
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
Actuarial (losses) arising from changes in financial assumptions	(289)	(1,295)
Actuarial gains arising from liability experience	1,304	1,178
<b>Net (liability) at the end of the year</b>	<b>(3,406)</b>	<b>(5,401)</b>

**(iv) Reconciliation of the defined benefit obligation**

<b>Present value of defined benefit obligations at the beginning of the period</b>	<b>(61,284)</b>	<b>(62,488)</b>
Benefits paid	3,445	3,399
Taxes, premiums and expenses paid	152	162
Interest (expense)	(2,421)	(2,240)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
Actuarial gains arising from changes in financial assumptions	1,304	1,178
Actuarial (losses) arising from liability experience	(289)	(1,295)
<b>Present value of defined benefit obligations at the end of the period</b>	<b>(59,093)</b>	<b>(61,284)</b>

**(v) Reconciliation of the fair value of fund assets**

<b>Fair value at the beginning of the period</b>	<b>55,883</b>	<b>55,828</b>
Benefits paid	(3,445)	(3,399)
Taxes, premiums and expenses paid	(152)	(162)
Interest income	2,201	1,994
Actual return on fund assets less interest income	1,200	1,622
<b>Fair value at the end of the period</b>	<b>55,687</b>	<b>55,883</b>

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

##### Fair value of fund assets

The Fund's assets are invested in four Reserves (i.e. an Employer Reserve, a Contributor Reserve, a Deferred Reserve and an Other Reserve) the total of which is shown in the table below.

There are no Employer 'sub-funds' in the Fund; however, the Fund's administrator maintains a notional defined benefit asset account in respect of each Employer, which facilitates tracking of each Employer's funding status and contribution requirements.

The bulk of the assets held in the other reserves are invested in accordance with members' investment choices.

##### Pool B Subdivision of Cbus

	2024 \$000	2023 \$000
Fair value of fund assets		
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,789,757	1,794,453
Level 3 - Unobservable inputs	-	-
<b>Total</b>	<b>1,789,757</b>	<b>1,794,453</b>

**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.

The percentage invested in each asset class at the reporting date is:

Asset Category*	2024 %	2023 %
Alternatives	Nil	13%
Australian Equities	17%	14%
Global Equities	22%	23%
Property	11%	16%
Infrastructure	13%	10%
Global Credit	8%	Nil
Australian Fixed Interest	11%	Nil
Global Fixed Interest	11%	Nil
Private Equity	Nil	3%
Cash	7%	10%
Fixed Income	Nil	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>

\* Due to the transfer of the defined benefit plan from EISS to Cbus the asset categories have changed compared to prior year.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 15. SUPERANNUATION – DEFINED BENEFITS PLAN (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 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

	2024	2023
Discount rate	4.36% pa	4.07% pa
Expected salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI increase	4.25% for 2024/25 3.0% for 2025/26, 2.75% for 2026/27, then 2.5% pa	6.60% for 2023/24, 4.75% for 2024/25, 3.00% for 2025/26, 2.75% for 2026/27, then 2.50% pa
Pensioner mortality	Mercer standard pensioner mortality tables have been used. These rates are based on the mortality experience of Australian Public Sector pensioners over the years 2012 to 2017, including improvement rates based on Australian Life Tables 2015-17.	The pensioner mortality rates used are as per the actuarial investigation of the Scheme as at 30 June 2021 (the rates are disclosed in the actuarial investigation available from the Trustee website). The pension mortality rates are based on experience of the Australian public sector.

#### Sensitivity analysis

The EDMHC's total defined benefit obligation as at 30 June 2024 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.



**Epsilon Distribution Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)**

**As at 30 June 2024**

	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	4.36% pa	3.36% pa	5.36% pa
Rate of CPI increase	as above	as above	as above
Defined benefit obligation (\$000)	59,093	66,250	53,380
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	4.36% pa	4.36% pa	4.36% pa
Rate of CPI increase	as above	as above + 0.5% pa	as above - 0.5% pa
Defined benefit obligation (\$000)	59,093	62,418	55,990
	<b>Base Case</b>	<b>Scenario E Lower pensioner mortality rates*</b>	<b>Scenario F Higher pensioner mortality rates**</b>
Defined benefit obligation (\$000)	59,093	67,649	51,222

\* Assumes mortality rates, including future improvements, as if the pensioner were 3 years younger than actual.

\*\* Assumes mortality rates, including future improvements, as if the pensioner were 3 years older than actual.

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

**As at 30 June 2023**

	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	4.07% pa	3.07% pa	5.07% pa
Rate of CPI increase	as above	as above	as above
Defined benefit obligation (\$000)	61,284	69,508	54,565
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	4.07% pa	4.07% pa	4.07% pa
Rate of CPI increase	as above	as above + 0.5% pa	as above - 0.5% pa
Defined benefit obligation (\$000)	61,284	65,056	57,780
	<b>Base Case</b>	<b>Scenario E Lower pensioner mortality rates*</b>	<b>Scenario F Higher pensioner mortality rates**</b>
Defined benefit obligation (\$000)	61,284	62,233	61,183

\* Assumes short-term pensioner mortality improvement factors for the years 2021 to 2027 also apply for the years after 2027.

\*\* Assumes long-term pensioner mortality improvement factors for the years post 2027 also apply for the years 2021 to 2027.

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

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

##### Asset – liability matching strategies

The Employer Reserve assets are managed via a framework designed to gradually reduce investment risk as the defined benefit liabilities mature over time.

##### Funding arrangements

Funding arrangements are usually reviewed at least every three years following the release of an actuarial review; however, APRA has determined Cbus will be required to conduct an annual valuation. Funding arrangements were last reviewed as at 30 June 2023, following the completion of Cbus's first actuarial investigation of the Fund. 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.

##### Net surplus

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

	2024 \$000	2023 \$000
Accrued benefits	(49,664)	(46,517)
Net market value of Fund assets	55,687	55,883
<b>Net surplus</b>	<b>6,023</b>	<b>9,366</b>

The AASB 1056 results shown above are based on the financial assumptions used for the 30 June 2023 actuarial investigation. The economic assumptions under AASB 1056 are different from the assumptions used under AASB 119 *Employee Benefits*. For the AASB 1056 financial assumptions, please refer to the economic assumptions section for details.

	2024	2023
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.

	2024	2023
Expected rate of return on fund assets backing current pension liabilities	5.9% pa	6.1% pa
Expected rate of return on fund assets backing other liabilities	5.9% pa	6.1% pa
Expected rate of CPI Increase	3.5% for 2024/25, 2.5% pa thereafter	2.5% pa

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

##### Expected contributions

As at 30 June 2024

	\$'000
Expected employer contributions to be paid in the period 1 July 2024 to 30 June 2025	-

As at 30 June 2023

	\$'000
Expected employer contributions to be paid in the period 1 July 2023 to 30 June 2024	-

##### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 10 years (2023: 11 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 uncertain economic environment of high inflation and interest rates, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 *Employee Benefits* Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056 *Superannuation Entities*, 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 the Fund's assets in current financial conditions, sensitivities to this assumption for the AASB 1056 results in the table below (results for 2023 shown for comparative purposes).

2024	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)	5.9% pa	5.4% pa	6.4% pa
Rate of CPI increase	3.5% for 2024/25, 2.5% pa thereafter	3.5% for 2024/25, 2.5% pa thereafter	3.5% for 2024/25, 2.5% pa thereafter
Accrued Benefits (\$000)	49,664	51,982	47,513
2023	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)	6.1% pa	5.6% pa	6.6% pa
Rate of CPI increase	2.5% pa	2.5% pa	2.5% pa
Accrued Benefits (\$000)	46,517	48,731	44,465

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 16. COMMITMENTS

The EDMHC does not have capital expenditure commitments as at the reporting date (2023: 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 (2023: nil).

#### 18. BUDGET REVIEW

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 transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

##### Net result

For the year ended 30 June 2024, EDMHC made a net profit of \$2.8 million which was in line with the budget.

Total expenses excluding losses of \$2.9 million was \$0.4 million below the budget. Total revenue of \$5.7 million was \$0.4 million below the budget, due to lower lease outgoings for council rates and corresponding council rates recoupment.

Other comprehensive income of \$2.2 million is \$5 million higher than budget, mainly due to changes in financial assumptions and actual return on Fund assets less interest income. The \$2.2 million actuarial gains on superannuation liabilities are driven by the following:

- Actuarial gains on superannuation liabilities of \$1.3 million was driven by an increase in the discount rate to 4.36 per cent (2023: 4.07 per cent).
- Actuarial losses on superannuation liabilities of \$0.3 million (2023: \$1.3 million loss) was driven by a deterioration of liability experience.
- Investment profit of \$1.2 million (2023: \$1.6 million) on fund assets.

##### Assets and Liabilities

Net assets for the year were \$43.2 million, \$4.2 million higher than the budget.

Total assets of \$47.3 million was in line with the budget.

There was a decrease in the total liabilities of \$4.1 million compared to budget. This is mainly attributable to decreases in the superannuation liabilities driven by lower inflation assumptions, increased discount rate and actual return on Fund assets.

##### Cash flows

The actual net cash flows from operating activities and cash held at reporting date was \$0.1 million higher than the budget.

## Epsilon Distribution Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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 EDMHC 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.

##### (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. All KMPs have declared that neither they, nor their close family members, have made any transactions with the Company 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.

Pursuant to the Endeavour Energy distribution network long term lease transaction, EDMHC is the 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 and prior 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 \$227,041 inclusive of GST (2023: \$207,232) and is shown as an administrative charge exclusive of GST in Note 4.

#### 20. EVENTS AFTER THE REPORTING PERIOD

There are no 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 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (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).

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

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

## 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 Regulation 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](http://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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 September 2024  
SYDNEY



Treasury

# Electricity Assets Ministerial Holding Corporation

Financial Statements  
for the year ended 30 June 2024



**Electricity Assets Ministerial Holding Corporation**

**Financial Statements  
for the year ended 30 June 2024**

**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 2024* and the Treasurer's directions; and
- (b) present fairly Electricity Assets Ministerial Holding Corporation's financial position, financial performance, and cash flows.



**Michael Coutts-Trotter**  
Secretary, NSW Treasury

17 September 2024

**Electricity Assets Ministerial Holding Corporation**

**Statement of Comprehensive Income  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Expenses</b>				
Operating expenses	3	535	8,072	655
Grants and subsidies	4	3,044	3,000	10,500
Finance costs	10	2,043	1,040	638
<b>Total expenses</b>		<u>5,621</u>	<u>12,112</u>	<u>11,793</u>
<b>Revenue</b>				
Investment revenue	5	4,152	5,201	3,696
Contract revenue	6	143	44	351
Other revenue	6	-	756	(116)
<b>Total revenue</b>		<u>4,295</u>	<u>6,001</u>	<u>3,931</u>
<b>Net result</b>		<u>(1,327)</u>	<u>(6,111)</u>	<u>(7,862)</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>(1,327)</u>	<u>(6,111)</u>	<u>(7,862)</u>

The accompanying notes form part of these financial statements.

## Electricity Assets Ministerial Holding Corporation

### Statement of Financial Position as at 30 June 2024

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	120,219	122,467	123,823
Receivables	8	791	852	811
<b>Total current assets</b>		<u>121,010</u>	<u>123,319</u>	<u>124,634</u>
<b>Non-current assets</b>				
Receivables	8	2,915	3,661	3,057
<b>Total non-current assets</b>		<u>2,915</u>	<u>3,661</u>	<u>3,057</u>
<b>Total assets</b>		<u>123,925</u>	<u>126,980</u>	<u>127,691</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	9	78	83	81
Provision for outstanding claims	10	4,179	6,514	4,398
<b>Total current liabilities</b>		<u>4,257</u>	<u>6,597</u>	<u>4,479</u>
<b>Non-current liabilities</b>				
Provision for outstanding claims	10	43,027	48,526	45,244
<b>Total non-current liabilities</b>		<u>43,027</u>	<u>48,526</u>	<u>45,244</u>
<b>Total liabilities</b>		<u>47,284</u>	<u>55,123</u>	<u>49,723</u>
<b>Net assets</b>		<u>76,641</u>	<u>71,857</u>	<u>77,968</u>
<b>Equity</b>				
Accumulated funds		76,641	71,857	77,968
<b>Total equity</b>		<u>76,641</u>	<u>71,857</u>	<u>77,968</u>

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 2024**

	<b>Accumulated funds \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 July 2023</b>	<b>77,968</b>	<b>77,968</b>
Net result for the year	(6,111)	(6,111)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>(6,111)</b>	<b>(6,111)</b>
<b>Balance at 30 June 2024</b>	<b>71,857</b>	<b>71,857</b>
<b>Balance at 1 July 2022</b>	<b>85,830</b>	<b>85,830</b>
Net result for the year	(7,862)	(7,862)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>(7,862)</b>	<b>(7,862)</b>
<b>Balance at 30 June 2023</b>	<b>77,968</b>	<b>77,968</b>

The accompanying notes form part of these financial statements.

## Electricity Assets Ministerial Holding Corporation

### Statement of Cash Flows for the year ended 30 June 2024

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Claim payments	10	(4,019)	(3,013)	(2,952)
Grants and subsidies	4	(3,044)	(3,000)	(10,500)
Other		(1,496)	(1,179)	(1,226)
<b>Total payments</b>		<u>(8,559)</u>	<u>(7,192)</u>	<u>(14,678)</u>
<b>Receipts</b>				
Interest received	5	4,152	5,201	3,696
Other		802	635	590
<b>Total receipts</b>		<u>4,954</u>	<u>5,836</u>	<u>4,286</u>
<b>Net cash flows used in operating activities</b>	11	<u>(3,604)</u>	<u>(1,356)</u>	<u>(10,392)</u>
<b>Net cash flows from investing activities</b>		-	-	-
<b>Net cash flows from financing activities</b>		-	-	-
<b>Net (decrease) in cash</b>		<u>(3,604)</u>	<u>(1,356)</u>	<u>(10,392)</u>
Opening cash and cash equivalents		123,823	123,823	134,215
<b>Closing cash and cash equivalents</b>	7	<u>120,219</u>	<u>122,467</u>	<u>123,823</u>

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 2024

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## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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 (GSP), 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, and 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 (as profit is not its principal objective). Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

These financial statements for the year ended 30 June 2024 have been 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 MATERIAL ACCOUNTING POLICY INFORMATION

##### 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 (ASS) (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (the GSF Act)
- the requirements of the *Government Sector Finance Regulation 2024*
- 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 where specified otherwise.

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian dollars, 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 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 is the growth in average claim size over time above normal wage and cost inflation. It includes trends in judicial precedents and increases in the costs of obtaining medical services.

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.

##### 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* states that the Treasurer may provide funding to EAMHC in any way that the Treasurer considers appropriate.

##### 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.

##### Statement of compliance

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



## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

*i. Effective for the first time in FY2023-24*

The accounting policies applied in 2023-24 are consistent with those of the previous financial year.

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 EAMHC.

*ii. Issued but not yet effective*

As mandated by NSW Treasury Policy and Guidelines TPG24-06 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, EAMHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

Management has 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 EAMHC:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative date 1 January 2024)
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative date 1 January 2025)

##### **AASB 18 Presentation and Disclosure in Financial Statements**

AASB 18 *Presentation and Disclosure in Financial Statements* was issued on 14 June 2024, with an operative date of 1 January 2028 for not-for-profit public sector entities. AASB 18 will supersede AASB 101 *Presentation of Financial Statements*. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.

##### **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 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.

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 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.

#### **Grants and subsidies**

Grants and subsidies expenses comprise of cash contributions provided to GPM. They are recognised as an expense when they are paid.

#### **Finance costs**

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

#### **ASSETS**

#### **Receivables**

##### *Trade and other receivables*

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

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The EAMHC'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.

It is EAMHC's accounting policy to recognise 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 EAMHC applies a simplified approach in calculating ECLs. The EAMHC recognises a loss allowance based on lifetime ECLs at each reporting date. At 30 June 2024, the lifetime ECL is \$Nil (2023 - \$Nil) based on the historical pattern, accordingly no credit losses allowance is required at reporting date.

##### *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 part thereof) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the EAMHC transfers the financial assets:

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

#### **LIABILITIES**

##### **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.

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

#### **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 equivalent and other taxes**

The EAMHC 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 (GST).

#### **Statement of Cash Flows**

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.

#### **Impact of Climate-related matters on Financial Reporting for 2023-24**

Management has considered potential impacts of climate related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on the EAMHC's preparation of:

- Receivables and financial assets
- Financial instruments
- Expected credit losses
- Provisions and contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Estimation uncertainty and significant judgements

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. OPERATING EXPENSES

	Notes	2024 \$'000	2023 \$'000
<b>Claims expenses</b>			
Adjustment to existing outstanding claims <sup>(i)</sup>	10	7,371	(63)
		<b>7,371</b>	<b>(63)</b>
<b>Management fees</b>			
Management fees <sup>(ii)</sup>		208	231
		<b>208</b>	<b>231</b>
<b>Other operating expenses</b>			
Actuarial expenses		91	101
Audit fees - audit of financial statements		69	66
Data Warehouse		51	57
Administrative charge <sup>(iii)</sup>		206	188
Storage costs		32	33
Other		44	42
		<b>493</b>	<b>487</b>
<b>Total operating expenses</b>		<b>8,072</b>	<b>655</b>

**(i) Adjustment to existing outstanding claims**

Actuarially determined 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.

In 2024 the adjustment led to an increase to existing outstanding claims due to a \$8.4 million increase in actuarial loss on claims, as a result of an increase in the inflation assumption and claim case estimates, offset by \$1.0 million impact from an increase in the discount rate.

**(ii) 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.

**(iii) Administrative charge**

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.

#### 4. GRANTS AND SUBSIDIES

**Grants and subsidies**

Grants to GPM	3,000	10,500
	<b>3,000</b>	<b>10,500</b>

The *Electricity Generator Assets (Authorised Transactions) Regulation 2016* allows EAMHC to provide funding to a transaction company to carry out its activities. 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 approved business plan.

**Electricity Assets Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**5. INVESTMENT REVENUE**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank interest	5,201	3,696
	<b>5,201</b>	<b>3,696</b>

**6. CONTRACT AND OTHER REVENUE**

<b>Contract revenue</b>		
Petroleum exploration royalty <sup>(i)</sup>	44	351
	<b>44</b>	<b>351</b>
<b>Other revenue</b>		
Recovery revenue <sup>(ii)</sup>	756	(116)
	<b>756</b>	<b>(116)</b>

**(i) Petroleum exploration royalty**

As of August 2023, AGL has ceased any gas exploration and production relating to the Gas Supply Agreement. Hence, no further royalty income is expected to be generated, unless AGL resumes gas exploration and production in the future.

**(ii) Recovery revenue**

Includes actuarial revisions to the outstanding claim recoveries which represents an increase/(decrease) in the outstanding claim recoveries receivable.

**7. CASH AND CASH EQUIVALENTS**

Cash at bank	122,467	123,823
	<b>122,467</b>	<b>123,823</b>

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)	122,467	123,823
Closing cash and cash equivalents (per Statement of Cash Flows)	122,467	123,823

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

**Electricity Assets Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**8. RECEIVABLES**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Receivables</b>		
Expected future recoveries (discounted)	4,078	3,346
Petroleum exploration royalty	-	29
GST receivables	435	493
	<b>4,513</b>	<b>3,868</b>
Current	852	811
Non-current	3,661	3,057
	<b>4,513</b>	<b>3,868</b>

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**

Claims payable	25	24
Other	58	57
	<b>83</b>	<b>81</b>

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

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 10. PROVISIONS FOR OUTSTANDING CLAIMS

	Dust Disease \$'000	Non Dust Disease \$'000	2024 Total \$'000	2023 Total \$'000
Opening balance	43,494	6,148	49,642	52,019
Payments	(1,477)	(1,536)	(3,013)	(2,952)
Actuarial (gain)/loss	6,355	2,017	8,372	1,063
Change in the discount rate	(894)	(107)	(1,001)	(1,126)
Unwinding of discounts	789	251	1,040	638
<b>Closing balance</b>	<b>48,267</b>	<b>6,773</b>	<b>55,040</b>	<b>49,642</b>
Current	5,800	714	6,514	4,398
Non-current	42,467	6,059	48,526	45,244
	<b>48,267</b>	<b>6,773</b>	<b>55,040</b>	<b>49,642</b>

- (a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be between 5.33 to 8.5 years (2023: 7.17 to 8.9 years) for dust disease liabilities and 6.50 years (2023: 6.83 years) for non-dust disease liabilities.
- (b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims.<sup>1</sup>

	Dust Disease		Non Dust Disease	
	2024 %	2023 %	2024 %	2023 %
Not later than one year				
Inflation rate	3.44 - 4.84	3.58 - 5.54	2.67 - 3.44	3.58 - 4.39
Discount rate	4.29 - 4.43	4.23 - 4.38	4.37	4.36
Superimposed inflation	0.00 - 2.00	1.50 - 2.00	-	-
Later than one year				
Inflation rate	3.00 - 4.15	2.93 - 4.17	2.46 - 3.65	2.43 - 3.45
Discount rate	3.91 - 5.29	3.78 - 4.95	3.92 - 5.29	3.79 - 4.95
Superimposed inflation	0.00 - 2.00	1.50 - 2.00	-	-

1. Source of information is derived from the icare, PwC and Finity actuarial valuation of outstanding claims liability.

#### Sensitivity Analysis

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



**Electricity Assets Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**10. PROVISION FOR OUTSTANDING CLAIMS (continued)**

**(a) Dust disease as at 30 June 2024**

Variable	Movement in variable	Net Central Estimate \$'000	Impact of Change \$'000	% Impact
Net Central Estimate <sup>1</sup>		44,746		
Discount rate	+1%	41,722	-3,024	-6.8%
	-1%	48,216	3,469	7.8%
Inflation rate	+1%	48,197	3,451	7.8%
	-1%	41,679	-3,067	-6.8%
Superimposed inflation rate	+1%	48,358	3,612	8.1%
	-1%	41,544	-3,203	-7.1%
Seed Reports <sup>2</sup>	+1 claim	49,692	4,945	11.1%
	-1 claim	39,801	-4,945	-11.1%
Incidence Curves <sup>3</sup>	+15% IBNR claims	50,480	5,734	12.8%
	-15% IBNR claims	39,013	-5,733	-12.8%
Average Claim Size	+10%	48,669	3,923	8.8%
	-10%	40,823	-3,923	-8.8%

**(b) Dust disease as at 30 June 2023**

Variable	Movement in variable	Net Central Estimate \$'000	Impact of Change \$'000	% Impact
Net Central Estimate <sup>1</sup>		40,224		
Discount rate	+1%	37,190	-3,033	-7.6%
	-1%	43,724	3,501	8.7%
Inflation rate	+1%	43,696	3,472	8.7%
	-1%	37,155	-3,069	-7.6%
Superimposed inflation rate	+1%	43,709	3,486	8.7%
	-1%	37,144	-3,080	-7.7%
Seed Reports <sup>2</sup>	+1 claim	45,024	4,800	12.0%
	-1 claim	35,424	-4,800	-12.0%
Incidence Curves <sup>3</sup>	+15% IBNR claims	45,820	5,596	13.9%
	-15% IBNR claims	34,628	-5,596	-13.9%
Average Claim Size	+10%	43,954	3,731	9.3%
	-10%	36,493	-3,730	-9.3%

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

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

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

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 10. PROVISION FOR OUTSTANDING CLAIMS (continued)

##### (c) Non-dust disease as at 30 June 2024

Variable	Movement in variable	Net Central Estimate \$'000	Impact of Change \$'000	% Impact
Net Central Estimate <sup>1</sup>		6,215		
Discount rate	+1%	5,846	-369	-5.9%
	-1%	6,625	410	6.6%
Inflation rate	+1%	6,520	305	4.9%
	-1%	5,934	-281	-4.5%
Reactivation <sup>2</sup>	+20%	6,412	196	3.2%
	-20%	6,019	-196	-3.2%
Life expectancy <sup>3</sup>	+5	8,368	2,153	34.6%
	-5	4,209	-2,006	-32.3%
IBNR seed reports	+100%	6,941	726	11.7%
	-50%	5,852	-363	-5.8%

##### (d) Non-dust disease as at 30 June 2023

Variable	Movement in variable	Net Central Estimate \$'000	Impact of Change \$'000	% Impact
Net Central Estimate <sup>1</sup>		6,072		
Discount rate	+1%	5,694	-378	-6.2%
	-1%	6,495	423	7.0%
Inflation rate	+1%	6,496	424	7.0%
	-1%	5,686	-386	-6.4%
Reactivation <sup>2</sup>	+20%	6,324	251	4.1%
	-20%	5,821	-251	-4.1%
Life expectancy <sup>3</sup>	+5	7,773	1,701	28.0%
	-5	4,256	-1,816	-29.9%
IBNR seed reports	+100%	7,067	994	16.4%
	-50%	5,575	-497	-8.2%

<sup>1</sup> 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 reactivations 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:

<sup>2</sup> Total number of claimants projected to make regular claims for reactivation of medical aids support over their lifetime.

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

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

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

	2024 \$'000	2023 \$'000
<b>Net cash flows from operating activities</b>	<b>(1,356)</b>	<b>(10,392)</b>
Adjustments for:		
(Increase) / decrease in provisions	(5,398)	2,377
Decrease / (increase) in payables	(2)	2
Increase in receivables	645	151
<b>Net result</b>	<b>(6,111)</b>	<b>(7,862)</b>

#### 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.

The Secretary 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.

##### Financial instrument categories

	Note Categories (AASB 9)	Carrying amount	
		2024 \$'000	2023 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	7 Amortised cost	122,467	123,823
Receivables <sup>(i)</sup>	8 Amortised cost	-	29
<b>Financial liabilities</b>			
Payables <sup>(ii)</sup>	9 Financial liabilities measured at amortised cost	83	81

*(i) Excludes statutory receivables of \$0.4 million (2023: \$0.5 million) and expected recoveries receivable of \$4.1 million (2023: \$3.3 million) which are not within the scope of AASB 7 'Financial Instruments'.*

*(ii) There were no statutory payables (2023: Nil) which are excluded from the scope of AASB 7 'Financial Instruments'.*

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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 is 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 2023. The analysis assumes that all other variables remain constant.

##### *Interest rate risk*

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

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

The following table provides the sensitivity analysis of interest rate risk affecting applicable financial assets on the operating result and equity of the EAMHC. A reasonably possible change of +1% to -1% (2023: +1% to -1%) is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	\$'000				
	Carrying amount \$'000	Net result \$'000	-1% Equity \$'000	+1% Net result \$'000	Equity \$'000
<b>2024</b>					
Cash and cash equivalents	122,467	(1,225)	(1,225)	1,225	1,225
	Carrying amount \$'000	Net result \$'000	-1% Equity \$'000	+1% Net result \$'000	Equity \$'000
<b>2023</b>					
Cash and cash equivalents	123,823	(1,238)	(1,238)	1,238	1,238

##### *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.

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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 *Financial Instruments* 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. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasury Circular TC11-12 *Payment of Accounts*. 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.

	Weighted average effective interest rate %	Nominal amount \$'000	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
<b>2024</b>								
Payables	-	83	-	-	83	83	-	-
<b>Total financial liabilities</b>	-	<b>83</b>	-	-	<b>83</b>	<b>83</b>	-	-
<b>2023</b>								
Payables	-	81	-	-	81	81	-	-
<b>Total financial liabilities</b>	-	<b>81</b>	-	-	<b>81</b>	<b>81</b>	-	-

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

##### (d) Fair value measurement

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

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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, GSP 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 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 exposes the EAMHC to potential future claims.

##### **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 GSP is a party. There are no known claims at reporting date.

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

##### 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 2024.

#### 14. BUDGET REVIEW

##### Net result

The EAMHC's net result is a loss of \$6.1 million and is \$4.8 million unfavourable compared to budget due to higher claims costs incurred than budgeted for the 2024 financial year, partially offset by higher investment returns due to increased cash rates.

Total expenses were \$6.5 million higher than budget mainly due to the following:

- The overall claim costs were \$7.8 million higher than budget largely attributable to the change in actuarial assumptions associated with an increase in inflation in the long-term and increase in average claim size. The increments were partially offset by an increase in discount rate which reduces the outstanding claim costs.
- Recurrent funding to GPM for Munmorah power station demolition works were in line with the budget estimate of \$3.0 million.
- Finance cost was \$1.0 million lower than budget due to change in discount rate which was unwound on the outstanding claim liabilities.

Total revenue was \$6.0 million which was \$1.7 million higher than budget driven by higher interest income of \$1.0 million due to cash rate increases and higher claim recovery income in 2024.

##### Assets and Liabilities

Total assets for the year were \$127.0 million which is \$3.1 million higher than budget, contributed by:

- Higher cash balance of \$2.2 million mainly due to \$1.0 million higher interest income received and \$1.0 million lower claim payments than expected.
- Claim recovery receivables is also higher than budget by \$0.7 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.

## Electricity Assets Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. BUDGET REVIEW (continued)

Total liabilities were \$55.1 million and were \$7.8 million higher than budget due to \$7.8 million increase in outstanding claims, which was largely driven by an increase in claims estimate.

##### Cash flows

The actual net cash flows used in operating activities were \$1.4 million, \$2.2 million lower than budget.

Cash payments were \$7.2 million and were \$1.4 million lower than budget largely due to \$1.0 million lower claim payments than expected. Cash receipts were \$5.8 million and were higher than budget by \$0.9 million contributed by higher interest income received in 2024.

Closing cash and cash equivalents were \$122.5 million, \$2.2 million higher than budget. This is mainly due to \$1.0 million higher interest income received and \$1.0 million lower claim payments than expected.

#### 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

###### (i) Transactions with KMP

The EAMHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP are required to complete annual declarations in relation to the related party transactions. All KMPs have declared that neither they, nor their close family members, have made any transactions with the EAMHC during the reporting period.



## **Electricity Assets Ministerial Holding Corporation**

### **Notes to the financial statements for the year ended 30 June 2024**

#### **15. RELATED PARTY DISCLOSURES (continued)**

##### **(ii) 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 are 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 \$227,041 inclusive of GST (2023: \$207,232) and is shown as an administrative charge in Note 3.

The EAMHC has provided \$3.0 million (2023: \$10.5 million) cash funding to GPM to cover operational, demolition and remediation costs in 2024. 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 PERIOD**

There are no 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 the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (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).

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

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

## 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 Regulation 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](http://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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 September 2024  
SYDNEY



Treasury

# Electricity Transmission Ministerial Holding Corporation

Financial Statements  
for the year ended 30 June 2024

**Electricity Transmission Ministerial Holding Corporation**

**Financial Statements  
for the year ended 30 June 2024**

**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 2024* and the Treasurer's directions, and
- (b) present fairly Electricity Transmission Ministerial Holding Corporation's financial position, financial performance and cash flows.



**Michael Coutts-Trotter**  
**Secretary, NSW Treasury**

17 September 2024

## Electricity Transmission Ministerial Holding Corporation

### Statement of Comprehensive Income for the year ended 30 June 2024

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Expenses excluding losses</b>				
Employee related expenses	4	3,879	4,091	3,760
Other operating expenses	5(a)	2,484	2,603	2,618
Finance costs	5(b)	113	113	65
<b>Total expenses excluding losses</b>		<b>6,476</b>	<b>6,807</b>	<b>6,443</b>
<b>Revenue</b>				
Investment revenue	6	8,031	9,693	7,210
Contract service revenue	7(a)	3,259	2,785	2,422
Other Income	7(b)	-	497	1,001
<b>Total revenue</b>		<b>11,290</b>	<b>12,975</b>	<b>10,633</b>
Other (losses)	8	-	-	(62)
<b>Net result</b>		<b>4,814</b>	<b>6,168</b>	<b>4,128</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to net result in subsequent period</i>				
Superannuation actuarial gains/(losses)	14(ii)	(13,922)	4,694	5,151
<b>Total other comprehensive income</b>		<b>(13,922)</b>	<b>4,694</b>	<b>5,151</b>
<b>Total comprehensive income</b>		<b>(9,108)</b>	<b>10,862</b>	<b>9,279</b>

The accompanying notes form part of these financial statements

## Electricity Transmission Ministerial Holding Corporation

### Statement of Financial Position as at 30 June 2024

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Current Assets</b>				
Cash and cash equivalents	9	163,865	164,719	157,892
Receivables	10	616	1,153	1,028
<b>Total Current Assets</b>		<b>164,481</b>	<b>165,872</b>	<b>158,920</b>
<b>Non-Current Assets</b>				
Receivables	10	1,168	1,240	1,686
Other financial assets	11	46,127	46,127	43,287
<b>Total Non-Current Assets</b>		<b>47,295</b>	<b>47,367</b>	<b>44,973</b>
<b>Total Assets</b>		<b>211,776</b>	<b>213,239</b>	<b>203,893</b>
<b>Current Liabilities</b>				
Payables	12	57	67	59
Provisions	13	980	1,050	996
Other liabilities	15(a)	53	53	54
Contract liabilities	15(b)	305	309	293
<b>Total Current Liabilities</b>		<b>1,395</b>	<b>1,479</b>	<b>1,402</b>
<b>Non-Current Liabilities</b>				
Provisions	13	116,378	102,994	104,587
<b>Total Non-Current Liabilities</b>		<b>116,378</b>	<b>102,994</b>	<b>104,587</b>
<b>Total Liabilities</b>		<b>117,773</b>	<b>104,473</b>	<b>105,989</b>
<b>Net Assets</b>		<b>94,003</b>	<b>108,766</b>	<b>97,904</b>
<b>Equity</b>				
Accumulated funds		94,003	108,766	97,904
<b>Total Equity</b>		<b>94,003</b>	<b>108,766</b>	<b>97,904</b>

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 2024**

	Accumulated funds \$'000	Total equity \$'000
<b>Balance at 1 July 2023</b>	97,904	97,904
<b>Net result for the year</b>	6,168	6,168
<b>Other comprehensive income</b>		
Superannuation actuarial gains	4,694	4,694
<b>Total other comprehensive income</b>	<u>4,694</u>	<u>4,694</u>
<b>Total comprehensive income for the year</b>	<u>10,862</u>	<u>10,862</u>
<b>Balance at 30 June 2024</b>	<u>108,766</u>	<u>108,766</u>
<b>Balance at 1 July 2022</b>	88,625	88,625
<b>Net result for the year</b>	4,128	4,128
<b>Other comprehensive income</b>		
Superannuation actuarial gains	5,151	5,151
<b>Total other comprehensive income</b>	<u>5,151</u>	<u>5,151</u>
<b>Total comprehensive income for the year</b>	<u>9,279</u>	<u>9,279</u>
<b>Balance at 30 June 2023</b>	<u>97,904</u>	<u>97,904</u>

The accompanying notes form part of these financial statements.



**Electricity Transmission Ministerial Holding Corporation**

**Statement of Cash Flows  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Cash flows from operating activities</b>				
Cash receipts from customers		4,107	4,041	3,611
Cash paid to suppliers and employees		(3,324)	(4,067)	(3,379)
Interest received	6	5,192	6,853	4,545
<b>Net cash flows from operating activities</b>	<b>18</b>	<b>5,975</b>	<b>6,827</b>	<b>4,777</b>
<b>Net cash flows from investing activities</b>		-	-	-
<b>Net cash flows from financing activities</b>		-	-	-
Net increase in cash and cash equivalents		5,975	6,827	4,777
Opening cash and cash equivalents		157,891	157,892	153,115
<b>Closing cash and cash equivalents</b>	<b>9</b>	<b>163,866</b>	<b>164,719</b>	<b>157,892</b>

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 2024

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## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 1. INFORMATION ON THE ELECTRICITY TRANSMISSION MINISTERIAL HOLDING CORPORATION

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

The key functions of the ETMHC are:

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

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 since 17 December 2015 (as profit is not its principle objective). Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

These financial statements for the year ended 30 June 2024 have been 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 New South Wales (NSW) as part of the Government's rebuilding NSW plan.

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

On 15 December 2015, a number of statutory vesting orders under the *Electricity Network Assets (Authorised Transactions) Bill 2015* were received from the Treasurer of 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 as a SOC was converted to the ETMHC, a General Government 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.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION

##### 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 (AAS) (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- the requirements of the *Government Sector Finance Regulation 2024*
- 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 defined benefit superannuation - plan assets measured at fair value.

All amounts are presented in Australian dollars and rounded to the nearest thousand dollars (\$'000) unless otherwise stated. Discrepancies between totals and the sum of components reflect rounding.

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

##### 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.

##### 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.

**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 assets including the associated land. 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 parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the ETMHC. Such changes are reflected in the assumptions when they occur.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### *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.

The residual value in 99 years is estimated using an annual indexation of 4 percent. The present value of the lease is discounted at nominal pre-tax discount rate of 6.6 percent. Details regarding indexation and discount rate used are disclosed in Note 11.

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 is the growth in average claim size over time above normal wage and cost inflation. It includes trends in judicial precedents and increases in the costs of obtaining medical services.

The liability for claims includes:

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

The estimate of IBNR claims 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 Provision for Outstanding Claims.

##### *Superannuation liabilities*

The defined benefit superannuation valuation is performed annually by an independent actuary using the projected unit credit method. It is measured as the present value of the estimated future payments required to settle the defined benefit obligation at the reporting date less the fair value of plan assets. The expected future payments are estimated on the basis of ultimate cost to settle the superannuation obligations, which includes actuarial assumptions such as risk-free interest rate (discount rate), CPI, salary growth and pensioner mortality rates. Changes in assumptions relating to these factors could affect the superannuation valuation reported.

In calculating the superannuation funding requirements under the AASB 1056 *Superannuation Entities*, economic assumptions about the investment return on the superannuation fund assets and the expected CPI increment were made. 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.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Going Concern

The financial statements have been prepared on a going concern basis. It is expected that the ETMHC 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 6.21 (2) and (5) of the GSF Act states that the Treasurer may provide funding to or repay debts of ETMHC (being a GSF agency) if 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 FY2023-24*

The accounting policies applied in 2023-24 are consistent with those of the previous financial year. 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 the ETMHC.

###### *ii. Issued but not yet effective*

As mandated by Policy and Guidelines TPG24-06 *Mandates of options and major policy decisions under Australian Accounting Standards*, ETMHC has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

Management has 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 ETMHC:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative for annual periods beginning on or after 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative for annual periods beginning on or after 1 January 2024)
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative date 1 January 2025)

##### **AASB 18 Presentation and Disclosure in Financial Statements**

AASB 18 *Presentation and Disclosure in Financial Statements* was issued on 14 June 2024, with an operative date of 1 January 2028 for not-for-profit public sector entities. AASB 18 will supersede AASB 101 *Presentation of Financial Statements*. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### REVENUE

Revenue is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB1058 *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 obligation embedded in contracts with customers are satisfied by transferring the promised services.

Type of Service	Nature of Timing of Satisfaction of Performance Obligation, Including Significant Payment Terms	Revenue Recognition Policies
<b>Lease outgoing recoupment</b>	<p>Relates to council rates and other lease outgoings recouped from the lessees under the 99-year finance lease.</p> <p>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.</p> <p>Performance obligations are completed over time. Payment from the customer is typically due within 30 days after the service provision.</p>	<p>Revenue is recognised when the lease outgoings are paid and is measured based on the amount paid.</p> <p>No significant element of financing is deemed present as payments are made within six months after the service delivery on average.</p>
<b>Contract service income</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Performance obligations are completed over time. Annual payment is normally due in December each year.</p>	<p>Revenue is recognised when the services are provided.</p> <p>No significant element of financing is deemed present as payments are made within six months before the service delivery on average.</p>

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### *Other income*

Other income is recognised for the recovery of monies from the reinsurance of outstanding workers compensation claims.

##### **EXPENSES**

Expenses are recognised when incurred.

##### *Self-insured workers compensation*

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

##### **ASSETS**

##### **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, 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 the underlying asset.



## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (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.

#### **Derecognition of financial assets**

A financial asset (or part thereof) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the ETMHC transfers the financial assets:

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

Where the ETMHC has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the ETMHC's continuing involvement in the asset. 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**

##### **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.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Superannuation

The defined benefit superannuation valuation is performed annually by an independent actuary using the projected unit credit method. 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 past service costs and net interest cost reflecting passage of time on the net defined benefit liabilities or assets are recognised as profit or loss items in the Statement of Comprehensive Income. Remeasurements of the net defined benefit liabilities or assets that comprises 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 in other comprehensive income in the year in which they occur.

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

##### 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.

The provision for outstanding claims includes claims incurred up to 30 June 2012 which were transferred to ETMHC from TransGrid as part of the lease agreement.

##### Provisions for outstanding claims

Provisions are recognised when:

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

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

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

# Electricity Transmission Ministerial Holding Corporation

## Notes to the financial statements for the year ended 30 June 2024

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### *Claim recoveries receivable*

Receivables from claim recoveries are actuarially determined in consultation with the 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.

#### **Income tax equivalent and other taxes**

The ETMHC is wholly owned by the NSW Government and is exempt from all forms of taxation except the Goods and Services Tax (GST). Fringe Benefits Tax is not relevant as the ETMHC has no staff.

#### **Statement of Cash Flows**

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 Note 21.

#### **Impact of Climate-related matters on Financial Reporting for 2023-24**

Management has considered potential impacts of climate related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on the ETMHC's preparation of:

- Receivables and financial assets
- Financial instruments
- Expected credit losses
- Provisions and contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Estimation uncertainty and significant judgements

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 4. EMPLOYEE RELATED EXPENSES

	2024	2023
	\$'000	\$'000
Superannuation - defined benefit expense	4,091	3,760
<b>Total</b>	<b>4,091</b>	<b>3,760</b>

#### 5. OPERATING EXPENSES

##### a) Other operating expenses

Audit fees - audit of financial statements	75	70
Self-insured workers compensation	27	383
Administrative charge <sup>(i)</sup>	206	188
Management fees	87	87
Claims handling expense	45	45
Council rates	2,125	1,807
Other	38	38
<b>Total</b>	<b>2,603</b>	<b>2,618</b>

##### b) Finance Cost

Unwinding of discount rate	113	65
<b>Total</b>	<b>113</b>	<b>65</b>

##### (i) Administrative charge

The ETMHC has no employees. 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.

#### 6. INVESTMENT REVENUE

Interest income	6,853	4,545
Finance income <sup>(i)</sup>	2,840	2,665
<b>Total</b>	<b>9,693</b>	<b>7,210</b>

##### (i) Finance income

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.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 7. CONTRACT SERVICE AND OTHER INCOME

	2024 \$'000	2023 \$'000
<b>a) Contract service revenue</b>		
Council rate recoupment <sup>(i)</sup>	2,125	1,800
Contract service income <sup>(ii)</sup>	660	622
<b>Total</b>	<b>2,785</b>	<b>2,422</b>
<b>b) Other income</b>		
Insurance and other recoveries	497	1,001
<b>Total</b>	<b>497</b>	<b>1,001</b>

**(i) Council rate recoupment**

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

**(ii) 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 specific performance is specified under the enforceable network lease contract.

#### 8. OTHER GAIN/(LOSSES)

Impairment loss on finance lease receivable	-	(62)
<b>Total</b>	<b>-</b>	<b>(62)</b>

In FY2023, parcels of land forming part of the leased assets were sold by the lessee to external purchasers. The sale of land is permitted under the lease agreement and constitutes a partial surrender of the lease in respect of the land sold. Under the lease agreement, sales proceeds were paid directly to the lessee by the purchasers. The ETMHC has no claim on the proceeds. Following the sales, the net present value of the relevant land was derecognised from the finance lease receivable as part of annual impairment process, resulting in an impairment loss on the leased assets.

#### 9. CASH AND CASH EQUIVALENTS

Cash at bank	164,719	157,892
<b>Total</b>	<b>164,719</b>	<b>157,892</b>

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank. Refer to Note 19 regarding credit risk and market risk arising from financial instruments.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 10. RECEIVABLES

	2024 \$'000	2023 \$'000
<b>Current</b>		
Trade receivables	503	432
GST receivable	28	24
Claim recovery receivables	622	572
<b>Total</b>	<b>1,153</b>	<b>1,028</b>
<b>Non-Current</b>		
Claim recovery receivables	1,240	1,686
<b>Total</b>	<b>1,240</b>	<b>1,686</b>

GST receivable and payable were netted 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

<b>Non-current</b>		
Finance lease receivable <sup>(i)</sup>	46,127	43,287
<b>Total</b>	<b>46,127</b>	<b>43,287</b>

##### *(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. 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.

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 from inception is estimated at \$14.5 billion (\$14.5 billion at inception), using an annual indexation of 4 percent. The present value of the lease was \$26.8 million (\$27 million at inception), discounted at nominal pre-tax discount rate of 6.6 percent. Finance income of \$2.8 million (2023: \$2.7 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.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 11. OTHER FINANCIAL ASSETS (continued)

The lease contains two clauses relevant to land improvements and additional land transactions:

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.

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of net investment in leases</b>		
Unguaranteed residual amounts - undiscounted	14,459,047	14,459,047
Less: unearned finance income	(14,412,920)	(14,415,760)
<b>Net investment in finance leases</b>	<b>46,127</b>	<b>43,287</b>

<b>Reconciliation of unguaranteed residual amounts (undiscounted)</b>		
Opening balance	14,459,047	14,480,944
Less disposal - partial surrender of the lease	-	(21,897)
Closing balance	<b>14,459,047</b>	<b>14,459,047</b>

#### 12. PAYABLES

##### Current

Creditors and accruals	67	59
<b>Total</b>	<b>67</b>	<b>59</b>

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

#### 13. PROVISIONS

##### Current

Outstanding claims <sup>(i)</sup>	1,050	996
<b>Total</b>	<b>1,050</b>	<b>996</b>

##### Non-Current

Outstanding claims <sup>(i)</sup>	3,078	4,068
Superannuation liability (Note 14)	99,916	100,519
<b>Total</b>	<b>102,994</b>	<b>104,587</b>

Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements  
for the year ended 30 June 2024

13. PROVISIONS (continued)

(i) Workers' Compensation outstanding claims provision movements

	2024 \$'000	2023 \$'000
Opening balance	5,064	5,265
Payments	(681)	(558)
Actuarial (gains)/losses	(338)	336
Change in the discount rate	(30)	(44)
Unwinding of discounts	113	65
<b>Closing balance</b>	<b>4,128</b>	<b>5,064</b>

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be 5.75 years (2023: 5.58 years).

(b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims.<sup>1</sup>

	Workers' Compensation	
	2024 %	2023 %
Not later than one year		
Inflation rate	0 - 1.5	0 - 1.5
Discount rate	4.37	4.36
Later than one year		
Inflation rate	0 - 1.5	0 - 1.5
Discount rate	3.92 - 5.29	3.79 - 4.95

1. Source of information is derived from the icare and PwC actuarial valuation of outstanding claims liability.



## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 13. PROVISIONS (continued)

##### Sensitivity Analysis

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

##### a) as at June 2024

Variable	Movement in variable	Net Central Estimate \$'000	Impact of Change <sup>1</sup> \$'000	% Impact
Net Central Estimate <sup>2</sup>		2,267		
Discount rate	+1%	2,164	-103	-4.5%
	-1%	2,381	114	5.0%
Inflation rate	+1%	2,382	116	5.1%
	-1%	2,160	-106	-4.7%
<b>Industrial deafness claims</b>				
Life expectancy of reactivation <sup>3</sup>	+5 years	2,635	369	16.3%
	-5 years	1,845	-422	-18.6%
Reactivation Seed <sup>4</sup>	+10%	2,286	19	0.8%
	-10%	2,248	-19	-0.8%
Average Claim Size	+10%	2,359	92	4.1%
	-10%	2,174	-92	-4.1%
Proportion reactivate	+1%	2,269	3	0.1%
	-1%	2,264	-3	-0.1%
<b>Dust disease claims</b>				
Seed Reports <sup>4</sup>	+50%	2,552	286	12.6%
	-50%	1,981	-286	-12.6%
Incidence curves <sup>5</sup>	+15% IBNR claims	2,352	86	3.8%
	-15% IBNR claims	2,181	-86	-3.8%
Average claim size <sup>6</sup>	+10%	2,324	57	2.5%
	-10%	2,209	-57	-2.5%

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 13. PROVISIONS (continued)

##### b) as at June 2023

Variable	Movement in variable	Net Central Estimate \$'000	Impact of Change <sup>1</sup> \$'000	% Impact
Net Central Estimate <sup>2</sup>		2,807		
Discount rate	+1%	2,664	-143	-5.1%
	-1%	2,966	159	5.7%
Inflation rate	+1%	2,967	159	5.7%
	-1%	2,661	-146	-5.2%
<b>Industrial deafness claims</b>				
Life expectancy of reactivation <sup>3</sup>	+5 years	3,230	423	15.1%
	-5 years	2,345	-463	-16.5%
Reactivation Seed <sup>4</sup>	+10%	2,824	17	0.6%
	-10%	2,791	-17	-0.6%
Average Claim Size	+10%	2,946	138	4.9%
	-10%	2,678	-129	-4.6%
Proportion reactivate	+1%	2,881	74	2.6%
	-1%	2,734	-74	-2.6%
<b>Dust disease claims</b>				
Seed Reports <sup>4</sup>	+50%	3,050	243	8.7%
	-50%	2,564	-243	-8.7%
Incidence curves <sup>5</sup>	+15% IBNR claims	2,880	73	2.6%
	-15% IBNR claims	2,734	-73	-2.6%
Average claim size <sup>6</sup>	+10%	2,872	64	2.3%
	-10%	2,736	-71	-2.5%

1. The impact of change figures have been rounded. Discrepancies between the sum of the net central estimate and the impact of change reflect rounding.
2. The net central estimate is inflated and discounted, net of reinsurance and other recoveries and includes an allowance for claims handling expenses.
3. The life expectancy is used to estimate the expected remaining time that known and IBNR claims will receive benefits for.
4. 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.
5. 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.
6. This includes testing the sensitivity to the average claim size for reported and IBNR claims (excluding industrial deafness).

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. UNFUNDED SUPERANNUATION

The following narrative and tables summarise the components of movement in the ETMHC's net superannuation 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 Superannuation Scheme Defined Benefit Funds are provided by the fund's Actuary, Mercer Consulting (Australia) Pty Ltd.

##### **Significant events**

On completion of the 99-year lease transaction, all current employees and their respective defined benefit plans were transferred to NSWENO. The defined benefit plan that remains with the ETMHC relates to retired employees.

##### **Nature of the benefits provided by the Fund**

The Construction and Building Unions Superannuation Fund (Cbus) Pool B Subdivision of the Defined Benefits Section provides defined benefits. The defined benefit members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. A component of the defined benefit member's final benefit is derived from a multiple of salary and years of membership. These Divisions are closed to new members except for members of eligible schemes who can transfer their entitlements into Cbus.

Disclosures below are prepared in relation to Pool B Subdivision of the Defined Benefits Section, this subdivision is referred to as "the Fund" hereafter.

##### **Regulatory framework**

On 12 May 2023 the defined benefit plan that remained with the ETMHC was transferred from the Energy Industries Superannuation Scheme (EISS) to Cbus by way of a Successor Fund Transfer. As a result, all EISS members as at 12 May 2023 are now members of Cbus.

The former EISS 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. Following legislative amendment contained in the *Treasury and Energy Legislation Amendment Act 2022* and making of the *Superannuation Administration (Cbus Transitional Provisions) Regulation 2022* all EISS members were transferred to Cbus in May 2023. The Fund is regulated primarily by the *Superannuation Industry (Supervision) Act 1993 (Cth)* ("the SIS legislation"), and 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.

APRA has determined that Cbus will be required to conduct annual actuarial valuations. The first valuation under Cbus was performed as at 30 June 2023. The next actuarial valuation is due to be performed as at 30 June 2024.

##### **Governance**

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

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. UNFUNDED SUPERANNUATION (continued)

- Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund's rules
- Management and investment of the Fund assets
- Compliance with other applicable regulations
- Compliance with the Trust Deed.

#### *Risk exposure*

There are a number of risks to which the Fund exposes participating employers. 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 independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

	As at 30-Jun-24	As at 30-Jun-23
<b>Member Numbers</b>		
Contributions	-	-
Deferred benefits	8	8
Pensioners	358	376

#### *(j) Movements in superannuation net (liability) recognised in profit or loss*

	2024 \$'000	2023 \$'000
Net interest	(4,091)	(3,760)
<b>Total net expense</b>	<b>(4,091)</b>	<b>(3,760)</b>

**Electricity Transmission Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**14. UNFUNDED SUPERANNUATION (continued)**

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

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Actuarial (losses) on liabilities	(1,593)	(3,533)
Actuarial gains on assets	6,287	8,684
<b>Total actuarial gains</b>	<b>4,694</b>	<b>5,151</b>

***(iii) Reconciliation of the superannuation net (liability)***

<b>Net (liability) at the beginning of the year</b>	<b>(100,519)</b>	<b>(101,909)</b>
Net interest (expense) on the net defined benefit (liability)	(4,091)	(3,760)
Actual return on Fund assets less interest income	6,287	8,684
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
Actuarial gains arising from changes in financial assumptions	7,349	6,142
Actuarial (losses) arising from liability experience	(8,942)	(9,676)
<b>Net (liability) at the end of the year</b>	<b>(99,916)</b>	<b>(100,519)</b>

***(iv) Reconciliation of the defined benefit obligation***

<b>Present value of defined benefit obligations at the beginning of the year</b>	<b>(393,210)</b>	<b>(400,875)</b>
Interest (expense)	(15,477)	(14,320)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
Actuarial gains arising from changes in financial assumptions	7,349	6,142
Actuarial (losses) arising from liability experience	(8,942)	(9,676)
Benefits paid	25,102	24,659
Taxes, premiums & expenses paid	784	860
<b>Present value of defined benefit obligations at the end of the year</b>	<b>(384,394)</b>	<b>(393,210)</b>

**Electricity Transmission Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**14. UNFUNDED SUPERANNUATION (continued)**

**(v) Reconciliation of the fair value of fund assets**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Fair value at the beginning of the year</b>	292,691	298,965
Interest income	11,386	10,561
Actual return on fund assets less interest income	6,287	8,684
Benefits paid	(25,102)	(24,659)
Taxes, premiums & expenses paid	(784)	(860)
<b>Fair value at the end of the year</b>	<b>284,478</b>	<b>292,691</b>

**Maturity profile of defined benefit obligations**

The weighted average duration of the defined benefit obligation is 9 years (30 June 2023: 10 years).

**Fair value of fund assets**

The Fund's assets are invested in four Reserves (i.e. an Employer Reserve, a Contributor Reserve, a Deferred Reserve and an Other Reserve) the total of which is shown in the table below.

There are no Employer 'sub-funds' in the Fund; however, the Fund's administrator maintains a notional defined benefit asset account in respect of each Employer, which facilitates tracking of each Employer's funding status and contribution requirements.

The bulk of the assets held in the other reserves are invested in accordance with members' investment choices.

**Pool B Subdivision of Cbus**

Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,789,757	1,794,453
Level 3 - Unobservable inputs	-	-
<b>Total</b>	<b>1,789,757</b>	<b>1,794,453</b>

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.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. UNFUNDED SUPERANNUATION (continued)

The percentage invested in each asset class at the reporting date is:

Asset Category *	2024	2023
Alternatives	Nil	13%
Australian Equities	17%	14%
Global Equities	22%	23%
Property	11%	16%
Infrastructure	13%	10%
Global Credit	8%	Nil
Australian Fixed Interest	11%	Nil
Global Fixed Interest	11%	Nil
Private equity	Nil	3%
Cash	7%	10%
Fixed income	Nil	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>

\* Due to the transfer of the defined benefit plan from EISS to Cbus the asset categories have changed compared to prior year.

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

**Electricity Transmission Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**14. UNFUNDED SUPERANNUATION (continued)**

***Significant actuarial assumptions at the end of the reporting period***

	<b>2024</b>	<b>2023</b>
Discount rate	4.36% pa	4.07% p.a.
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	4.25% for 2024/25 3.00% for 2025/26, 2.75% for 2026/27, then 2.50% pa	6.60% for 2023/24, 4.75% for 2024/25, 3.00% for 2025/26, 2.75% for 2026/27 then 2.50% pa
Contributions tax rate	15% p.a.	15% p.a.
Pensioner mortality	Mercer standard pensioner mortality tables have been used. These rates are based on the mortality experience of Australian Public Sector pensioners over the years 2012 to 2017, including improvement rates based on Australian Life Tables 2015-17.	The pensioner mortality rates used are as per the actuarial investigation of the Scheme as at 30 June 2021 (the rates are disclosed in the actuarial investigation available from the Trustee website). The pension mortality rates are based on experience of the Australian public sector

***Sensitivity analysis***

The ETMHC's total defined benefit obligation as at 30 June 2024 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.



## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. UNFUNDED SUPERANNUATION (continued)

As at 30 June 2024

	Base case	Scenario A - 1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	4.36%	3.36%	5.36%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation (\$000)	384,394	426,239	348,476
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	4.36%	4.36%	4.36%
Rate of CPI increase	As above	As above +0.5% pa	As above -0.5% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation (\$000)	384,394	403,770	366,278
	Base case	Scenario E Lower pensioner mortality rates *	Scenario F Higher pensioner mortality rates **
Defined benefit obligation (\$000)	384,394	444,673	325,497

\* Assumes mortality rates, including future improvements, as if the pensioner were 3 years younger than actual.

\*\* Assumes mortality rates, including future improvements, as if the pensioner were 3 years older than actual.

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

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. UNFUNDED SUPERANNUATION (continued)

##### *Sensitivity analysis*

As at 30 June 2023

	Base case	Scenario A - 1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	4.07%	3.07%	5.07%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation (\$000)	393,210	440,609	352,930
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	4.07%	4.07%	4.07%
Rate of CPI increase	As above	As above +0.5% pa	As above -0.5% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation (\$000)	393,210	414,890	373,020
	Base case	Scenario E Lower pensioner mortality rates *	Scenario F Higher pensioner mortality rates **
Defined benefit obligation (\$000)	393,210	398,901	392,328

\* Assumes the short-term pensioner mortality improvement factors for years 2021-2027 also apply for years after 2027.

\*\* Assumes the long-term pensioner mortality improvement factors for years post 2027 also apply for years 2021 to 2027.

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

##### ***Asset/Liability matching strategies***

The Employer Reserve assets are managed via a framework designed to gradually reduce investment risk as the defined benefit liabilities mature over time.

##### ***Funding arrangements***

Funding arrangements are usually reviewed at least every three years following the release of an actuarial review; however, APRA has determined Cbus will be required to conduct annual valuation. Funding arrangements were last reviewed as at 30 June 2023, following the completion of Cbus's first actuarial investigation of the Fund. 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.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. UNFUNDED SUPERANNUATION (continued)

##### *Net (Deficit)*

The following is a summary of the 30 June 2024 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	2024 \$'000	2023 \$'000
Net market value of Fund assets	284,478	292,691
Accrued benefits	(315,876)	(295,022)
<b>Net (Deficit)</b>	<b>(31,398)</b>	<b>(2,331)</b>

Please note that the above AASB 1056 results are based on the financial assumptions used for the 30 June 2023 actuarial investigation. The economic assumption under AASB 1056 is different to the assumption used under AASB 119 *Employee Benefits*. For AASB 1056 financial assumptions, please refer to economic assumptions section for details.

##### *Contribution Recommendations*

Recommended contribution rates for the entity are:

	2024	2023
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	2024	2023
Expected rate of return on Fund Assets	5.9% pa	6.1% pa
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	3.5% for 2024/25, 2.5% pa thereafter	2.5% pa

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. UNFUNDED SUPERANNUATION (continued)

##### *Expected contributions*

Expected employer contributions to be paid in the period 1 July 2024 to 30 June 2025 is nil (1 July 2023 to 30 June 2024: 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 uncertain economic environment of higher inflation and increasing interest rates, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 *Employee Benefits* Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056 *Superannuation Entities*, 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 the Fund's assets in current financial conditions, sensitivities to this assumption for the AASB 1056 results in the table below (results for 2023 shown for comparative purposes).

<b>30-Jun-24</b>	<b>Base Case</b>	<b>Scenario A -0.5% discount rate</b>	<b>Scenario B +0.5% discount rate</b>
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	5.9% pa	5.4% pa	6.4% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.9% pa	5.4% pa	6.4% pa
Rate of CPI increase	3.5% for 2024/25, 2.5% pa thereafter	3.5% for 2024/25, 2.5% pa thereafter	3.5% for 2024/25, 2.5% pa thereafter
<b>Accrued Benefits (\$000)</b>	<b>315,876</b>	<b>329,514</b>	<b>303,193</b>

Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements  
for the year ended 30 June 2024

14. UNFUNDED SUPERANNUATION (continued)

30-Jun-23	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)	6.1% pa	5.6% pa	6.6% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.1% pa	5.6% pa	6.6% pa
Rate of CPI increase	2.5% pa	2.5% pa	2.5% pa
<b>Accrued Benefits (\$000)</b>	<b>295,022</b>	<b>307,914</b>	<b>283,040</b>

15. CONTRACT LIABILITIES AND OTHER LIABILITIES

	2024 \$'000	2023 \$'000
<b>a) Other liabilities</b>		
Security deposits	53	54
<b>Total</b>	<b>53</b>	<b>54</b>
<b>b) Contract liabilities</b>		
Unearned revenue	309	293
<b>Total</b>	<b>309</b>	<b>293</b>
<b>Contract liabilities reconciliation</b>		
Opening balance	293	274
Contract service invoiced/received	676	641
Revenue recognised upon performance obligation fulfilled	(660)	(622)
Closing balance	<b>309</b>	<b>293</b>
Revenue recognised that was included in the Contract liability balance at the beginning of the year	293	274
Transaction price allocated to the remaining performance obligations from the contract with customers	309	293

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

##### Contingent Assets

The ETMHC does not have any contingent assets to report as at 30 June 2024 (2023: nil).

##### Contingent Liabilities

The ETMHC does not have any contingent liabilities to report as at 30 June 2024 (2023: nil).

#### 17. FAIR COMPENSATION TRUST ACCOUNT

In accordance with the *Land Acquisition (Just Terms Compensation) Act 1991*, 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:

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash balance at the beginning of the financial year	453	440
Add: Receipts	20	13
<b>Cash balance at the end of the financial year</b>	<b>473</b>	<b>453</b>

#### 18. NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents 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 at bank	164,719	157,892
Cash and cash equivalents per statement of Cash Flows	<b>164,719</b>	<b>157,892</b>

##### Reconciliation of cash flows from operating activities to net result

<b>Net cash from operating activities</b>	6,827	4,777
<b>Adjustments for non-cash items</b>		
Superannuation actuarial (gain)	(4,694)	(5,151)
Finance lease income	2,840	2,665
(Losses) on disposal of assets	-	(62)
<b>Net changes in assets and liabilities during the financial year</b>		
Increase/(decrease) in receivables	(321)	341
(Increase) in payables	(8)	(13)
Decrease in provisions	1,539	1,591
(Increase) in contract liabilities and other liabilities	(15)	(20)
<b>Net result</b>	<b>6,168</b>	<b>4,128</b>

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 19. FINANCIAL INSTRUMENTS

The ETMHC 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 agrees policies for managing each of the risks outlined below. Risk management policies are established to identify and analyse the risks faced by the ETMHC, to set risk limits and controls and to monitor risks.

Financial Instrument Categories			2024	2023
Carrying Amount	Note	Categories		
<b>Financial Assets</b>				
Cash and cash equivalents	9	Amortised cost	164,719	157,892
Receivables	10	Amortised cost	503	432
<b>Financial Liabilities</b>				
Payables	12	Financial liabilities measured at amortised cost	67	59

The above table excludes expected recoveries receivable, statutory receivables/payables and contract liabilities which are not within the scope of AASB 7 *Financial Instruments: Disclosures*. It also 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.

As at 30 June 2024 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 balances.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 19. 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 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.

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.

##### **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 +1.0%/-1.0% (2023: +1.0%/-1.0%) 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 2024.

			-1.0%		+1.0%
<b>2024</b>	<b>Carrying amount \$'000</b>	<b>Net result \$'000</b>	<b>Equity \$'000</b>	<b>Net result \$'000</b>	<b>Equity \$'000</b>
Cash and cash equivalents	164,719	(1,647)	(1,647)	1,647	1,647
<b>2023</b>	<b>Carrying amount \$'000</b>	<b>Net result \$'000</b>	<b>Equity \$'000</b>	<b>Net result \$'000</b>	<b>Equity \$'000</b>
Cash and cash equivalents	157,892	(1,579)	(1,579)	1,579	1,579



## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 19. FINANCIAL INSTRUMENTS (continued)

##### 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

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the ETMHC. NSW Government is the ultimate controlling party of the ETMHC. 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 ETMHC because of their role in directing overall government policy and making 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.

##### (c) Transactions with related parties

##### (i) Transactions with KMP

The ETMHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP are required to complete annual declarations in relation to the related party transactions. All KMP have declared that neither they, nor their close family members, have made any transactions with the ETMHC during the reporting period.

##### (ii) 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 \$227,041 inclusive of GST (2023: \$207,232) and is shown as an administrative charge in Note 5(a).

No other related party transaction occurred in this reporting period.

## Electricity Transmission Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 21. BUDGET REVIEW

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 financial statements are explained below.

##### Net result

For the year ended 30 June 2024, the ETMHC net result is \$6.2 million which is \$1.4 million higher than budget of \$4.8 million.

Total expenses were \$0.3 million higher than budget mainly due to \$0.2 million in higher employee related expenses for defined benefit superannuation compared to budget and higher workers compensation expenses.

Total revenue was \$1.7 million higher than budget primarily due to \$1.7 million in higher interest income received during the year because of increased cash rates.

Other comprehensive income was \$18.6 million higher than budget attributed by the \$4.7 million actuarial gains on superannuation liabilities, driven by the following:

- Actuarial gains on superannuation liabilities of \$7.3 million driven by an increase in the discount rate to 4.36 per cent (2023: 4.07 per cent).
- Actuarial loss on superannuation liabilities of \$8.9 million driven by a deterioration of liability experience.
- Investment gains of \$6.3 million on fund assets.

##### Assets and Liabilities

Net assets for the year were \$108.8 million compared to net assets budget of \$94.0 million.

Total assets were \$213.2 million which was \$1.5 million higher than budget. This was mainly contributed by higher cash and cash equivalents by \$0.9 million and higher reinsurance recovery receivables of \$0.5 million.

Total liabilities were \$104.5 million which was \$13.3 million lower than budget due to an aggregated decrease in defined benefit superannuation liability, resulting from lower inflation assumptions.

##### Cash flows

The actual net cash flows from operating activities were \$6.8 million which was \$0.9 million higher than budget. This is largely attributed to interest income received during the year that were \$1.7 million higher than budget due to increased cash rates, partially offset by higher net interest cost for defined benefit superannuation and higher workers compensation expenses.

Closing cash and cash equivalents were \$164.7 million, \$0.9 million higher than budget.

#### 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 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (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).

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

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

## 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 Regulation 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](http://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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 September 2024  
SYDNEY



Treasury

# Liability Management Ministerial Corporation

Financial Statements  
for the year ended 30 June 2024


**Liability Management Ministerial Corporation**

**Financial Statements  
for the year ended 30 June 2024**

**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 2024* and the Treasurer's directions, and
- present fairly the Liability Management Ministerial Corporation's financial position, financial performance and cash flows.



**Michael Coutts-Trotter  
Secretary, NSW Treasury**

17 September 2024

**Liability Management Ministerial Corporation**

**Statement of Comprehensive Income  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Expenses excluding losses</b>				
Operating expenses	3	215	231	211
<b>Total expenses excluding losses</b>		<b>215</b>	<b>231</b>	<b>211</b>
<b>Revenue</b>				
Investment revenue	4	21,908	35,800	32,961
Grants and contributions	5	4,610	4,610	4,268
<b>Total revenue</b>		<b>26,518</b>	<b>40,410</b>	<b>37,229</b>
<b>Net result</b>		<b>26,303</b>	<b>40,179</b>	<b>37,018</b>
<b>Other comprehensive income</b>		-	-	-
<b>Total comprehensive income</b>		<b>26,303</b>	<b>40,179</b>	<b>37,018</b>

The accompanying notes form part of these financial statements.

**Liability Management Ministerial Corporation**

**Statement of Financial Position  
as at 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	33	19	33
Receivables	7	20	23	20
<b>Total current assets</b>		<u>53</u>	<u>42</u>	<u>53</u>
<b>Non-current assets</b>				
Financial assets at fair value	8	361,734	375,614	335,428
<b>Total non-current assets</b>		<u>361,734</u>	<u>375,614</u>	<u>335,428</u>
<b>Total assets</b>		<u>361,787</u>	<u>375,656</u>	<u>335,481</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	9	22	15	19
<b>Total current liabilities</b>		<u>22</u>	<u>15</u>	<u>19</u>
<b>Total liabilities</b>		<u>22</u>	<u>15</u>	<u>19</u>
<b>Net assets</b>		<u>361,765</u>	<u>375,641</u>	<u>335,462</u>
<b>Equity</b>				
Accumulated funds		361,765	375,641	335,462
<b>Total equity</b>		<u>361,765</u>	<u>375,641</u>	<u>335,462</u>

The accompanying notes form part of these financial statements.



## Liability Management Ministerial Corporation

### Statement of Changes in Equity for the year ended 30 June 2024

	Accumulated Funds \$'000	Total Equity \$'000
<b>Balance at 1 July 2023</b>	<b>335,462</b>	<b>335,462</b>
Net result for the year	40,179	40,179
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>40,179</u>	<u>40,179</u>
<b>Balance at 30 June 2024</b>	<u><b>375,641</b></u>	<u><b>375,641</b></u>
<b>Balance at 1 July 2022</b>	<b>298,444</b>	<b>298,444</b>
Net result for the year	37,018	37,018
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>37,018</u>	<u>37,018</u>
<b>Balance at 30 June 2023</b>	<u><b>335,462</b></u>	<u><b>335,462</b></u>

The accompanying notes form part of these financial statements.

**Liability Management Ministerial Corporation**

**Statement of Cash Flows  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Other		( 212)	( 237)	( 213)
<b>Total payments</b>		<u>( 212)</u>	<u>( 237)</u>	<u>( 213)</u>
<b>Receipts</b>				
Grants and contributions		4,610	4,610	4,268
Interest received		3	3	3
Other		1	-	-
<b>Total receipts</b>		<u>4,614</u>	<u>4,613</u>	<u>4,271</u>
<b>Net cash flows from operating activities</b>	6	<u>4,402</u>	<u>4,376</u>	<u>4,058</u>
<b>Cash flows from investing activities</b>				
Purchase of investments		( 4,402)	( 4,390)	( 4,080)
<b>Net cash flows from investing activities</b>		<u>( 4,402)</u>	<u>( 4,390)</u>	<u>( 4,080)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>-</u>	<u>( 14)</u>	<u>( 22)</u>
<b>Opening cash and cash equivalents</b>		<u>33</u>	<u>33</u>	<u>55</u>
<b>Closing cash and cash equivalents</b>	6	<u>33</u>	<u>19</u>	<u>33</u>

The accompanying notes form part of these financial statements.

## Liability Management Ministerial Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 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 2040. The long term fiscal target for the Government's defined benefits superannuation liabilities was re-anchored in the financial year 2021-22 to be fully funded from 2030 to 2040.

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 MATERIAL ACCOUNTING POLICY INFORMATION

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, 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 2024*
- Treasurer's Directions issued under the GSF Act

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.

## Liability Management Ministerial Corporation

### Notes to the financial statements for the year ended 30 June 2024

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### Use of judgements, estimates and assumptions (continued)

Management has made the following judgement in relation to the LMMC's classification and valuation of its investments:

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 and valuation techniques, which discount cash flows to present value based on observable market yields for the same or equivalent securities. Changes in fair value are mainly attributable to fluctuations in market yields and prices arising from changes in market conditions. This information is specifically relevant to Notes 8 and 10 to the financial statements.

### Statement of compliance

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

### New, revised or amending standards and interpretations

The accounting policies applied in the financial year 2023-24 are consistent with those of the previous financial year.

There were no new or amended standards commencing in the financial year 2023-24 which have a material impact on LMMC.

### New standards and interpretations not yet effective

As mandated by NSW Treasury Policy and Guidelines TPG24-06 Mandates of options and major policy decisions under Australian Accounting Standards, LMMC 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 new accounting standards and interpretations issued but not yet effective and concluded there is no 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. The accounting policies for the recognition of income are discussed below.

### Contributions from the Crown

Contributions from the Crown without sufficiently specific performance obligations are recognised under AASB 1058 Income of Not-for-Profit Entities 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.

## Liability Management Ministerial Corporation

### Notes to the financial statements for the year ended 30 June 2024

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 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 the 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.

### 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 a unit trust investment facility 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.

## Liability Management Ministerial Corporation

### Notes to the financial statements for the year ended 30 June 2024

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### Derecognition of financial assets

A financial asset 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.

## 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.

## Liability Management Ministerial Corporation

### Notes to the financial statements for the year ended 30 June 2024

	2024 \$'000	2023 \$'000
<b>3. OPERATING EXPENSES</b>		
Audit fees	25	23
Administration charge	206	188
	<u>231</u>	<u>211</u>
<b>4. INVESTMENT REVENUE</b>		
Investment income from TCorpIM LTGF -measured at fair value through profit or loss		
Distribution income – reinvested	8,287	7,041
Net fair value gains/(losses)	27,509	25,917
Interest income	4	3
	<u>35,800</u>	<u>32,961</u>
<b>5. GRANTS AND CONTRIBUTIONS</b>		
Contributions from the Crown	<u>4,610</u>	<u>4,268</u>
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash held at financial institutions	<u>19</u>	<u>33</u>
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:		
Cash and cash equivalents (per Statement of Financial Position)	<u>19</u>	<u>33</u>
Cash and cash equivalents (per Statement of Cash Flows)	<u>19</u>	<u>33</u>
<b>Reconciliation of net cash flows from operating activities to net result for the year</b>		
<b>Net cash flows from operating activities</b>	4,376	4,058
Distribution reinvested and gains/(losses) on investments	35,796	32,958
Increase/(decrease) in assets	3	-
Decrease/(increase) in liabilities	4	2
<b>Net result for the year</b>	<u>40,179</u>	<u>37,018</u>

## Liability Management Ministerial Corporation

### Notes to the financial statements for the year ended 30 June 2024

	2024	2023
	\$'000	\$'000
<b>7. CURRENT RECEIVABLES</b>		
GST receivable	23	20

### 8. NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE

TCorpIM LTGF	375,614	335,428
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The TCorpIM LTGF is classified and measured at fair value through profit or loss in accordance with the AASB 9. Note 10 provides details of the risk exposure of these financial instruments.

### 9. PAYABLES

Other accruals	15	19
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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	
			2024	2023
			\$'000	\$'000
<b>Financial assets</b>				
Cash and cash equivalents	6	Amortised cost	19	33
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	375,614	335,428
<b>Financial liabilities</b>				
Payables	9	Payables (measured at amortised cost)	15	19
<b>Total</b>			<b>375,618</b>	<b>335,442</b>



## Liability Management Ministerial Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 10. FINANCIAL INSTRUMENTS (continued)

##### 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 10.63 percent (2023: 10.97 percent).

##### (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.

##### *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	2024 \$'000	2023 \$'000
TCorpIM LTGF	Cash, money market instruments, Australian bonds, listed property, Australian and International shares	7 years and over	375,614	335,428

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	
	2024 %	2023 %	2024 \$'000	2023 \$'000
TCorpIM LTGF	+/- 10.0	+/- 10.0	+/-37,561	+/- 33,543

## Liability Management Ministerial Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 10. FINANCIAL INSTRUMENTS (continued)

##### *Currency risk*

The LMMC has indirect foreign currency exposure within its investment in the TCorpIM LTGF. The TCorpIM LTGF has approximately 34.1% (2023: 29.8%) foreign currency exposure within its investment portfolio.

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

##### **(b) Credit risk**

Credit risk arises from the financial assets of the LMMC, which comprise of cash and cash equivalents. The LMMC's exposure to credit 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.

##### *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.

##### **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 \$375.61 million as at the reporting date (2023: \$335.43 million) are classified under level 2 fair value hierarchy.

## Liability Management Ministerial Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 11. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or contingent liabilities as at the reporting date (2023: Nil).

#### 12. BUDGET REVIEW

The TCorpIM LTGF had an investment return of 10.63% p.a. which is higher than the annualised long term forecast return of 6.3% p.a. Long term performance remains above the Fund's CPI+3.5% p.a. objective.

The financial year 2023-24 was characterised by high and persistent inflation, increasing interest rates, and tighter credit conditions. These various intense pressures indicated the possibility of a global recession, yet the share market delivered exceptionally strong returns for the financial year.

The Fund's long-term outcomes remain in line with the expected return outcomes.

#### 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 reporting period.

No loans were made to any of the KMP by the LMMC during the reporting 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. All KMP have declared that neither they nor 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 LMMC. The total cost of these services for the year was \$227,041 incl. GST (2023: \$207,232). The expense is shown as an administration charge for LMMC in Note 3.

#### 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 Holding Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Liability Management Ministerial Holding Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (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).

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

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

## 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 Regulation 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](http://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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 September 2024  
SYDNEY



Treasury

# Ports Assets Ministerial Holding Corporation

Financial Statements  
for the year ended 30 June 2024

**Ports Assets Ministerial Holding Corporation**

**Financial Statements  
for the year ended 30 June 2024**

**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 2024* and the Treasurer's directions, and
- present fairly Ports Assets Ministerial Holding Corporation's financial position, financial performance and cash flows.



**Michael Coutts-Trotter**  
**Secretary, NSW Treasury**

12 September 2024

**Ports Assets Ministerial Holding Corporation**

**Statement of Comprehensive Income  
for the year ended 30 June 2024**

		Budget	Actual	Actual
		2024	2024	Consolidated
	Notes	\$'000	\$'000	2023
				\$'000
<b>Expenses</b>				
Operating expenses	3(a)	213	206	125
Contribution paid	3(b)	-	828	-
<b>Total expenses</b>		<u>213</u>	<u>1,034</u>	<u>125</u>
<b>Revenue</b>				
Investment revenue	4(a)	35	42	63
Grants and contributions	4(b)	213	-	200
<b>Total revenue</b>		<u>248</u>	<u>42</u>	<u>263</u>
<b>Net result</b>		<u>35</u>	<u>(992)</u>	<u>138</u>
Other comprehensive income		-	-	-
<b>Total comprehensive income/(loss)</b>		<u>35</u>	<u>(992)</u>	<u>138</u>

The accompanying notes form part of these financial statements.



**Ports Assets Ministerial Holding Corporation**

**Statement of Financial Position  
as at 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual Consolidated 2023 \$'000
<b>Assets</b>				
Cash and cash equivalents	5	1,026	-	972
Receivables	6	-	-	20
<b>Total assets</b>		<u>1,026</u>	<u>-</u>	<u>992</u>
<b>Liabilities</b>				
<b>Total liabilities</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>1,026</u>	<u>-</u>	<u>992</u>
<b>Equity</b>				
Accumulated funds		<u>1,026</u>	<u>-</u>	<u>992</u>
<b>Total equity</b>		<u>1,026</u>	<u>-</u>	<u>992</u>

The accompanying notes form part of these financial statements.

**Ports Assets Ministerial Holding Corporation**

**Statement of Changes in Equity  
for the year ended 30 June 2024**

	Notes	Accumulated Funds \$'000	Total \$'000
<b>Balance at 1 July 2023</b>		992	992
Net result for the year		(992)	(992)
Other comprehensive income		-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(992)</b>	<b>(992)</b>
<b>Balance at 30 June 2024</b>		-	-
		<b>Consolidated Accumulated Funds \$'000</b>	<b>Consolidated Total \$'000</b>
<b>Balance at 1 July 2022</b>		287,598	287,598
Net result for the year		138	138
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>138</b>	<b>138</b>
<b>Transactions with owners in their capacity as owners</b>			
(Decrease) in net assets from equity transfers	7	(286,744)	(286,744)
<b>Balance at 30 June 2023</b>		<b>992</b>	<b>992</b>

The accompanying notes form part of these financial statements.

**Ports Assets Ministerial Holding Corporation**

**Statement of Cash Flows  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual Consolidated 2023 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Operating payments		514	227	483
Contribution paid		-	807	-
<b>Total payments</b>		<u>514</u>	<u>1,034</u>	<u>483</u>
<b>Receipts</b>				
Interest received		35	42	63
Grants and contributions		213	-	200
Other operating receipts		320	20	239
<b>Total receipts</b>		<u>568</u>	<u>62</u>	<u>502</u>
<b>Net cash flows from/(used in) operating activities</b>	8	<b>54</b>	<b>(972)</b>	<b>19</b>
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Net increase/(decrease) in cash</b>		<b>54</b>	<b>(972)</b>	<b>19</b>
Opening cash and cash equivalents		972	972	2,749
Cash transferred in (out) as a result of administrative restructuring	7	-	-	(1,796)
<b>Closing cash and cash equivalents</b>	5	<u>1,026</u>	<u>-</u>	<u>972</u>

The accompanying notes form part of these financial statements.

# Ports Assets Ministerial Holding Corporation

## Notes to the Financial Statements for the year ended 30 June 2024

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## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 1. INFORMATION ON THE PORTS ASSETS MINISTERIAL HOLDING CORPORATION

The Ports Assets Ministerial Holding Corporation (PAMHC) is a not-for-profit entity (as profit is not its principal objective), established on 26 November 2012 under 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. PAMHC is controlled by the State of New South Wales, which is the ultimate parent and is consolidated as part of the NSW Total State Sector Accounts.

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 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.

PAMHC has since undergone a restructure which took effect on 1 July 2022. PAMHC continued to exist as a statutory entity after the completion of the restructure and has ceased operations within the 2024 financial year.

These financial statements for the year ended 30 June 2024 have been authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Accountable Authority was signed.

#### Corporation Restructure Effective 1 July 2022

In October 2021, the Secretary of Treasury under appropriate delegation powers approved a proposal to restructure the subsidiary lessor companies from the current Proprietary Companies status to Ministerial Holding Corporations. The aim was to achieve better alignment with the State's other residual entity structures. This change took effect on 1 July 2022.

Three new Ministerial Holding Corporations (MHCs), the Port Botany Lessor Ministerial Holding Corporation (Port Botany Lessor MHC), the Port Kembla Lessor Ministerial Holding Corporation (Port Kembla Lessor MHC) and the Port of Newcastle Lessor Ministerial Holding Corporation (Port of Newcastle Lessor MHC), collectively known as "Port Lessor MHCs" were established on 1 July 2022 under clause 9 of Schedule 7 to the *Electricity Network Assets (Authorised Transactions) Act 2015* (NSW) (ENA(AT) Act).

The respective assets, rights and liabilities of the subsidiary lessor companies were transferred to the Port Lessor MHCs, effected by vesting orders made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012*, with effective date of 1 July 2022. Further details are disclosed in Note 7. The Port Lessor MHC's are not subsidiaries of PAMHC and as such the investment value held in PAMHC in PBL, PKL and PNL was reduced to nil and an impairment loss was recorded in PAMHC's parent accounts for the year ended 30 June 2022.

PAMHC previously received (i) Port Logistics Contribution (PLC) from an external party, Port Botany Operations Pty Limited as trustee for the Port Botany Unit Trust, and (ii) Newcastle Community Contribution (NCC) from the Newcastle Port Manager. The arrangement between the PAMHC in regard to the PLC has been vested in the Port Botany Lessor MHC and the NCC arrangement has been vested in the Port of Newcastle Lessor MHC, both effective 1 July 2022.

## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 1. INFORMATION ON THE PORTS ASSETS MINISTERIAL HOLDING CORPORATION (continued)

The subsidiary lessor companies were deregistered under the *Corporations Act 2001* (Cth) after the transfer of the assets, rights and liabilities to the Port Lessor MHCs was complete. PNL was deregistered on 31 March 2023 and PBL and PKL were deregistered on 3 April 2023.

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION

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 (including Australian Accounting Interpretations)
- *Government Sector Finance Act 2018* (GSF Act)
- *Government Sector Finance Regulation 2024*
- 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, 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 comparative financial statements incorporate the results, assets and liabilities positions of all entities controlled by the PAMHC (Parent Entity) as at the comparative reporting date. The PAMHC and its previously controlled entities, PBL, PKL and PNL (collectively as the Port Lessor Companies), together are referred to in these financial statements as the PAMHC for the year ended 30 June 2023. 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.

##### 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.

##### Statement of compliance

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

## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

*i. Effective for the first time in 2023-24*

The accounting policies applied in 2023-24 are consistent with those of the previous financial year except as a result of the new or revised Australian Accounting Standards that have been applied for the first time in 2023-24. Management has assessed all new or revised accounting standards and has concluded these do not have a material impact on the financial statements of PAMHC.

*ii. Issued but not yet effective*

As mandated by NSW Treasury Policy and Guidelines TPG24-06 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, PAMHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative date 1 January 2024)
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative date 1 January 2025)
- AASB 18 *Presentation and Disclosure in Financial Statements* (operative date 1 January 2028)

##### 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.

##### Investment revenue

Investment revenue relates to interest revenue. 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.

##### Grants and contributions

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

## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Assets

##### Receivables

###### *Trade and other receivables*

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.

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

##### Derecognition of financial assets

A financial asset (or part thereof) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the PAMHC transfers the financial assets:

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

##### Income tax equivalent and other taxes

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 (GST).

##### Accounting for the Goods and Services Tax

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.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or 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 ATO are classified as operating cash flows.



## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### 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.

##### 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.

##### Non-going concern basis of preparation

Following the corporation restructure, PAMHC has existed as a dormant entity, with its remaining assets transferred to the Consolidated Fund (ConFund) and liabilities transferred to the Treasury's administered activities on behalf of the Crown in the right of the State of New South Wales (the Crown) in June 2024. As at the reporting date, PAMHC does not have a cash balance or bank account to continue operations for the foreseeable future.

PAMHC is planned to be dissolved within the next twelve months and will thereupon cease to exist as a legal entity. Consequently, management have determined that the going concern basis of preparation is no longer appropriate. The financial statements have been prepared on a liquidation basis.

The liquidation basis that PAMHC has been prepared on is used when an entity is expected to liquidate its assets and settle its obligations. On this basis, assets and liabilities presented do not distinguish between current and non-current.

##### Impact of Climate-related matters on Financial Reporting for 2023-24

Management has considered potential impacts of climate related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on PAMHC's preparation of:

- Receivables and financial assets
- Financial instruments
- Expected credit losses
- Events after the reporting period
- Estimation uncertainty and significant judgements

## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 3. EXPENSES

	<b>2024</b>	<b>Consolidated</b>
	<b>\$'000</b>	<b>2023</b>
		<b>\$'000</b>
<b>(a) Operating expenses</b>		
Property management fees <sup>(i)</sup>	-	(63)
Administration charge <sup>(ii)</sup>	206	188
	<b>206</b>	<b>125</b>
<b>(b) Contribution paid</b>		
Contribution paid to Consolidated Fund <sup>(iii)</sup>	828	-
	<b>828</b>	-
<b>Total expenses</b>	<b>1,034</b>	<b>125</b>

**(i) Property management fees**

The PAMHC previously outsourced the lease and property management services for its subsidiary lessor companies to PNSW from 1 July 2015 to 30 June 2022. As the Memorandum of Understanding (MoU) was between the PAMHC and PNSW, it was impractical to calculate and ascertain the cost for each of the three lessor companies individually. Accordingly, no charge out was made to them. The 3<sup>rd</sup> and 4<sup>th</sup> quarter invoices for FY2021-22 were adjusted and reduced by PNSW. The negative expense in FY2022-23 reflects an over-accrual in FY2021-22 for these expenses.

**(ii) Administration charge**

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.

**(iii) Contribution paid to Consolidated Fund**

In preparation for its dissolution, PAMHC's remaining cash balance was transferred to the ConFund and the bank account was closed. The GST receivable balance at the reporting date was also transferred to the ConFund. The cost of these transfers are shown as contribution paid. The Crown is responsible for the payment of PAMHC's audit fees of \$13,200 inclusive of GST (2023: nil).

#### 4. REVENUE

	<b>2024</b>	<b>Consolidated</b>
	<b>\$'000</b>	<b>2023</b>
		<b>\$'000</b>
<b>(a) Investment revenue</b>		
Interest income	42	63
	<b>42</b>	<b>63</b>
<b>(b) Grants and contributions</b>		
Grants without sufficiently specific performance obligations <sup>(i)</sup>	-	200
	<b>-</b>	<b>200</b>
<b>Total revenue</b>	<b>42</b>	<b>263</b>

**(i) Grants without sufficiently specific performance obligations**

PAMHC receives its funding under appropriations from grant funding received from Treasury which receives appropriations from the ConFund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. PAMHC did not receive grant funding within FY2023-24 due to its expected dissolution and bank account closure, and the liquidation basis of preparation determined by management.

**Ports Assets Ministerial Holding Corporation**

**Notes to the Financial Statements  
for the year ended 30 June 2024**

**5. CASH AND CASH EQUIVALENTS**

		<b>Consolidated</b>
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	-	972
	-	<b>972</b>

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)	-	972
Closing cash and cash equivalents (per Statement of Cash Flows)	-	972

Refer to Note 9 for details regarding credit risk and market risk arising from financial instruments.

**6. RECEIVABLES**

		<b>Consolidated</b>
	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
GST receivables <sup>(i)</sup>	-	20
	-	<b>20</b>

**(i) GST Receivables**

*On 30 June 2024, PAMHC had a GST receivable balance of \$20,640. As PAMHC has transferred its remaining cash balance to the ConFund, and since closed its bank account, management have nominated the ConFund to receive this GST refund. Given this arrangement, PAMHC has not recognised a receivable as at the reporting date and has reflected the transfer under Contribution paid. Refer to Note 3.*

## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 7. EQUITY TRANSFER

During FY2023-24, there were no equity transfers in or out as a result of an administrative restructure.

During FY2022-23, assets and liabilities were transferred from PBL, PKL and PNL to the Port Botany Lessor MHC, Port Kembla Lessor MHC and Port of Newcastle Lessor MHC, respectively, effected by vesting orders made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012*. This transfer was effective as of 1 July 2022, as follows:

	Port Botany Lessor Pty Limited to Port Botany Lessor MHC \$'000	Port Kembla Lessor Pty Limited to Port Kembla Lessor MHC \$'000	Port of Newcastle Lessor Pty Limited to Port of Newcastle Lessor MHC \$'000	Total \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	(686)	(511)	(599)	(1,796)
Receivables	(16)	(16)	(21)	(53)
<b>Total current assets</b>	<u>(702)</u>	<u>(527)</u>	<u>(620)</u>	<u>(1,849)</u>
<b>Non-current assets</b>				
Other financial assets	(225,827)	(24,276)	(34,844)	(284,947)
<b>Total non-current assets</b>	<u>(225,827)</u>	<u>(24,276)</u>	<u>(34,844)</u>	<u>(284,947)</u>
<b>Total assets</b>	<u>(226,529)</u>	<u>(24,803)</u>	<u>(35,464)</u>	<u>(286,796)</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	(16)	(18)	(18)	(52)
<b>Total current liabilities</b>	<u>(16)</u>	<u>(18)</u>	<u>(18)</u>	<u>(52)</u>
<b>Total liabilities</b>	<u>(16)</u>	<u>(18)</u>	<u>(18)</u>	<u>(52)</u>
<b>(Decrease) in net assets from equity transfer</b>	<u>(226,513)</u>	<u>(24,785)</u>	<u>(35,446)</u>	<u>(286,744)</u>

#### 8. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2024 \$'000	Consolidated 2023 \$'000
<b>Net cash flows from operating activities</b>	<b>(972)</b>	<b>19</b>
<b>Add back: non cash items in the net result</b>		
Increase/(decrease) in receivables	(20)	(8)
(Increase)/decrease in payables	-	127
<b>Net result</b>	<u><b>(992)</b></u>	<u><b>138</b></u>

## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 9. FINANCIAL INSTRUMENTS

PAMHC's principal financial instruments are cash and cash equivalents. These financial instruments arise from the PAMHC's operations and are required to finance those operations.

PAMHC does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives. The Secretary has overall responsibility for the establishment and oversight of risk management and policies for managing risk.

##### (a) Financial instrument categories

Financial instruments <sup>(i)</sup>	Note	Categories	Carrying Amount	Carrying Amount
			2024 \$'000	2023 \$'000
<b>Consolidated</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	5	Amortised cost	-	972

(i) Excludes statutory receivables which are not within the scope of AASB 7 'Financial Instruments: Disclosures'.

##### (b) Credit risk

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

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

##### Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances. All cash has been transferred to the ConFund and PAMHC's bank account has been closed in preparation for PAMHC's dissolution.

##### (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. 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 PAMHC's net result and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of -1 per cent and +1 per cent (2023: -1 / +1 per cent) is used.

2024	Carrying amount \$'000	Net result \$'000	-1% Equity \$'000	Net result \$'000	+1% Equity \$'000
Cash and cash equivalents	-	-	-	-	-
2023	Carrying amount \$'000	Net result \$'000	-1% Equity \$'000	Net result \$'000	+1% Equity \$'000
Cash and cash equivalents	972	(10)	(10)	10	10

## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2024, the PAMHC has not identified any contingent liabilities, nor contingent assets (2023: nil).

#### 11. BUDGET REVIEW

##### Net result

For the year ended 30 June 2024, PAMHC's net result is a loss of \$0.99 million which is \$1.03 million lower than the budget. This is mainly attributed to the absence of grant income, which was budgeted to be \$0.21 million, and the \$0.83 million contribution paid to the ConFund during FY2023-24.

Operating expenses total \$0.21 million which is in line with the budget of \$0.21 million.

Contribution paid totals \$0.83 million, compared to the nil budget allocation. This is largely due to the transfer of PAMHC's remaining cash balance at year-end in preparation for its dissolution.

Total revenue is \$0.04 million which is \$0.21 million lower than budget, driven by the absence of grant income from Treasury during FY2023-24.

##### Assets and Liabilities

The net asset position of the PAMHC as at 30 June 2024 was nil, compared to the budget of \$1.03 million. This is due to the transfer of PAMHC's assets to the ConFund and liabilities to the Crown in preparation for its dissolution.

Total assets for the year were \$1.03 million lower than the budget due to the transfer of PAMHC's remaining assets to the ConFund.

Total liabilities for the year were nil, which is in line with budget.

##### Cash flows

The actual net cash flows used in operating activities were \$0.97 million, compared to budget cash flows from operating activities of \$0.05 million.

Cash payments of \$1.03 million were higher than budget by \$0.52 million. This is largely due to the contribution paid to the ConFund comprising PAMHC's remaining cash balance at year-end.

Cash receipts of \$0.06 million were lower than budget by \$0.51 million. This is primarily due to the absence of grant income from Treasury during FY2023-24 and lower GST received.

Closing cash and cash equivalents held at reporting date were nil which was \$1.03 million below budget. PAMHC's bank account has been closed in preparation for its dissolution.

#### 12. RELATED PARTY DISCLOSURES

##### (a) Ultimate parent

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

## Ports Assets Ministerial Holding Corporation

### Notes to the Financial Statements for the year ended 30 June 2024

#### 12. RELATED PARTY DISCLOSURES (continued)

##### (b) Key management personnel remuneration

PAMHC defines Key Management Personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the PAMHC. KMP of PAMHC includes the Treasurer, the NSW Treasury Secretary and certain NSW Treasury Deputy Secretaries and Executive Directors. The NSW Cabinet is considered a related party of PAMHC because of its role in directing overall government policy and making decisions about State issues.

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

##### (c) Transactions with related parties

###### (i) Transactions with KMP

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. All KMPs have declared that neither they, nor their close family members, have made any transactions with PAMHC during the reporting period.

###### (ii) Transactions with other related entities

PAMHC is a reporting entity under the NSW Treasury Portfolio. The Treasury Portfolio has provided nil (2023: \$200,000) in grants to the PAMHC to cover the recurrent costs in 2024.

Finance officers of NSW Treasury provide administrative services, including the preparation of the PAMHC's financial statements. The cost of these services for the year was \$227,041 incl. GST (2023: \$207,232), the expense is shown as an administrative charge in the PAMHC.

#### 13. EVENTS AFTER THE REPORTING DATE

There were no other 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 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (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).

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

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



## Emphasis of Matter - Basis of Preparation

I draw attention to the non-going concern basis of preparation in Note 2 of the financial statements. The note describes the Corporation's financial statements were prepared on a liquidation basis as the Corporation is planned to be dissolved within the next twelve months and thereupon cease to exist as a legal entity. My opinion is not modified in respect of this matter.

## 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 Regulation 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 unless it is intended for the Corporation to be liquidated, cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY



Treasury

# Port Botany Lessor Ministerial Holding Corporation

Financial Statements  
for the year ended 30 June 2024

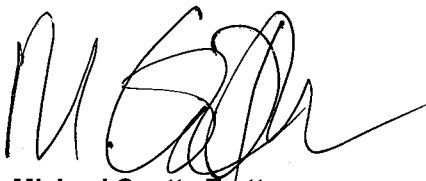
**Port Botany Lessor Ministerial Holding Corporation**

**Financial Statements  
for the year ended 30 June 2024**

**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 2024* and the Treasurer's directions, and
- present fairly the Port Botany Lessor Ministerial Holding Corporation's financial position, financial performance and cash flows.



**Michael Coutts-Trotter  
Secretary, NSW Treasury**

12 September 2024

**Port Botany Lessor Ministerial Holding Corporation**

**Statement of Comprehensive Income  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Expenses</b>				
Operating expenses	3	41,599	38,565	35,550
<b>Total expenses</b>		<u>41,599</u>	<u>38,565</u>	<u>35,550</u>
<b>Revenue</b>				
Investment revenue	4(a)	17,097	17,170	16,103
Grants and contributions	4(b)	240	228	225
Contract service revenue	4(c)	41,360	38,333	35,307
<b>Total revenue</b>		<u>58,697</u>	<u>55,731</u>	<u>51,635</u>
<b>Net result</b>		<u>17,098</u>	<u>17,166</u>	<u>16,085</u>
Other comprehensive income		-	-	-
<b>Total comprehensive income</b>		<u>17,098</u>	<u>17,166</u>	<u>16,085</u>

The accompanying notes form part of these financial statements.

**Port Botany Lessor Ministerial Holding Corporation**

**Statement of Financial Position  
as at 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	874	921	831
Receivables	6	-	28	28
<b>Total current assets</b>		<u>874</u>	<u>949</u>	<u>859</u>
<b>Non-current assets</b>				
Other financial assets	7	258,837	258,837	241,769
<b>Total non-current assets</b>		<u>258,837</u>	<u>258,837</u>	<u>241,769</u>
<b>Total assets</b>		<u>259,711</u>	<u>259,786</u>	<u>242,628</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	8	15	22	30
<b>Total current liabilities</b>		<u>15</u>	<u>22</u>	<u>30</u>
<b>Total liabilities</b>		<u>15</u>	<u>22</u>	<u>30</u>
<b>Net assets</b>		<u>259,696</u>	<u>259,764</u>	<u>242,598</u>
<b>Equity</b>				
Accumulated funds		259,696	259,764	242,598
<b>Total equity</b>		<u>259,696</u>	<u>259,764</u>	<u>242,598</u>

The accompanying notes form part of these financial statements.

**Port Botany Lessor Ministerial Holding Corporation**

**Statement of Changes in Equity  
for the year ended 30 June 2024**

	Notes	Accumulated Funds \$'000	Total \$'000
<b>Balance at 1 July 2023</b>		<b>242,598</b>	<b>242,598</b>
Net result for the year		17,166	17,166
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>17,166</b>	<b>17,166</b>
<b>Balance at 30 June 2024</b>		<b>259,764</b>	<b>259,764</b>
<b>Balance at 1 July 2022</b>		-	-
Net result for the year		16,085	16,085
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>16,085</b>	<b>16,085</b>
<b>Transactions with owners in their capacity as owners</b>			
Increase in net assets from equity transfers	9	226,513	226,513
<b>Balance at 30 June 2023</b>		<b>242,598</b>	<b>242,598</b>

The accompanying notes form part of these financial statements.

**Port Botany Lessor Ministerial Holding Corporation**

**Statement of Cash Flows  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Operating payments		41,596	42,418	39,723
<b>Total payments</b>		<b>41,596</b>	<b>42,418</b>	<b>39,723</b>
<b>Receipts</b>				
Interest received		30	102	161
Grants and contributions		240	228	225
Other operating receipts		41,369	42,178	39,482
<b>Total receipts</b>		<b>41,639</b>	<b>42,508</b>	<b>39,868</b>
<b>Net cash flows from operating activities</b>	10	<b>43</b>	<b>90</b>	<b>145</b>
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash</b>		<b>43</b>	<b>90</b>	<b>145</b>
Opening cash and cash equivalents		831	831	-
Cash transferred in as a result of administrative restructuring	9	-	-	686
<b>Closing cash and cash equivalents</b>	5	<b>874</b>	<b>921</b>	<b>831</b>

The accompanying notes form part of these financial statements.

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

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## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 1. INFORMATION ON THE PORT BOTANY LESSOR MINISTERIAL HOLDING CORPORATION

The Port Botany Lessor Ministerial Holding Corporation (Port Botany Lessor MHC) is a not-for-profit entity (as profit is not its principal objective), established on 1 July 2022 under the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act), and is domiciled in the State of NSW, Australia. It is controlled by the State of New South Wales, which is the ultimate parent.

The Port Botany Lessor MHC is consolidated as part of the NSW Total State Sector Accounts.

The Port Botany Lessor MHC replaces the Port Botany Lessor Pty Limited which was established to facilitate the long-term lease of land and affixed property, plant and equipment by Sydney Ports Corporation (SPC) to an external party. On 31 May 2013, a 99-year finance lease was executed with an external acquirer and an upfront lease premium was paid directly to the Restart NSW Fund, the NSW Government's infrastructure fund. On the same date, SPC's interest in the equity of Port Botany Lessor Pty Limited was transferred to the Ports Assets Ministerial Holding Corporation (PAMHC).

These financial statements for the year ended 30 June 2024 have been authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Accountable Authority was signed.

#### **Corporation Restructure Effective 1 July 2022**

In October 2021, the Secretary of Treasury under appropriate delegation powers approved a proposal to restructure Port Botany Lessor Pty Limited from its Proprietary Company status to a Ministerial Holding Corporation. The aim was to achieve better alignment with the State's other residual entity structures. This change took effect on 1 July 2022.

The Port Botany Lessor MHC was established on 1 July 2022 under clause 9 of Schedule 7 to the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act). The assets, rights and liabilities of Port Botany Lessor Pty Limited were transferred to the Port Botany Lessor MHC and effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012 (PA(AT) Act)*, with effective date of 1 July 2022. Further details are disclosed in Note 9.

The Port Botany Lessor MHC has the same ABN as Port Botany Lessor Pty Limited had and its affairs continue to be managed by the Treasurer and the Secretary of NSW Treasury.

Port Botany Lessor Pty Limited was deregistered under the *Corporations Act 2001 (Cth)* on 3 April 2023 after the transfer of assets, rights and liabilities to the Port Botany Lessor MHC was complete.

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION

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 (including Australian Accounting Interpretations)
- *Government Sector Finance Act 2018 (GSF Act)*
- *Government Sector Finance Regulation 2024*
- Treasurer's Directions issued under the GSF Act.

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (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.

#### Use of judgements, estimates and assumptions

**Judgements** - in the process of applying the Port Botany Lessor MHC'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 – Port Botany Lessor MHC as lessor*

Port Botany Lessor Pty Limited entered a 99-year lease of its port land and fixtures on 31 May 2013. Port Botany Lessor Pty Limited had determined, based on an evaluation of the terms and conditions of the arrangements that it did not retain all the significant risks and rewards of ownership of the land and fixtures, and accounted for the contract as a finance lease. As the lease was prepaid, the transaction was accounted for as a sale. The assets, rights and liabilities under the lease were transferred to the Port Botany Lessor MHC, effective 1 July 2022.

**Estimates and assumptions** - the key assumptions concerning the 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 Port Botany Lessor MHC 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 Port Botany Lessor MHC. Such changes are reflected in the assumptions when they occur.

##### *Valuation of lease receivable – unguaranteed residual value*

The Port Botany Lessor MHC carries its lease receivable which mainly comprises 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 the consideration of inputs such as liquidity risk, credit risk and volatility were taken at 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 7.

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.

#### Statement of compliance

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

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

###### *i. Effective for the first time in FY2023-24*

The accounting policies applied in 2023-24 are consistent with those of the previous financial year except as a result of the new or revised Australian Accounting Standards that have been applied for the first time in 2023-24. 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 the Port Botany Lessor MHC.

###### *ii. Issued but not yet effective*

As mandated by NSW Treasury Policy and Guidelines TPG24-06 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, the Port Botany Lessor MHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

Management has 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 Port Botany Lessor MHC:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative date 1 January 2024)
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative date 1 January 2025)

##### **AASB 18 Presentation and Disclosure in Financial Statements**

AASB 18 *Presentation and Disclosure in Financial Statements* was issued on 14 June 2024, with an operative date of 1 January 2028 for not-for-profit public sector entities. AASB 18 will supersede AASB 101 *Presentation of Financial Statements*. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.

##### **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 obligations.

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Investment revenue

Investment revenue relates to interest revenue and finance income from the lease.

Finance income is recognised reflecting a constant periodic rate of return on the Port Botany Lessor MHC's net investment in the finance lease 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 Port Botany Lessor MHC 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 Port Botany Lessor MHC 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
<b>Lease outgoing recoupment</b>	<p>Relates to council rates, water rates, land tax and other lease outgoings recouped from the lessee under the 99-year finance leases.</p> <p>The performance obligation in relation to lease outgoing recoupment is typically satisfied when the Port Botany Lessor MHC pays the lease outgoing to the relevant government authorities and government trading enterprises.</p> <p>Payment from the customer is typically due within 30 days after the service provision.</p>	<p>Revenue is recognised when the Port Botany Lessor MHC pays the lessee's outgoings and is measured based on the amount paid.</p> <p>No significant element of financing is deemed present as on average, payments are made no more than six months after the service delivery.</p>

##### 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 Councils and tax invoices issued by the Sydney Water Corporation.

##### Assets

##### 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 flow 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.

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Port Botany Lessor MHC recognises an allowance for expected credit losses (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 the Port Botany Lessor MHC expects to receive, discounted at the original effective interest rate. For trade receivables, the Port Botany Lessor MHC applies a simplified approach in calculating ECLs. The Port Botany Lessor MHC 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 land and fixture assets to be returned to the State on the expiry of the 99-year term.

#### *Finance Lease - Port Botany Lessor MHC 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 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.

#### Derecognition of financial assets

A financial asset (or part thereof) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Port Botany Lessor MHC transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where the Port Botany Lessor MHC has not transferred substantially all the risks and rewards if the Port Botany Lessor MHC has not retained control.

#### Liabilities

#### 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 Port Botany Lessor MHC 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 the Port Botany Lessor MHC include the Port Logistics Contribution (PLC). Refer to Note 12 for details.

Transactions and balances relating to these administered activities are not recognised as the Port Botany Lessor MHC's revenue and assets, but are disclosed in the accompanying schedules as 'Administered Revenue' and 'Administered Assets'.

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

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Income tax equivalent and other taxes

The Port Botany Lessor MHC 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 (GST).

##### 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 ATO are classified as operating cash flows.

##### 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 that assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to the below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles.

##### 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 14.

##### Going Concern

The Port Botany Lessor MHC's financial statements have been prepared on a going concern basis. It is expected that the Port Botany Lessor MHC has adequate cash holdings and cash inflows to continue operations for the foreseeable future. Further, the State will provide financial support to the Port Botany Lessor MHC as may be required from time to time to enable the Port Botany Lessor MHC to meet its debts as and when they become due and payable.

##### Impact of Climate-related matters on Financial Reporting for 2023-24

Management has considered potential impacts of climate related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on Port Botany Lessor MHC's preparation of:

- Receivables and financial assets
- Financial instruments
- Expected credit losses
- Provisions and contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Estimation uncertainty and significant judgements

**Port Botany Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**3. OPERATING EXPENSES**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Land tax	28,280	25,921
Council rates	9,326	8,810
Auditor's remuneration		
- audit of the financial statements	25	24
Water costs	728	606
Administration Charge <sup>(i)</sup>	206	189
	<b>38,565</b>	<b>35,550</b>

**(i) Administration Charge**

*Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the Port Botany Lessor MHC's financial statements. The cost of these services is shown as an administration charge.*

**4. REVENUE**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Investment revenue</b>		
Interest income	102	161
Finance income <sup>(i)</sup>	17,068	15,942
	<b>17,170</b>	<b>16,103</b>
<b>(b) Grants and contributions</b>		
Grants without sufficiently specific performance obligations <sup>(ii)</sup>	228	225
	<b>228</b>	<b>225</b>
<b>(c) Contract service revenue</b>		
Land tax recoverable from tenants <sup>(iii)</sup>	28,280	25,921
Council rates recoverable from tenants <sup>(iii)</sup>	9,326	8,780
Water recoupment <sup>(iv)</sup>	727	606
	<b>38,333</b>	<b>35,307</b>
<b>Total revenue</b>	<b>55,731</b>	<b>51,635</b>

**(i) Finance income**

*At the date of execution of the 99-year finance lease, Port Botany Lessor Pty Limited recognised a finance lease receivable representing the entity's net investment in the lease. This was vested in the Port Botany Lessor MHC effective 1 July 2022. As the lease payments were received upfront, no further payments will be received by the Port Botany Lessor MHC and the residual asset will be accreted over the term of the lease as finance income.*

**(ii) Grants without sufficiently specific performance obligations**

*The Port Botany Lessor MHC receives its funding under appropriations from grant funding received from Treasury which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year.*

**(iii) Land tax and council rates recoverable from tenants**

*These relate to NSW land tax and council rates recovered from the lessee under the 99-year finance lease.*

**(iv) Water recoupment**

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

**Port Botany Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**5. CASH AND CASH EQUIVALENTS**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	921	831
	<b>921</b>	<b>831</b>

For the purpose 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)	921	831
Closing cash and cash equivalents (per Statement of Cash Flows)	921	831

Refer to Note 11 for details regarding credit risk and market risk arising from financial instruments.

**6. RECEIVABLES**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Recoupment of lease outgoings	10	9
GST receivables	18	19
	<b>28</b>	<b>28</b>

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

**7. OTHER FINANCIAL ASSETS**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current</b>		
Finance lease receivable <sup>(i)</sup>	258,837	241,769
	<b>258,837</b>	<b>241,769</b>

**(i) Finance lease receivable**

The Port Botany Lessor MHC is the lessor in a 99-year finance lease covering the land and affixed property, plant and equipment at Port Botany, Enfield Intermodal Logistics Centre and Cooks River Empty Container Park in NSW, Australia.

Finance lease accounting requires the Port Botany Lessor MHC 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 Botany Lessor MHC on expiry of the lease.

The residual value in 99 years from inception is estimated at \$104.1 billion, using an annual indexation of 3.58 per cent. The present value at the inception of the lease was \$121.6 million, discounted at nominal pre-tax discount rate of 7.06 per cent.



**Port Botany Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**7. OTHER FINANCIAL ASSETS (continued)**

Finance income of \$17.1 million (2023: \$15.9 million) was recognised in the period (refer to Note 4).

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

The lease contains two clauses relevant to land improvements and additional land transactions:

1. any improvements made by the lessee to the existing land and fixtures, or acquisition of additional land for port use are treated as transactions by the Port Botany Lessor MHC. 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 Port Botany Lessor MHC 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.

<b>Reconciliation of net investment in leases</b>	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Unguaranteed residual amounts - undiscounted	104,132,315	104,132,315
Less: unearned finance income	103,873,478	103,890,546
Net investment in finance leases	<u>258,837</u>	<u>241,769</u>

**8. PAYABLES**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Payables and accruals	<u>22</u>	<u>30</u>
	<b>22</b>	<b>30</b>

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 11.

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 9. EQUITY TRANSFER

During FY2023-24, there were no administrative restructures within the year requiring equity transfers.

During FY2022-23, assets and liabilities were transferred to the Port Botany Lessor MHC effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012* (PA(AT) Act), with effective date of 1 July 2022, from Port Botany Lessor Pty Limited as follows:

	<b>Port Botany Lessor Pty Limited to Port Botany Lessor MHC \$'000</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	686
Receivables	16
<b>Total current assets</b>	<u>702</u>
<b>Non-current assets</b>	
Other financial assets	225,827
<b>Total non-current assets</b>	<u>225,827</u>
<b>Total assets</b>	<u>226,529</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Payables	16
<b>Total current liabilities</b>	<u>16</u>
<b>Total liabilities</b>	<u>16</u>
<b>Increase in net assets from equity transfer</b>	<u>226,513</u>

**Port Botany Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**9. EQUITY TRANSFER (continued)**

**Comparative Information**

The Statement of Comprehensive Income for functions transferred to the Port Botany Lessor MHC:

	<b>Port Botany Lessor Pty Limited 2022 \$'000</b>	<b>Port Botany Lessor MHC 2023 \$'000</b>
<b>Expenses</b>		
Operating expenses	32,455	35,550
<b>Total expenses</b>	<b>32,455</b>	<b>35,550</b>
<b>Revenue</b>		
Investment revenue	14,893	16,103
Grants and contributions	225	225
Contract service revenue	32,258	35,307
<b>Total revenue</b>	<b>47,376</b>	<b>51,635</b>
<b>Net result</b>	<b>14,921</b>	<b>16,085</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>14,921</b>	<b>16,085</b>

**Port Botany Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**9. EQUITY TRANSFER (continued)**

The Statement of Financial Position for functions transferred to the Port Botany Lessor MHC:

	<b>Port Botany Lessor Pty Limited 2022 \$'000</b>	<b>Port Botany Lessor MHC 2023 \$'000</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	686	831
Receivables	16	28
<b>Total current assets</b>	<b>702</b>	<b>859</b>
<b>Non-current assets</b>		
Other financial assets	225,827	241,769
<b>Total non-current assets</b>	<b>225,827</b>	<b>241,769</b>
<b>Total assets</b>	<b>226,529</b>	<b>242,628</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables	16	30
<b>Total current liabilities</b>	<b>16</b>	<b>30</b>
<b>Total liabilities</b>	<b>16</b>	<b>30</b>
<b>Net assets</b>	<b>226,513</b>	<b>242,598</b>
<b>Equity</b>		
Contributed equity	1,540,755	-
Accumulated Surplus/(Losses)	(1,314,242)	242,598
<b>Total equity</b>	<b>226,513</b>	<b>242,598</b>

**10. CASH FLOW INFORMATION**

**Reconciliation of cash flows from operating activities to net result**

	<b>2024 \$'000</b>	<b>2023 \$'000</b>
<b>Net cash flows from operating activities</b>	<b>90</b>	<b>145</b>
<b>Add back: non cash items in the net result</b>		
Finance income	17,068	15,942
Increase in receivables	-	12
Decrease/(increase) in payables	8	(14)
<b>Net result</b>	<b>17,166</b>	<b>16,085</b>

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 11. FINANCIAL INSTRUMENTS

The Port Botany Lessor MHC'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 Port Botany Lessor MHC to interest rate risk on cash balances held and credit risk on short term receivables. These financial instruments arise from the Port Botany Lessor MHC's operations and are required to finance those operations. The Port Botany Lessor MHC 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.

##### (a) Financial instrument categories

Financial instruments <sup>(i)</sup>	Note	Categories	Carrying Amount	Carrying Amount
			2024 \$'000	2023 \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	5	Amortised cost	921	831
Receivables	6	Amortised cost	10	9
<b>Financial Liabilities</b>				
Payables	8	Financial liabilities measured at amortised cost	22	30

(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 Port Botany Lessor MHC's debtors default on their contractual obligations, resulting in a financial loss to the Port Botany Lessor MHC. 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 Port Botany Lessor MHC, including cash and receivables. No collateral is held by the Port Botany Lessor MHC.

##### Cash

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

##### Receivables

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

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

Receivables are written off when there is no reasonable expectation of recovery and no interest is earned on trade debtors.

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

Port Botany Lessor Ministerial Holding Corporation

Notes to the financial statements  
for the year ended 30 June 2024

11. 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 Port Botany Lessor MHC's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Port Botany Lessor MHC does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade derivatives.

The effect on the Port Botany Lessor MHC'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 (2023: +/- 1 percent) is used. The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility. All other variables remain constant. The Port Botany Lessor MHC's exposure to interest rate risk follows.

2024	Carrying amount	Net result	-1%	Net result	+1%
	\$'000		Equity		\$'000
Cash and cash equivalents	921	(9)	(9)	9	9
2023	Carrying amount	Net result	-1%	Net result	+1%
	\$'000		Equity		\$'000
Cash and cash equivalents	831	(8)	(8)	8	8

(d) Liquidity risk

Liquidity risk is the risk that the Port Botany Lessor MHC will be unable to meet its payment obligations when they fall due. The Port Botany Lessor MHC 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 Port Botany Lessor MHC's exposure to liquidity risk is deemed insignificant based on the prior period's data and current assessment of risk.

Trade 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 (TC) 11-12 *Payment of Accounts*. 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. TC11-12 allows the Minister to award interest for late payment. There has been less than \$1,000 (2023: \$30,000) interest awarded for late payments due to the delays of land title transfers following the corporate restructure.

The table below summarises the maturity profile of the Port Botany Lessor MHC'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
<b>2024</b>								
Payables	-	22	-	-	22	22	-	-
<b>Total financial liabilities</b>	-	<b>22</b>	-	-	<b>22</b>	<b>22</b>	-	-
<b>2023</b>								
Payables	-	30	-	-	30	30	-	-
<b>Total financial liabilities</b>	-	<b>30</b>	-	-	<b>30</b>	<b>30</b>	-	-

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 11. FINANCIAL INSTRUMENTS (continued)

Trade payables are non-interest bearing and the Port Botany Lessor MHC has no exposure to foreign currency risk. All trade and other payables are expected to be settled within the next 12 months.

#### 12. ADMINISTERED ITEMS

	2024	2023
	\$'000	\$'000
<b>Administered revenue</b>		
Ports Logistics Contribution <sup>(i)</sup>	8,549	8,610
<b>Total administered revenue</b>	<b>8,549</b>	<b>8,610</b>

*(i) Port Logistics Contribution (PLC)*

*The PLC is levied by the Port Botany Lessor 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. The arrangement between PAMHC in regard to the PLC was vested in the Port Botany Lessor MHC, effective 1 July 2022.*

*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.*

	2024	2023
	\$'000	\$'000
<b>Administered assets</b>		
Receivables	2,206	2,138
<b>Total administered assets</b>	<b>2,206</b>	<b>2,138</b>

#### 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

##### Contingent liabilities

##### *Pre-existing environmental damage or contamination*

In entering the 99-year lease of land and fixtures at Port Botany and Enfield, the Port Botany Lessor MHC has indemnified the lessee in respect of pre-existing environmental damage or contamination at relevant sites. Port Botany Lessor MHC officers are not aware of any claims under the indemnity.

##### *Financier compensation*

Under the Financier Side Deed and other transaction documents, the Port Botany Lessor MHC must provide limited compensation to financiers if the lease is terminated for any reason, including default / breaches of lease, insolvency of the Port Lessee or Port Manager and force majeure. The compensation payable by the Port Botany Lessor MHC to financiers if the Port Lease is terminated is capped at the lesser of:

- the remaining value of the lease; 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.

## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

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

##### **Contingent assets**

###### ***Financier compensation***

The State has guaranteed the payment of any compensation by the Port Botany Lessor MHC for the above contingent liability to financiers.

###### ***Possession of Port assets***

If the lease is terminated, the Port Botany Lessor MHC can regain possession of the Port land and chattels, which are the subject of the existing lease and certain subleases. The Port Botany Lessor MHC's rights to these assets are subject to the terms of the relevant transaction documents and applicable laws. The circumstances in which the Port Botany Lessor MHC may terminate the lease are governed by the lease and other transaction documents.

###### ***Bank guarantee for environment liability and obligations***

The Port Botany Lessor MHC holds a bank guarantee from the Port Lessee to cover any environmental liability and obligations under the lease/sublease. The guarantee is available in the event that the lessee breaches and fails to remedy within 30 days of receiving written notice of the breach. At balance date, the Port Botany Lessor MHC has not issued any written notices for breach of the lease.

#### 14. BUDGET REVIEW

##### **Net result**

For the year ended 30 June 2024, Port Botany Lessor MHC's net result is \$17.2 million which is broadly in line with the budget estimate of \$17.1 million.

Operating expenses total \$38.6 million which is \$3.0 million lower than the budget estimate of \$41.6 million. This \$3.0 million decrease is driven by lower land tax expense of \$2.0 million and lower council rate expense of \$1.0 million.

Total revenue is \$55.7 million which is \$3.0 million lower than the budget estimate of \$58.7 million. This is primarily driven by lower land tax and council rate recoupment of \$2.0 million and \$1.0 million, respectively.

##### **Assets and Liabilities**

The net asset position of the Port Botany Lessor MHC as at 30 June 2024 was \$259.8 million, which is only \$0.1 million higher than the budget estimate of \$259.7 million. This is driven by cash and cash equivalents being slightly higher than the budget estimate.

##### **Cash flows**

The actual net cash flows from operating activities were \$0.1 million which is broadly in line with the budget estimate.

Cash payments of \$42.4 million and cash receipts of \$42.5 million were higher than the budget estimate by \$0.8 million and \$0.9 million respectively. This is primarily due to \$3.8 million GST paid and received that were not included in the budget estimate, offset by lower land tax expense and recoupment of \$2.0 million and lower council rates expense and recoupment of \$1.0 million.

Closing cash and cash equivalents were \$0.9 million, which is in line with the budget estimate.



## Port Botany Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 15. RELATED PARTY DISCLOSURES

##### (a) Ultimate parent

The NSW Government is the ultimate parent of the Port Botany Lessor MHC. The NSW Government is also the ultimate parent of NSW Treasury that provides key management personnel services to the Port Botany Lessor MHC.

##### (b) Key management personnel remuneration

The Port Botany Lessor MHC defines Key Management Personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Port Botany Lessor MHC. KMP of the Port Botany Lessor MHC includes the Treasurer, the NSW Treasury Secretary and certain NSW Treasury Deputy Secretaries and Executive Directors. The NSW Cabinet is considered a related party of the Port Botany Lessor MHC because of its role in directing overall government policy and making decisions about State issues.

The Port Botany Lessor MHC does not have employees. 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 Port Botany Lessor MHC during the reporting period.

##### (c) Transactions with related parties

###### (i) Transactions with KMP

The Port Botany Lessor MHC 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. All KMPs have declared that neither they, nor their close family members, have made any transactions with the Port Botany Lessor MHC during the reporting period.

###### (ii) Transactions with other related entities

The Port Botany Lessor MHC interacts with other government agencies who deliver services to the general public. Services provided by other government agencies to the Port Botany Lessor MHC include land tax, general council services and water utility services. These services were provided to the Port Botany Lessor MHC in the same commercial terms as the general public.

The Port Botany Lessor MHC is a reporting entity under the NSW Treasury Portfolio. The Treasury Portfolio has provided \$228,000 (2023: \$225,000) in grants to Port Botany Lessor MHC to cover the recurrent costs in 2024.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Port Botany Lessor MHC's financial statements. The cost of these services for the year was \$227,041 incl. GST (2023: \$207,232), the expense is shown as an administrative charge in the Port Botany Lessor MHC.

#### 16. EVENTS AFTER THE REPORTING DATE

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

**End of audited financial statements**



## INDEPENDENT AUDITOR'S REPORT

### Port Botany Lessor Ministerial Holding Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Port Botany Lessor Ministerial Holding Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (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).

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

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

## 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 Regulation 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](http://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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY



Treasury

# Port Kembla Lessor Ministerial Holding Corporation

Financial Statements  
for the year ended 30 June 2024

**Port Kembla Lessor Ministerial Holding Corporation**

**Financial Statements  
for the year ended 30 June 2024**

**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 2024* and the Treasurer's directions, and
- present fairly Port Kembla Lessor Ministerial Holding Corporation's financial position, financial performance and cash flows.



**Michael Coutts-Trotter**  
**Secretary, NSW Treasury**

12 September 2024

**Port Kembla Lessor Ministerial Holding Corporation**

**Statement of Comprehensive Income  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Expenses</b>				
Operating expenses	3	<u>7,577</u>	<u>6,603</u>	<u>6,544</u>
<b>Total expenses</b>		<u><b>7,577</b></u>	<u><b>6,603</b></u>	<u><b>6,544</b></u>
<b>Revenue</b>				
Investment revenue	4(a)	1,854	1,861	1,747
Grants and contributions	4(b)	240	228	225
Contract service revenue	4(c)	<u>7,337</u>	<u>6,313</u>	<u>6,306</u>
<b>Total revenue</b>		<u><b>9,431</b></u>	<u><b>8,402</b></u>	<u><b>8,278</b></u>
<b>Net result</b>		<u><b>1,855</b></u>	<u><b>1,799</b></u>	<u><b>1,734</b></u>
Other comprehensive income		-	-	-
<b>Total comprehensive income</b>		<u><b>1,855</b></u>	<u><b>1,799</b></u>	<u><b>1,734</b></u>

The accompanying notes form part of these financial statements.

**Port Kembla Lessor Ministerial Holding Corporation**

**Statement of Financial Position  
as at 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	564	913	533
Receivables	6	-	-	53
<b>Total current assets</b>		<u>564</u>	<u>913</u>	<u>586</u>
<b>Non-current assets</b>				
Other financial assets	7	27,824	27,825	25,990
<b>Total non-current assets</b>		<u>27,824</u>	<u>27,825</u>	<u>25,990</u>
<b>Total assets</b>		<u>28,389</u>	<u>28,738</u>	<u>26,576</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	8	15	420	57
<b>Total current liabilities</b>		<u>15</u>	<u>420</u>	<u>57</u>
<b>Total liabilities</b>		<u>15</u>	<u>420</u>	<u>57</u>
<b>Net assets</b>		<u>28,374</u>	<u>28,318</u>	<u>26,519</u>
<b>Equity</b>				
Accumulated funds		28,374	28,318	26,519
<b>Total equity</b>		<u>28,374</u>	<u>28,318</u>	<u>26,519</u>

The accompanying notes form part of these financial statements.

**Port Kembla Lessor Ministerial Holding Corporation**

**Statement of Changes in Equity  
for the year ended 30 June 2024**

	Notes	Accumulated Funds \$'000	Total \$'000
<b>Balance at 1 July 2023</b>		<b>26,519</b>	<b>26,519</b>
Net result for the year		1,799	1,799
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>1,799</b>	<b>1,799</b>
<b>Balance at 30 June 2024</b>		<b>28,318</b>	<b>28,318</b>
<b>Balance at 1 July 2022</b>		-	-
Net result for the year		1,734	1,734
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>1,734</b>	<b>1,734</b>
<b>Transactions with owners in their capacity as owners</b>			
Increase in net assets from equity transfers	9	24,785	24,785
<b>Balance at 30 June 2023</b>		<b>26,519</b>	<b>26,519</b>

The accompanying notes form part of these financial statements.



**Port Kembla Lessor Ministerial Holding Corporation**

**Statement of Cash Flows  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Operating payments		7,605	6,870	7,135
<b>Total payments</b>		<u>7,605</u>	<u>6,870</u>	<u>7,135</u>
<b>Receipts</b>				
Interest received		19	26	33
Grants and contributions		240	228	225
Other operating receipts		7,378	6,996	6,899
<b>Total receipts</b>		<u>7,637</u>	<u>7,250</u>	<u>7,157</u>
<b>Net cash flows from operating activities</b>	10	<u>32</u>	<u>380</u>	<u>22</u>
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Net (decrease) / increase in cash</b>		<b>32</b>	<b>380</b>	<b>22</b>
Opening cash and cash equivalents		533	533	-
Cash transferred in (out) as a result of administrative restructuring	9	<u>-</u>	<u>-</u>	<u>511</u>
<b>Closing cash and cash equivalents</b>	5	<u>564</u>	<u>913</u>	<u>533</u>

The accompanying notes form part of these financial statements.

## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

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## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 1. INFORMATION ON THE PORT KEMBLA LESSOR MINISTERIAL HOLDING CORPORATION

The Port Kembla Lessor Ministerial Holding Corporation (Port Kembla Lessor MHC) is a not-for-profit entity (as profit is not its principal objective), established on 1 July 2022 under the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act), and is domiciled in the state of New South Wales, Australia. It is controlled by the State of New South Wales, which is the ultimate parent.

The Port Kembla Lessor MHC is consolidated as part of the Total State Sector Accounts.

The Port Kembla Lessor MHC replaces the Port Kembla Lessor Pty Limited which was established to facilitate the long-term lease of land and affixed property, plant and equipment by Port Kembla Ports Corporation (PKPC) to an external party. On 31 May 2013, a 99-year finance lease was executed with an external acquirer and an upfront lease premium was paid directly to the Restart NSW Fund, the NSW Government's infrastructure fund. On the same date, PKPC's interest in the equity of Port Kembla Lessor Pty Limited was transferred to the Ports Assets Ministerial Holding Corporation (PAMHC).

These financial statements for the year ended 30 June 2024 have been authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Accountable Authority was signed.

#### Corporation Restructure Effective 1 July 2022

In October 2021, the Secretary of Treasury under appropriate delegation powers approved a proposal to restructure Port Kembla Lessor Pty Limited from its Proprietary Company status to a Ministerial Holding Corporation. The aim was to achieve better alignment with the State's other residual entity structures. This change took effect on 1 July 2022.

The Port Kembla Lessor MHC was established on 1 July 2022 under clause 9 of Schedule 7 to the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act). The assets, rights and liabilities of Port Kembla Lessor Pty Limited were transferred to the Port Kembla Lessor MHC and effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012 (PA(AT) Act)*, with effective date of 1 July 2022. Further details are disclosed in Note 9.

The Port Kembla Lessor MHC has the same ABN as Port Kembla Lessor Pty Limited had and its affairs will continue to be managed by the Treasurer and the Secretary of NSW Treasury.

Port Kembla Lessor Pty Limited was deregistered under the *Corporations Act 2001 (Cth)* on 3 April 2023 after the transfer of assets, rights and liabilities to the Port Kembla Lessor MHC was complete.

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION

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 (including Australian Accounting Interpretations)
- *Government Sector Finance Act 2018 (GSF Act)*
- *Government Sector Finance Regulation 2024*
- Treasurer's Directions issued under the GSF Act.

## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (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.

#### Use of judgements, estimates and assumptions

**Judgements** - in the process of applying the Port Kembla Lessor MHC'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 – Port Kembla Lessor MHC as lessor*

Port Kembla Lessor Pty Limited entered a 99-year lease of its port land and fixtures on 31 May 2013. Port Kembla Lessor Pty Limited had determined, based on an evaluation of the terms and conditions of the arrangements that it did not retain all the significant risks and rewards of ownership of the land and fixtures, and accounted for the contract as a finance lease. As the lease was prepaid, the transaction was accounted for as a sale. The assets, rights and liabilities under the lease were transferred to the Port Kembla Lessor MHC, effective 1 July 2022.

**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 Port Kembla Lessor MHC 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 Port Kembla Lessor MHC. Such changes are reflected in the assumptions when they occur.

##### *Valuation of lease receivable – unguaranteed residual value*

The Port Kembla Lessor MHC carries its lease receivable which mainly comprises 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 the consideration of inputs such as liquidity risk, credit risk and volatility were taken at 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 7.

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.

#### Statement of compliance

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

## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

## 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

#### i. Effective for the first time in FY2023-24

The accounting policies applied in 2023-24 are consistent with those of the previous financial year except as a result of the new or revised Australian Accounting Standards that have been applied for the first time in 2023-24. 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 the Port Kembla Lessor MHC.

#### ii. Issued but not yet effective

As mandated by NSW Treasury Policy and Guidelines TPG24-06 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, the Port Kembla Lessor MHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

Management has 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 Port Kembla Lessor MHC:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative date 1 January 2024)
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative date 1 January 2025)

### AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 *Presentation and Disclosure in Financial Statements* was issued on 14 June 2024, with an operative date of 1 January 2028 for not-for-profit public sector entities. AASB 18 will supersede AASB 101 *Presentation of Financial Statements*. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.

### 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 obligations.

## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Investment revenue

Investment revenue relates to interest revenue and finance income from the lease.

Finance income is recognised reflecting a constant periodic rate of return on the Port Kembla Lessor MHC's net investment in the finance lease 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 Port Kembla Lessor MHC 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 Port Kembla Lessor MHC 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
<b>Lease outgoing recoupment</b>	<p>Relates to council rates, water rates, land tax and other lease outgoings recouped from the lessee under the 99-year finance lease.</p> <p>The performance obligation in relation to lease outgoing recoupment is typically satisfied when the Port Kembla Lessor MHC pays the lease outgoing to the relevant government authorities and government trading enterprises.</p> <p>Payment from the customer is typically due within 30 days after the service provision.</p>	<p>Revenue is recognised when the Port Kembla Lessor MHC pays the lessee's outgoings and is measured based on the amount paid.</p> <p>No significant element of financing is deemed present as on average, payments are made no more than six months after the service delivery.</p>

##### 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 Councils and tax invoices issued by the Sydney Water Corporation.

##### Assets

##### 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 flow 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.

## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Port Kembla Lessor MHC recognises an allowance for expected credit losses (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 the Port Kembla Lessor MHC expects to receive, discounted at the original effective interest rate. For trade receivables, the Port Kembla Lessor MHC applies a simplified approach in calculating ECLs. The Port Kembla Lessor MHC 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 land and fixture assets to be returned to the State on the expiry of the 99-year term.

#### *Finance Lease - Port Kembla Lessor MHC 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 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.

#### Derecognition of financial assets

A financial asset (or part thereof) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Port Kembla Lessor MHC transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where the Port Kembla Lessor MHC has not transferred substantially all the risks and rewards if the Port Kembla Lessor MHC has not retained control.

#### Liabilities

##### Payables

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

## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Income tax equivalent and other taxes

The Port Kembla Lessor MHC 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 (GST).

##### 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 ATO are classified as operating cash flows.

##### 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 that assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to the below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles.

##### 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 13.

##### Going Concern

The Port Kembla Lessor MHC's financial statements have been prepared on a going concern basis. It is expected that the Port Kembla Lessor MHC has adequate cash holdings and cash inflows to continue operations for the foreseeable future. Further, the State will provide financial support to the Port Kembla Lessor MHC as may be required from time to time to enable the Port Kembla Lessor MHC to meet its debts as and when they become due and payable.

##### Impact of Climate-related matters on Financial Reporting for 2023-24

Management has considered potential impacts of climate related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on Port Kembla Lessor MHC's preparation of:

- Receivables and financial assets
- Financial instruments
- Expected credit losses
- Provisions and contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Estimation uncertainty and significant judgements



**Port Kembla Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**3. OPERATING EXPENSES**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Land tax	3,438	3,064
Council rates	2,027	2,598
Auditor's remuneration		
- audit of the financial statements	25	24
Water costs	907	669
Administration Charge <sup>(i)</sup>	206	189
	<b>6,603</b>	<b>6,544</b>

**(i) Administration Charge**

Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the Port Kembla Lessor MHC's financial statements. The cost of these services is shown as an administration charge.

**4. REVENUE**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Investment revenue</b>		
Interest income	26	33
Finance income <sup>(i)</sup>	1,835	1,714
	<b>1,861</b>	<b>1,747</b>
<b>(b) Grants and contributions</b>		
Grants without sufficiently specific performance obligations <sup>(ii)</sup>	228	225
	<b>228</b>	<b>225</b>
<b>(c) Contract service revenue</b>		
Land tax recoverable from tenants <sup>(iii)</sup>	3,438	3,064
Council rates recoverable from tenants <sup>(iii)</sup>	2,027	2,573
Water recoupment <sup>(iv)</sup>	848	669
	<b>6,313</b>	<b>6,306</b>
<b>Total income</b>	<b>8,402</b>	<b>8,278</b>

**(i) Finance income**

At the date of execution of the 99-year finance lease, Port Kembla Lessor Pty Limited recognised a finance lease receivable representing the entity's net investment in the lease. This was vested in the Port Kembla Lessor MHC effective 1 July 2022. As the lease payments were received upfront, no further payments will be received by the Port Kembla Lessor MHC and the residual asset will be accreted over the term of the lease as finance income.

**(ii) Grants without sufficiently specific performance obligations**

The Port Kembla Lessor MHC receives its funding under appropriations from grant funding received from Treasury which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year.

**(iii) Land tax and council rates recoverable from tenants**

These relate to NSW land tax and council rates recovered from the lessee under the 99-year finance lease.

**(iv) Water recoupment**

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

**Port Kembla Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**5. CASH AND CASH EQUIVALENTS**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	913	533
	<b>913</b>	<b>533</b>

For the purpose 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)	913	533
Closing cash and cash equivalents (per Statement of Cash Flows)	913	533

Refer to Note 11 for details regarding credit risk and market risk arising from financial instruments.

**6. RECEIVABLES**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Recoupment of lease outgoings	-	40
GST receivables	-	13
	<b>-</b>	<b>53</b>

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

**7. OTHER FINANCIAL ASSETS**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current</b>		
Finance lease receivable <sup>(i)</sup>	27,825	25,990
	<b>27,825</b>	<b>25,990</b>

**(i) Finance lease receivable**

*The Port Kembla Lessor MHC is the lessor in a 99-year finance lease covering the land and affixed property, plant and equipment at Port Kembla in NSW, Australia.*

*Finance lease accounting requires the Port Kembla Lessor MHC 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 Kembla Lessor MHC on expiry of the lease.*

*The residual value in 99 years from inception is estimated at \$11.2 billion, using an annual indexation of 3.58 per cent. The present value at the inception of the lease was \$13.1 million, discounted at nominal pre-tax discount rate of 7.06 per cent.*

**Port Kembla Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**7. OTHER FINANCIAL ASSETS (continued)**

Finance income of \$1.8 million (2023: \$1.7 million) was recognised in the period (refer to Note 4).

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

The lease contains two clauses relevant to land improvements and additional land transactions:

1. any improvements made by the lessee to the existing land and fixtures, or acquisition of additional land for port use are treated as transactions by the Port Kembla Lessor MHC. 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 Port Kembla Lessor MHC 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.

<b>Reconciliation of net investment in leases</b>	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	11,191,927	11,191,927
Less: unearned finance income	11,164,102	11,165,937
Net investment in finance leases	<u>27,825</u>	<u>25,990</u>

**8. PAYABLES**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Payables and accruals	84	57
GST payables	336	-
	<u>420</u>	<u>57</u>

Payables are generally on 30-day terms. Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

**Port Kembla Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**9. EQUITY TRANSFER**

During FY2023-24, there were no administrative restructures within the year requiring equity transfers.

During FY2022-23, assets and liabilities were transferred to the Port Kembla Lessor MHC effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012* (PA(AT) Act), with effective date of 1 July 2022, from Port Kembla Lessor Pty Limited as follows:

	<b>Port Kembla Lessor Pty Limited to Port Kembla Lessor MHC \$'000</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	511
Receivables	16
<b>Total current assets</b>	<b>527</b>
<b>Non-current assets</b>	
Other financial assets	24,276
<b>Total non-current assets</b>	<b>24,276</b>
<b>Total assets</b>	<b>24,803</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Payables	18
<b>Total current liabilities</b>	<b>18</b>
<b>Total liabilities</b>	<b>18</b>
<b>Increase/(decrease) in net assets from equity transfer</b>	<b>24,785</b>

**Port Kembla Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**9. EQUITY TRANSFER (continued)**

**Comparative Information**

The Statement of Comprehensive Income for functions transferred to the Port Kembla Lessor MHC:

	<b>Port Kembla Lessor Pty Limited 2022 \$'000</b>	<b>Port Kembla Lessor MHC 2023 \$'000</b>
<b>Expenses</b>		
Operating expenses	5,997	6,544
<b>Total expenses</b>	<b>5,997</b>	<b>6,544</b>
<b>Revenue</b>		
Investment revenue	1,602	1,747
Grants and contributions	225	225
Contract service revenue	5,790	6,306
<b>Total revenue</b>	<b>7,617</b>	<b>8,278</b>
<b>Net result</b>	<b>1,620</b>	<b>1,734</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>1,620</b>	<b>1,734</b>

**Port Kembla Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**9. EQUITY TRANSFER (continued)**

The Statement of Financial Position for functions transferred to the Port Kembla Lessor MHC:

	<b>Port Kembla Lessor Pty Limited 2022 \$'000</b>	<b>Port Kembla Lessor MHC 2023 \$'000</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	511	533
Receivables	16	53
<b>Total current assets</b>	<b>527</b>	<b>586</b>
<b>Non-current assets</b>		
Other financial assets	24,276	25,990
<b>Total non-current assets</b>	<b>24,276</b>	<b>25,990</b>
<b>Total assets</b>	<b>24,803</b>	<b>26,576</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables	18	57
<b>Total current liabilities</b>	<b>18</b>	<b>57</b>
<b>Total liabilities</b>	<b>18</b>	<b>57</b>
<b>Net assets</b>	<b>24,785</b>	<b>26,519</b>
<b>Equity</b>		
Contributed equity	383,665	-
Accumulated Surplus/(Losses)	(358,880)	26,519
<b>Total equity</b>	<b>24,785</b>	<b>26,519</b>

**Port Kembla Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**10. CASH FLOW INFORMATION**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of cash flows from operating activities to net result</b>		
<b>Net cash flows from operating activities</b>	<b>380</b>	<b>22</b>
<b>Add back: non cash items in the net result</b>		
Finance income	1,835	1,714
(Decrease)/increase in receivables	(53)	37
(Increase)/decrease in payables	(363)	(39)
<b>Net result</b>	<b>1,799</b>	<b>1,734</b>

**11. FINANCIAL INSTRUMENTS**

The Port Kembla Lessor MHC'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 Port Kembla Lessor MHC to interest rate risk on cash balances held and credit risk on short term receivables. These financial instruments arise from the Port Kembla Lessor MHC's operations and are required to finance those operations. The Port Kembla Lessor MHC 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.

**(a) Financial instrument categories**

			<b>Carrying Amount</b>	<b>Carrying Amount</b>
<b>Financial instruments <sup>(i)</sup></b>	<b>Note</b>	<b>Categories</b>	<b>2024</b>	<b>2023</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	5	Amortised cost	913	533
Receivables	6	Amortised cost	-	40
<b>Financial liabilities</b>				
Payables	8	Financial liabilities measured at amortised cost	84	57

*(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 Port Kembla Lessor MHC's debtors default on their contractual obligations, resulting in a financial loss to the Port Kembla Lessor MHC. 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 Port Kembla Lessor MHC, including cash and receivables. No collateral is held by the Port Kembla Lessor MHC.

## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 11. FINANCIAL INSTRUMENTS (continued)

##### Cash

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

##### Receivables

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

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

Receivables are written off when there is no reasonable expectation of recovery and no interest is earned on trade debtors.

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

##### (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 Port Kembla Lessor MHC's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Port Kembla Lessor MHC does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade derivatives.

The effect on the Port Kembla Lessor MHC'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 (2023: +/- 1 per cent) is used. The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility. All other variables remain constant. The Port Kembla Lessor MHC's exposure to interest rate risk follows.

2024	Carrying amount \$'000	Net result \$'000	-1% Equity \$'000	Net result \$'000	+1% Equity \$'000
Cash and cash equivalents	913	(9)	(9)	9	9
2023	Carrying amount \$'000	Net result \$'000	-1% Equity \$'000	Net result \$'000	+1% Equity \$'000
Cash and cash equivalents	533	(5)	(5)	5	5

##### (d) Liquidity risk

Liquidity risk is the risk that the Port Kembla Lessor MHC will be unable to meet its payment obligations when they fall due. The Port Kembla Lessor MHC 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 Port Kembla Lessor MHC's exposure to liquidity risk is deemed insignificant based on the prior period's data and current assessment of risk.



## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 11. FINANCIAL INSTRUMENTS (continued)

Trade 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 (TC) 11-12 *Payment of Accounts*. 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. TC11-12 allows the Minister to award interest for late payment. There has been less than \$1,000 (2023: \$30,000) interest awarded for late payments due to the delays of land title transfers following the corporate restructure.

The table below summarises the maturity profile of the Port Kembla Lessor MHC's financial liabilities.

	Weighted average effective interest rate %	Nominal amount \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000	< 1 Year \$'000	1 - 5 Years \$'000	> 5 Years \$'000
<b>2024</b>								
Payables	-	84	-	-	84	84	-	-
<b>Total financial liabilities</b>	-	<b>84</b>	-	-	<b>84</b>	<b>84</b>	-	-
<b>2023</b>								
Payables	-	57	-	-	57	57	-	-
<b>Total financial liabilities</b>	-	<b>57</b>	-	-	<b>57</b>	<b>57</b>	-	-

Trade payables are non-interest bearing and the Port Kembla Lessor MHC has no exposure to foreign currency risk. All trade and other payables are expected to be settled within the next 12 months.

#### 12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

##### Contingent Liabilities

##### *Pre-existing environmental damage or contamination*

In entering the 99-year lease of land and fixtures at Port Kembla, the Port Kembla Lessor MHC has indemnified the lessee in respect of pre-existing environmental damage or contamination at relevant sites. Port Kembla Lessor MHC officers are not aware of any claims under the indemnity.

##### *Financier compensation*

Under the Financier Side Deed and other transaction documents, the Port Kembla Lessor MHC must provide limited compensation to financiers if the lease is terminated for any reason, including default / breaches of the lease, insolvency of the Port Lessee or Port Manager and force majeure. The compensation payable by the Port Kembla Lessor MHC to financiers if the Port lease is terminated is capped at the lesser of:

- the remaining value of the lease; and
- the debt owed to financiers "attributable" to the Port; and
- a "debt cap" benchmarked against debt appropriate to a long-term investment grade credit rating.

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

## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

##### Contingent Assets

###### *Financier compensation*

The State has guaranteed the payment of any compensation by the Port Kembla Lessor MHC for the above contingent liability to financiers.

###### *Possession of Port assets*

If the lease is terminated, the Port Kembla Lessor MHC can regain possession of the port land and chattels, which are the subject of the existing lease and certain subleases. The Port Kembla Lessor MHC's rights to these assets are subject to the terms of the relevant transaction documents and applicable laws. The circumstances in which the Port Kembla Lessor MHC may terminate the lease are governed by the lease and other transaction documents.

###### *Bank guarantee for environment liability and obligations*

The Port Kembla Lessor MHC holds a bank guarantee from the lessee to cover any environmental liability and obligations under the lease/sublease. The guarantee is available in the event that the Port lessee breaches and fails to remedy within 30 days of receiving written notice of the breach. At balance date, the Port Kembla Lessor MHC has not issued any written notices for breach of the lease.

#### 13. BUDGET REVIEW

##### Net result

For the year ended 30 June 2024, Port Kembla Lessor MHC net result is \$1.8 million which is broadly in line with the budget estimate of \$1.9 million.

Operating expenses total \$6.6 million which is \$1.0 million lower than the budget estimate of \$7.6 million. This is driven by a lower council rates expense of \$1.0 million.

Total revenue is \$8.4 million which is \$1.0 million lower than the budget estimate, driven by lower council rates recoupment of \$1.0 million.

##### Assets and Liabilities

The net asset position of the Port Kembla Lessor MHC as at 30 June 2024 was \$28.3 million, which is only \$0.1 million lower than the budget estimate of \$28.4 million. This is mainly driven by higher water rates payable.

##### Cash flows

The actual net cash flows from operating activities was \$0.4 million which is \$0.3 million higher than the budget estimate. This is mainly driven by the GST component on land tax recoupment received not yet paid to the ATO.

Cash payments of \$6.9 million and cash receipts of \$7.3 million were lower than the budget estimate by \$0.7 million and \$0.4 million respectively. This is primarily due to GST paid and received that were not included in the budget estimate and lower council rates expense and recoupment of \$1 million.

Closing cash and cash equivalents were \$0.9 million, which is \$0.3 million higher than the budget estimate of \$0.6 million. This is mainly driven by GST payable on land tax recoupment not yet paid to the ATO.

## Port Kembla Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. RELATED PARTY DISCLOSURES

##### (a) Ultimate parent

The NSW Government is the ultimate parent of the Port Kembla Lessor MHC. The NSW Government is also the ultimate parent of NSW Treasury which provides key management personnel services to the Port Kembla Lessor MHC.

##### (b) Key management personnel remuneration

The Port Kembla Lessor MHC defines Key Management Personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Port Kembla Lessor MHC. KMP of the Port Kembla Lessor MHC includes the Treasurer, the NSW Treasury Secretary and certain NSW Treasury Deputy Secretaries and Executive Directors. The NSW Cabinet is considered a related party of the Port Kembla Lessor MHC because of its role in directing overall government policy and making decisions about State issues.

The Port Kembla Lessor MHC does not have employees. 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 Port Kembla Lessor MHC during the reporting period.

##### (c) Transactions with related parties

###### (i) Transactions with KMP

The Port Kembla Lessor MHC 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. All KMPs have declared that neither they, nor their close family members, have made any transactions with the Port Kembla Lessor MHC during the reporting period.

###### (ii) Transactions with other related entities

The Port Kembla Lessor MHC interacts with other government agencies who deliver services to the general public. Services provided by other government agencies to the Port Kembla Lessor MHC include land tax, general council services and water utility services. These services were provided to the Port Kembla Lessor MHC in the same commercial terms as the general public.

The Port Kembla Lessor MHC is a reporting entity under the NSW Treasury Portfolio. The Treasury Portfolio has provided \$228,000 (2023: \$225,000) in grants to Port Kembla Lessor MHC to cover the recurrent costs in 2024.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Port Kembla Lessor MHC's financial statements. The cost of these services for the year was \$227,041 incl. GST (2023: \$207,232), the expense is shown as an administrative charge in the Port Kembla Lessor MHC.

#### 15. EVENTS AFTER THE REPORTING DATE

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

### End of audited financial statements



## INDEPENDENT AUDITOR'S REPORT

### Port Kembla Lessor Ministerial Holding Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Port Kembla Lessor Ministerial Holding Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (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).

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

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 is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation 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:

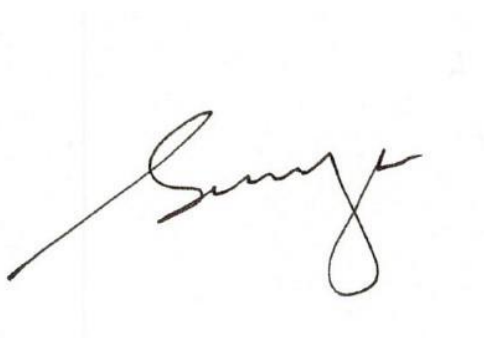
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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](http://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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY



Treasury

# Port of Newcastle Lessor Ministerial Holding Corporation

Financial Statements  
for the year ended 30 June 2024

**Port of Newcastle Lessor Ministerial Holding Corporation**

**Financial Statements  
for the year ended 30 June 2024**

**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 2024* and the Treasurer's directions, and
- present fairly the Port of Newcastle Lessor Ministerial Holding Corporation's financial position, financial performance and cash flows.



**Michael Coutts-Trotter**  
**Secretary, NSW Treasury**

12 September 2024

Port of Newcastle Lessor Ministerial Holding Corporation

Statement of Comprehensive Income  
for the year ended 30 June 2024

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Expenses</b>				
Operating expenses	3	6,336	6,239	5,411
<b>Total expenses</b>		<b>6,336</b>	<b>6,239</b>	<b>5,411</b>
<b>Revenue</b>				
Investment revenue	4(a)	2,574	2,586	2,423
Grants and contributions	4(b)	240	228	225
Contract service revenue	4(c)	6,097	5,181	2,020
<b>Total revenue</b>		<b>8,910</b>	<b>7,995</b>	<b>4,668</b>
<b>Net result</b>		<b>2,574</b>	<b>1,756</b>	<b>(743)</b>
<b>Other comprehensive income</b>				
Other comprehensive income		-	-	-
<b>Total comprehensive income/(loss)</b>		<b>2,574</b>	<b>1,756</b>	<b>(743)</b>

The accompanying notes form part of these financial statements.



**Port of Newcastle Lessor Ministerial Holding Corporation**

**Statement of Financial Position  
as at 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	691	784	647
Receivables	6	-	-	21
<b>Total current assets</b>		<u>691</u>	<u>784</u>	<u>668</u>
<b>Non-current assets</b>				
Other financial assets	7	39,780	39,781	37,231
<b>Total non-current assets</b>		<u>39,780</u>	<u>39,781</u>	<u>37,231</u>
<b>Total assets</b>		<u>40,470</u>	<u>40,565</u>	<u>37,899</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	8	15	4,106	3,196
<b>Total current liabilities</b>		<u>15</u>	<u>4,106</u>	<u>3,196</u>
<b>Total liabilities</b>		<u>15</u>	<u>4,106</u>	<u>3,196</u>
<b>Net assets</b>		<u>40,455</u>	<u>36,459</u>	<u>34,703</u>
<b>Equity</b>				
Accumulated funds		40,455	36,459	34,703
<b>Total equity</b>		<u>40,455</u>	<u>36,459</u>	<u>34,703</u>

The accompanying notes form part of these financial statements.

Port of Newcastle Lessor Ministerial Holding Corporation

Statement of Changes in Equity  
for the year ended 30 June 2024

	Notes	Accumulated Funds \$'000	Total \$'000
<b>Balance at 1 July 2023</b>		<b>34,703</b>	<b>34,703</b>
Net result for the year		1,756	1,756
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>1,756</b>	<b>1,756</b>
<b>Balance at 30 June 2024</b>		<b>36,459</b>	<b>36,459</b>
<b>Balance at 1 July 2022</b>		-	-
Net result for the year		(743)	(743)
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(743)</b>	<b>(743)</b>
<b>Transactions with owners in their capacity as owners</b>			
Increase in net assets from equity transfers	9	35,446	35,446
<b>Balance at 30 June 2023</b>		<b>34,703</b>	<b>34,703</b>

The accompanying notes form part of these financial statements.

**Port of Newcastle Lessor Ministerial Holding Corporation**

**Statement of Cash Flows  
for the year ended 30 June 2024**

	Notes	Budget 2024 \$'000	Actual 2024 \$'000	Actual 2023 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Operating payments		9,813	5,844	2,455
<b>Total payments</b>		<u>9,813</u>	<u>5,844</u>	<u>2,455</u>
<b>Receipts</b>				
Interest received		23	36	36
Grants and contributions		240	228	225
Other operating receipts		9,593	5,717	2,242
<b>Total Receipts</b>		<u>9,857</u>	<u>5,981</u>	<u>2,503</u>
<b>Net cash flows from operating activities</b>	10	<u>43</u>	<u>137</u>	<u>48</u>
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Net (decrease) / increase in cash</b>		<b>43</b>	<b>137</b>	<b>48</b>
Opening cash and cash equivalents		647	647	-
Cash transferred in (out) as a result of administrative restructuring	9	-	-	599
<b>Closing cash and cash equivalents</b>	5	<u>691</u>	<u>784</u>	<u>647</u>

The accompanying notes form part of these financial statements.

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

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## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 1. INFORMATION ON THE PORT OF NEWCASTLE LESSOR MINISTERIAL HOLDING CORPORATION

The Port of Newcastle Lessor Ministerial Holding Corporation (Port of Newcastle Lessor MHC) is a not-for-profit entity (as profit is not its principal objective), established on 1 July 2022 under the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act), and is domiciled in the State of New South Wales (NSW), Australia. It is controlled by the State of New South Wales, which is the ultimate parent.

The Port of Newcastle Lessor MHC is consolidated as part of the NSW Total State Sector Accounts.

The Port of Newcastle Lessor MHC replaces the Port of Newcastle Lessor Pty Limited which was established to facilitate the long-term lease of land and affixed property, plant and equipment of Newcastle Port Corporation (NPC) to an external party. On 30 May 2014, a 98-year finance lease was executed with an external acquirer and an upfront lease premium was paid directly to the Restart NSW Fund, the NSW Government's infrastructure fund. On the same date, NPC's interest in the equity of Port of Newcastle Lessor Pty Limited was transferred to the Ports Assets Ministerial Holding Corporation (PAMHC).

These financial statements for the year ended 30 June 2024 have been authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Accountable Authority was signed.

#### Corporation Restructure Effective 1 July 2022

In October 2021, the Secretary of Treasury under appropriate delegation powers approved a proposal to restructure Port of Newcastle Lessor Pty Limited from its Proprietary Company status to a Ministerial Holding Corporation. The aim was to achieve better alignment with the State's other residual entity structures. This change took effect on 1 July 2022.

The Port of Newcastle Lessor MHC was established on 1 July 2022 under clause 9 of Schedule 7 to the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act). The assets, rights and liabilities of Port of Newcastle Lessor Pty Limited were transferred to the Port of Newcastle Lessor MHC and effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012 (PA(AT) Act)*, with effective date of 1 July 2022. Further details are disclosed in Note 9.

The Port of Newcastle Lessor MHC has the same ABN as Port of Newcastle Lessor Pty Limited had and its affairs will continue to be managed by the Treasurer and the Secretary of NSW Treasury.

Port of Newcastle Lessor Pty Limited was deregistered under the *Corporations Act 2001 (Cth)* on 31 March 2023 after the transfer of assets, rights and liabilities to the Port of Newcastle Lessor MHC was complete.

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION

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:

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- Applicable Australian Accounting Standards (including Australian Accounting Interpretations)
- *Government Sector Finance Act 2018* (GSF Act)
- *Government Sector Finance Regulation 2024*
- 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, 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.

#### Use of judgements, estimates and assumptions

**Judgements** - in the process of applying the Port of Newcastle Lessor MHC'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 – Port of Newcastle Lessor MHC as lessor*

Port of Newcastle Lessor Pty Limited entered a 98-year lease of its port land and fixtures on 30 May 2014. Port of Newcastle Lessor Pty Limited had determined, based on an evaluation of the terms and conditions of the arrangements, that it did not retain all the significant risks and rewards of ownership of the land and fixtures, and accounted for the contract as a finance lease. As the lease was prepaid, the transaction was accounted for as a sale. The assets, rights and liabilities under the lease were transferred to the Port of Newcastle Lessor MHC, effective 1 July 2022.

**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 Port of Newcastle Lessor MHC 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 Port of Newcastle Lessor MHC. Such changes are reflected in the assumptions when they occur.

##### *Valuation of lease receivable – unguaranteed residual value*

The Port of Newcastle Lessor MHC carries its lease receivable which mainly comprises 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 the consideration of inputs such as liquidity risk, credit risk and volatility were taken at 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 7.

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.

#### Statement of compliance

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

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

*i. Effective for the first time in FY2023-24*

The accounting policies applied in 2023-24 are consistent with those of the previous financial year except as a result of the new or revised Australian Accounting Standards that have been applied for the first time in 2023-24. 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 the Port of Newcastle Lessor MHC.

*ii. Issued but not yet effective*

As mandated by NSW Treasury Policy and Guidelines TPG24-06 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, the Port of Newcastle Lessor MHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

Management has 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 Port of Newcastle Lessor MHC:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative date 1 January 2024)
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative date 1 January 2025)

##### **AASB 18 Presentation and Disclosure in Financial Statements**

AASB 18 *Presentation and Disclosure in Financial Statements* was issued on 14 June 2024, with an operative date of 1 January 2028 for not-for-profit public sector entities. AASB 18 will supersede AASB 101 *Presentation of Financial Statements*. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.

##### **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 obligations.

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### Investment revenue

Investment revenue relates to interest revenue and finance income from the lease.

Finance income is recognised reflecting a constant periodic rate of return on the Port of Newcastle Lessor MHC's net investment in the finance lease 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 Port of Newcastle Lessor MHC 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 Port of Newcastle Lessor MHC 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
<b>Lease outgoing recoupment</b>	<p>Relates to land tax and other lease outgoings recouped from the lessee under the 98-year finance lease.</p> <p>The performance obligation in relation to lease outgoing recoupment is typically satisfied when the Port of Newcastle Lessor MHC pays the lease outgoing to the relevant government authorities and government trading enterprises.</p> <p>Payment from the customer is typically due within 30 days after the service provision.</p>	<p>Revenue is recognised when the Port of Newcastle Lessor MHC pays the lessee's outgoings and is measured based on the amount paid.</p> <p>No significant element of financing is deemed present as on average, payments are made no more than six months after the service delivery.</p>

##### 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.

##### Assets

##### 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 flow 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.



## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 Port of Newcastle Lessor MHC recognises an allowance for expected credit losses (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 the Port of Newcastle Lessor MHC expects to receive, discounted at the original effective interest rate. For trade receivables, the Port of Newcastle Lessor MHC applies a simplified approach in calculating ECLs. The Port of Newcastle Lessor MHC 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 land and fixture assets to be returned to the State on the expiry of the 98-year term.

#### *Finance Lease - Port of Newcastle Lessor MHC 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 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.

#### Derecognition of financial assets

A financial asset (or part thereof) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Port of Newcastle Lessor MHC transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where the Port of Newcastle Lessor MHC has not transferred substantially all the risks and rewards if the Port of Newcastle Lessor MHC has not retained control.

#### Liabilities

#### Payables

Trade and other payables, including accruals not yet billed, represent liabilities for goods and services provided to the Port of Newcastle Lessor MHC 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.

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 Port of Newcastle Lessor MHC 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 the Port of Newcastle Lessor MHC include the Newcastle Community Contribution (NCC). Refer to Note 12 for details.

Transactions and balances relating to these administered activities are not recognised as the Port of Newcastle Lessor MHC's revenue and assets, but are disclosed in the accompanying schedules as 'Administered Revenue' and 'Administered Assets'.

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

##### Income tax equivalent and other taxes

The Port of Newcastle Lessor MHC 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 (GST).

##### 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 ATO are classified as operating cash flows.

##### 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 that assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to the below, in most instances, this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles.

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 2. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

##### 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 14.

##### Going Concern

The Port of Newcastle Lessor MHC's financial statements have been prepared on a going concern basis. It is expected that the Port of Newcastle Lessor MHC has adequate cash holdings and cash inflows to continue operations for the foreseeable future. Further, the State will provide financial support to the Port of Newcastle Lessor MHC as may be required from time to time to enable the Port of Newcastle Lessor MHC to meet its debts as and when they become due and payable.

##### Impact of Climate-related matters on Financial Reporting for 2023-24

Management has considered potential impacts of climate related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on Port of Newcastle Lessor MHC's preparation of:

- Receivables and financial assets
- Financial instruments
- Expected credit losses
- Provisions and contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Estimation uncertainty and significant judgements

**Port of Newcastle Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**3. OPERATING EXPENSES**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Land tax	6,008	5,199
Auditor's remuneration - audit of the financial statements	25	24
Administration Charge <sup>(i)</sup>	206	188
	<b>6,239</b>	<b>5,411</b>

**(i) Administration Charge**

*Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the Port of Newcastle Lessor MHC's financial statements. The cost of these services is shown as an administration charge.*

**4. REVENUE**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Investment revenue</b>		
Interest income	36	36
Finance income <sup>(i)</sup>	2,550	2,387
	<b>2,586</b>	<b>2,423</b>
<b>(b) Grants and contributions</b>		
Grants without sufficiently specific performance obligations <sup>(iii)</sup>	228	225
	<b>228</b>	<b>225</b>
<b>(c) Contract service revenue</b>		
Land tax recoverable from tenants <sup>(ii)</sup>	5,181	2,020
	<b>5,181</b>	<b>2,020</b>
<b>Total income</b>	<b>7,995</b>	<b>4,668</b>

**(i) Finance income**

*At the date of execution of the 98-year finance lease, Port of Newcastle Lessor Pty Limited recognised a finance lease receivable representing the entity's net investment in the lease. This was vested in the Port of Newcastle Lessor MHC effective 1 July 2022. As the lease payments were received upfront, no further payments will be received by the Port of Newcastle Lessor MHC and the residual asset will be accreted over the term of the lease as finance income.*

**(ii) Land tax recoverable from tenants**

*These amounts relate to NSW land tax recovered from the lessee under the 98-year finance lease. The increase in land tax recoverable from tenants compared to the previous year is attributable to the lessee electing to pay the land tax in instalments and the timing of these instalments.*

**(iii) Grants without sufficiently specific performance obligations**

*The Port of Newcastle Lessor MHC receives its funding under appropriations from grant funding received from Treasury which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year.*

**Port of Newcastle Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**5. CASH AND CASH EQUIVALENTS**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	784	647
	<b>784</b>	<b>647</b>

For the purpose 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:

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents (per Statement of Financial Position)	784	647
Closing cash and cash equivalents (per Statement of Cash Flows)	784	647

Refer to Note 11 for details regarding credit risk and market risk arising from financial instruments.

**6. RECEIVABLES**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
GST receivable	-	21
	<b>-</b>	<b>21</b>

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

**7. OTHER FINANCIAL ASSETS**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-Current</b>		
Finance lease receivable <sup>(i)</sup>	39,781	37,231
	<b>39,781</b>	<b>37,231</b>

**(i) Finance lease receivable**

*The Port of Newcastle Lessor MHC is the lessor in a 98-year finance lease covering the land and affixed property, plant and equipment at the Port of Newcastle in NSW, Australia.*

*Finance lease accounting requires the Port of Newcastle Lessor MHC 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 of Newcastle Lessor MHC on expiry of the lease.*

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 7. OTHER FINANCIAL ASSETS (continued)

The residual value in 98 years from inception is estimated at \$13.5 billion, using an annual indexation of 3.42 per cent. The present value at the inception of the lease was \$20.4 million, discounted at nominal pre-tax discount rate of 6.85 per cent.

Finance income of \$2.6 million (2023: \$2.4 million) was recognised in the period (refer to Note 4).

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

The lease contains two clauses related to land improvements and additional land transactions:

1. any improvements made by the lessee to the existing land and fixtures, or acquisition of additional land for port use are treated as transactions by the Port of Newcastle Lessor MHC. 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 Port of Newcastle Lessor MHC 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	2024	2023
	\$'000	\$'000
Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	13,469,278	13,469,278
Less: unearned finance income	13,429,497	13,432,047
Net investment in finance leases	39,781	37,231

#### 8. PAYABLES

	2024	2023
	\$'000	\$'000
<b>Current</b>		
Payables and accruals	4,028	3,196
GST payable	78	-
	4,106	3,196

Payables are non-interest bearing and are generally on 30-day term. Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

**Port of Newcastle Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**9. EQUITY TRANSFER**

During FY2023-24, there were no administrative restructures within the year requiring equity transfers.

During FY2022-23, assets and liabilities were transferred to the Port of Newcastle Lessor MHC effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012* (PA(AT) Act), with effective date of 1 July 2022, from Port of Newcastle Lessor Pty Limited as follows:

	<b>Port of Newcastle Lessor Pty Limited to Port of Newcastle Lessor MHC \$'000</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	599
Receivables	21
<b>Total current assets</b>	<b>620</b>
<b>Non-current assets</b>	
Other financial assets	34,844
<b>Total non-current assets</b>	<b>34,844</b>
<b>Total assets</b>	<b>35,464</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Payables	18
<b>Total current liabilities</b>	<b>18</b>
<b>Total liabilities</b>	<b>18</b>
<b>Increase in net assets from equity transfer</b>	<b>35,446</b>

**Port of Newcastle Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**9. EQUITY TRANSFER (continued)**

**Comparative figures**

The Statement of Comprehensive Income for functions transferred to the Port of Newcastle Lessor MHC:

	<b>Port of Newcastle Lessor Pty Limited 2022 \$'000</b>	<b>Port of Newcastle Lessor MHC 2023 \$'000</b>
<b>Expenses</b>		
Operating expenses	4,721	5,411
<b>Total expenses</b>	<b>4,721</b>	<b>5,411</b>
<b>Revenue</b>		
Investment revenue	2,235	2,423
Grants and contributions	225	225
Contract service revenue	4,517	2,020
<b>Total revenue</b>	<b>6,977</b>	<b>4,668</b>
<b>Net result</b>	<b>2,256</b>	<b>(743)</b>
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	<b>2,256</b>	<b>(743)</b>



**Port of Newcastle Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**9. EQUITY TRANSFER (continued)**

The Statement of Financial Position for functions transferred to the Port of Newcastle Lessor MHC:

	Port of Newcastle Lessor Pty Limited 2022 \$'000	Port of Newcastle Lessor MHC 2023 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	599	647
Receivables	21	21
<b>Total current assets</b>	<u>620</u>	<u>668</u>
<b>Non-current assets</b>		
Other financial assets	34,844	37,231
<b>Total non-current assets</b>	<u>34,844</u>	<u>37,231</u>
<b>Total assets</b>	<u>35,464</u>	<u>37,899</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables	18	3,196
<b>Total current liabilities</b>	<u>18</u>	<u>3,196</u>
<b>Total liabilities</b>	<u>18</u>	<u>3,196</u>
<b>Net assets</b>	<u>35,446</u>	<u>34,703</u>
<b>Equity</b>		
Contributed equity	503,104	-
Accumulated Surplus/(Losses)	(467,658)	34,703
<b>Total equity</b>	<u>35,446</u>	<u>34,703</u>

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 10. CASH FLOW INFORMATION

	2024 \$'000	2023 \$'000
<b>Reconciliation of cash flows from operating activities to net result</b>		
<b>Net cash flows from operating activities</b>	<b>137</b>	<b>48</b>
<b>Add back: non cash items in the net result</b>		
Finance income	2,550	2,387
(Decrease) in receivables	(21)	-
(Increase) in payables	(910)	(3,178)
<b>Net result</b>	<b>1,756</b>	<b>(743)</b>

#### 11. FINANCIAL INSTRUMENTS

The Port of Newcastle Lessor MHC's principal financial instruments are cash deposits held with financial institutions as part of the NSW Treasury Banking System. These instruments expose the Port of Newcastle Lessor MHC to interest rate risk on cash balances held. These financial instruments arise from the Port of Newcastle Lessor MHC's operations and are required to finance those operations. The Port of Newcastle Lessor MHC 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.

##### (a) Financial instrument categories

			Carrying Amount 2024 \$'000	Carrying Amount 2023 \$'000
<b>Financial instruments <sup>(i)</sup></b>	<b>Note</b>	<b>Categories</b>		
<b>Financial Assets</b>				
Cash and cash equivalents	5	Amortised cost	784	647
<b>Financial Liabilities</b>				
Payables	8	Financial liabilities measured at amortised cost	23	17

*(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 Port of Newcastle Lessor MHC's debtors default on their contractual obligations, resulting in a financial loss to the Port of Newcastle Lessor MHC. 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 Port of Newcastle Lessor MHC, comprising cash. No collateral is held by the Port of Newcastle Lessor MHC.

**Port of Newcastle Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**11. FINANCIAL INSTRUMENTS (continued)**

**Cash**

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

**(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 Port of Newcastle Lessor MHC's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Port of Newcastle Lessor MHC does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade derivatives.

The effect on the Port of Newcastle Lessor MHC'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 (2023: +/- 1 per cent) is used. The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility. All other variables remain constant. The Port of Newcastle Lessor MHC's exposure to interest rate risk follows.

<b>2024</b>	<b>Carrying amount \$'000</b>	<b>Net result \$'000</b>	<b>-1% Equity \$'000</b>	<b>Net result \$'000</b>	<b>+1% Equity \$'000</b>
Cash and cash equivalents	784	(8)	(8)	8	8
<b>2023</b>	<b>Carrying amount \$'000</b>	<b>Net result \$'000</b>	<b>-1% Equity \$'000</b>	<b>Net result \$'000</b>	<b>+1% Equity \$'000</b>
Cash and cash equivalents	647	(6)	(6)	6	6

**(d) Liquidity risk**

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

The trade 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 (TC) 11-12 *Payment of Accounts*. 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. TC 11-12 allows the Minister to award interest for late payment. There has been no interest awarded for late payment to date.

The table below summarises the maturity profile of the Port of Newcastle Lessor MHC's financial liabilities.

**Port of Newcastle Lessor Ministerial Holding Corporation**

**Notes to the financial statements  
for the year ended 30 June 2024**

**11. FINANCIAL INSTRUMENTS (continued)**

	Weighted average effective interest rate %	Nominal amount \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000	< 1 Year \$'000	1 - 5 Years \$'000	> 5 Years \$'000
<b>2024</b>								
Payables	-	23	-	-	23	23	-	-
<b>Total financial liabilities</b>	-	<b>23</b>	-	-	<b>23</b>	<b>23</b>	-	-
<b>2023</b>								
Payables	-	17	-	-	17	17	-	-
<b>Total financial liabilities</b>	-	<b>17</b>	-	-	<b>17</b>	<b>17</b>	-	-

The trade payables have maturity less than 1 year and are non-interest bearing. The Port of Newcastle Lessor MHC has no exposure to foreign currency risk.

**12. ADMINISTERED ITEMS**

	2024 \$'000	2023 \$'000
<b>Administered revenue</b>		
Newcastle Community Contribution <sup>(i)</sup>	1,000	1,000
<b>Total administered revenue</b>	<b>1,000</b>	<b>1,000</b>

**(i) Newcastle Community Contribution (NCC)**

*The NCC was 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 arrangement between PAMHC in regard to the NCC was vested in the Port of Newcastle Lessor MHC, effective 1 July 2022. The Port of Newcastle Lessor MHC 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.*

	2024 \$'000	2023 \$'000
<b>Administered assets</b>		
Receivables	244	382
<b>Total administered assets</b>	<b>244</b>	<b>382</b>

**13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**Contingent liabilities**

***Pre-existing environmental damage or contamination***

In entering into the 98-year lease of land and fixtures, the Port of Newcastle Lessor MHC has indemnified the lessee in respect of pre-existing environmental damage or contamination at relevant sites.

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

Parcels of the Newcastle land associated with the former BHP steelworks included in the Newcastle 98 years finance lease were contaminated prior to it being owned by Port of Newcastle Lessor MHC. 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). The land has been remediated and the site is expected to be handed over to the lessee by 30 September 2024.

##### *Financier compensation*

Under the Financier Side Deed and other transaction documents, the Port of Newcastle Lessor MHC must provide limited compensation to financiers if the lease is terminated for any reason by the Port of Newcastle Lessor MHC, including default /breaches of the lease, insolvency of the lessee or Port Manager and force majeure. The compensation payable by the Port of Newcastle Lessor MHC to financiers if the lease is terminated is capped at the lesser of:

- the remaining value of the lease; and
- the debt owed to financiers "attributable" to the Port.

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

##### **Contingent assets**

##### *Financier compensation*

The State has guaranteed the payment of any compensation by the Port of Newcastle Lessor MHC for the above contingent liability to financiers.

##### *Possession of Port assets*

If the lease is terminated the Port of Newcastle Lessor MHC can regain possession of the Port land and chattels, which are the subject of the existing lease and certain subleases. The Port of Newcastle Lessor MHC's rights to these assets are subject to the terms of the relevant transaction documents and applicable laws. The circumstances in which the Port of Newcastle Lessor MHC may terminate the lease are governed by the lease and other transaction documents.

##### *Bank guarantee for environment liability and obligations*

The Port of Newcastle Lessor MHC holds a bank guarantee from the lessee to cover any environmental liability and obligations under the lease/sublease. The guarantee is available in the event that the lessee breaches and fails to remedy within 30 days of receiving written notice of the breach. At balance date, the Port of Newcastle Lessor MHC has not issued any written notices for breach of the lease.

#### 14. BUDGET REVIEW

##### **Net result**

For the year ended 30 June 2024, Port of Newcastle Lessor MHC's net result is \$1.8 million which is \$0.8 million lower than the budget estimate. This is mainly attributed to lower revenue from recoupment of land tax expenses due to timing differences.

Operating expenses total \$6.2 million which is broadly in line with the budget estimate of \$6.3 million.

Total revenue is \$8.0 million which is \$0.9 million lower than the budget estimate, mainly driven by timing differences in recoupment of land tax expenses.

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 14. BUDGET REVIEW (continued)

##### Assets and Liabilities

The net asset position of the Port of Newcastle Lessor MHC as at 30 June 2024 was \$36.5 million which is \$4.0 million lower than the budget estimate of \$40.5 million.

Total assets for the year were \$40.6 million which is broadly in line with the budget estimate of \$40.5 million.

Total liabilities were \$4.1 million which is \$4.1 million higher than the budget estimate. This is mainly driven by land tax expenses of \$4.0 million due to be paid in the next financial year.

##### Cash flows

The actual net cash flows from operating activities were \$0.1 million which is \$0.1 million higher than the budget estimate.

Cash payments of \$5.8 million and cash receipts of \$6.0 million were lower than the budget estimate by \$4.0 million and \$3.9 million respectively. This is mainly driven by lower cash payments and cash receipts for land tax instalments of \$4.0 million which are due to be paid in the next financial year.

Closing cash and cash equivalents were \$0.8 million which is \$0.1 million higher than the budget estimate.

#### 15. RELATED PARTY DISCLOSURES

##### (a) Ultimate parent

The NSW Government is the ultimate parent of the Port of Newcastle Lessor MHC. The NSW Government is also the ultimate parent of NSW Treasury which provides key management personnel services to the Port of Newcastle Lessor MHC.

##### (b) Key management personnel remuneration

The Port of Newcastle Lessor MHC defines Key Management Personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Port of Newcastle Lessor MHC. KMP of the Port of Newcastle Lessor MHC includes the Treasurer, the NSW Treasury Secretary, and certain NSW Treasury Deputy Secretaries and Executive Directors. The NSW Cabinet is considered a related party of the Port of Newcastle Lessor MHC because of its role in directing overall government policy and making decisions about State issues.

The Port of Newcastle Lessor MHC does not have employees. 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 Port of Newcastle Lessor MHC during the reporting period.

##### (c) Transactions with related parties

##### (i) Transactions with KMP

The Port of Newcastle Lessor MHC 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. All KMPs have declared that neither they, nor their close family members, have made any transactions with the Port of Newcastle Lessor MHC during the reporting period.

## Port of Newcastle Lessor Ministerial Holding Corporation

### Notes to the financial statements for the year ended 30 June 2024

#### 15. RELATED PARTY DISCLOSURES (continued)

##### (ii) Transactions with other related entities

The Port of Newcastle Lessor MHC interacts with other government agencies who deliver services to the general public. Services provided by other government agencies to the Port of Newcastle Lessor MHC include land tax services. These services were provided to the Port of Newcastle Lessor MHC in the same commercial terms as the general public.

The Port of Newcastle Lessor MHC is a reporting entity under the NSW Treasury Portfolio. The Treasury Portfolio has provided \$228,000 (2023: \$225,000) in grants to Port of Newcastle Lessor MHC for recurrent expenses in 2024.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Port of Newcastle Lessor MHC's financial statements. The cost of these services for the year is \$227,041 incl. GST (2023: \$207,232), the expense is shown as an administrative charge in the Port of Newcastle Lessor MHC.

#### 16. EVENTS AFTER THE REPORTING DATE

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

**End of audited financial statements**



## INDEPENDENT AUDITOR'S REPORT

### Port of Newcastle Lessor Ministerial Holding Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Port of Newcastle Lessor Ministerial Holding Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024* (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).

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

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 is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation 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](http://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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY



Treasury

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Financial Statements

for the year ended 30 June 2024

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Financial Statements  
for the year ended 30 June 2024

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# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Financial Statements  
for the year ended 30 June 2024

## 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 2024* 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: .....

Steven MacDonald - Chair

Dated: 27 September 2024

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Report by Members of the Board for the year ended 30 June 2024

The Directors present their report on the Electricity Retained Interest Corporation - Ausgrid (the Corporation) for the financial year ended 30 June 2024.

### Information on Directors

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

Steven MacDonald (Chair) (Appointed 4 November 2019)  
Belinda Gibson (Appointed 4 November 2019, retired 3 May 2024)  
Gillian Brown (Appointed 4 November 2022)

### 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 four (4) partnerships:

1. Ausgrid Network Asset Partnership (NAP) holding the regulated network assets;
2. Ausgrid Operator Partnership (NOP) which operates the regulated network assets;
3. Plus ES Partnership (AUP) which owns and conducts unregulated activities; and
4. Ausgrid Aurora Property Partnership (APP) which holds surplus properties held by the Ausgrid group.

The Corporation holds a 49.6 per cent interest in each of NAP, NOP, AUP and APP 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 a \$135.1 million loss for the year. The loss comprises the Corporation's 49.6 per cent share of Ausgrid Partnership's profit of \$57.5 million less \$192.4 million contributions paid to the Consolidated Fund and a \$0.2 million stamp duty expense arising from the APP Tranche 2 transfer. The Corporation's expenses are reimbursed by the State, while distributions received from its retained interest in Ausgrid are fully repatriated to the State.

### Distributions received

Total distribution received as at the reporting date was \$192.4 million, including \$188.1 million distributions and \$4.3 million return of capital.

### 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. The Corporation had no employees for the year. Finance and other personnel of NSW Treasury provide administrative services to the Corporation.

No stamp duty was payable on APP's acquisition of 14 surplus properties from NAP and NOP in FY2023. The \$4.254 million held for potential stamp duty was provided by way of a capital reduction by APP in FY2023 and in FY2024 was paid from the King Wood Mallesons lawyers (KWM) trust account to the ERIC-A fund, and the ERIC Alpha APP partners and ERIC Alpha Holdings made capital reductions for the payment of those funds to the Corporation.

In May 2024, NAP and NOP approved transferring a further 50 surplus properties to APP (APP Tranche 2), with transfer documents executed in June 2024. It is expected that the transfers will qualify for a corporate reconstruction concessional rate of stamp duty, with the concessional rate of stamp duty (for which the ERIC Alpha APP partners will be responsible) estimated at \$217,815. In May 2024, ERIC Alpha APP partners made a pre-transaction application for stamp duty relief (as a corporate reconstruction) to Revenue NSW for the APP Tranche 2 transfers.

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Report by Members of the Board for the year ended 30 June 2024

In June 2024, APP made a capital reduction to its partners to provide them with funds to pay the estimated stamp duty on the APP Tranche 2 transfers. The four ERIC Alpha APP partners' aggregate share of the capital reduction was \$496,744 (\$124,186 each) which provides a buffer (excess) of \$278,929 over their share of the estimated stamp duty cost. The return of capital funds to cover stamp duty were paid to and as at 30 June 2024 were, and as at the date of these financial statements, remained held in the KWM trust account on behalf of the four ERIC Alpha APP partners. KWM represents APP and the Ausgrid group more generally. Once issued, the stamp duty assessment will be paid from the funds held in KWM's trust account. That trust account is not controlled by the four ERIC Alpha APP partners or the Corporation.

At the date of these financial statements, the stamping of the APP Tranche 2 documents has not been concluded.

Ausgrid maintained its current Baa1 (Moody's) and BBB (Standard & Poors) credit ratings, and there has been progressive improvement in Ausgrid's credit metrics over the reporting period.

During the year, the Australian Energy Regulator made a determination of Ausgrid's regulated network revenue (allowed to be recovered from consumers) for the period 1 July 2024 – 30 June 2029. This resulted in a material increase in allowed revenue compared to the previous five-year period. External economic factors (such as inflation and interest rates) and increased cost allowances were contributors to the increase.

### Significant changes in state of affairs

There were no significant changes in the state of affairs.

### Significant events after the balance date

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, 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), Deed of Indemnity dated 13 November 2019 (in the case of Steven MacDonald) and Deed of Indemnity dated 3 November 2022 (in the case of Gillian Brown), 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.

For Belinda Gibson, the Deed of Indemnity shall continue to apply for 7 years from the date of her retirement (3 May 2031), as is the case for all former directors.

Signed in accordance with a resolution of the Directors:

Director:   
Steven MacDonald - Chair

Dated: 27 September 2024

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# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2024

	Notes	Budget 2024 Consolidated \$'000	Actual 2024 Consolidated \$'000	Actual 2023 Consolidated \$'000	Actual 2024 Parent \$'000	Actual 2023 Parent \$'000
<b>Revenue</b>						
Share of profit/(loss) in associate	4	168,144	57,536	139,872	-	-
Grants and other contributions	4	1,307	985	1,139	966	1,123
		<u>169,451</u>	<u>58,521</u>	<u>141,011</u>	<u>966</u>	<u>1,123</u>
<b>Expenses</b>						
Contribution paid	5	192,238	192,400	49,600	4,254	-
Directors fees	5	435	396	534	396	534
Other expenses	5	(3,226)	807	605	570	589
		<u>189,447</u>	<u>193,603</u>	<u>50,739</u>	<u>5,220</u>	<u>1,123</u>
<b>Net result for the year</b>		<b><u>(19,996)</u></b>	<b><u>(135,082)</u></b>	<b><u>90,272</u></b>	<b><u>(4,254)</u></b>	<b><u>-</u></b>
<b>Other comprehensive income:</b>						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		-	(72,912)	-	-	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		-	(2,480)	1,984	-	-
Share of associate's changes in revaluation surplus of property, plant and equipment		-	-	1,703,885	-	-
<b>Total share of associate's other comprehensive income/(loss)</b>	6	<u>-</u>	<u>(75,392)</u>	<u>1,705,869</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income/(loss)</b>		<b><u>(19,996)</u></b>	<b><u>(210,474)</u></b>	<b><u>1,796,141</u></b>	<b><u>(4,254)</u></b>	<b><u>-</u></b>

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 2024

		Budget 2024	Actual 2024	Actual 2023	Actual 2024	Actual 2023
	Notes	Consolidated \$'000	Consolidated \$'000	Consolidated \$'000	Parent \$'000	Parent \$'000
<b>Total current assets</b>		-	-	-	-	-
<b>Non-current assets</b>						
Investments	6	5,844,037	7,389,537	7,599,793	3,847,872	3,852,126
<b>Total non-current assets</b>		<b>5,844,037</b>	<b>7,389,537</b>	<b>7,599,793</b>	<b>3,847,872</b>	<b>3,852,126</b>
<b>Total assets</b>		<b>5,844,037</b>	<b>7,389,537</b>	<b>7,599,793</b>	<b>3,847,872</b>	<b>3,852,126</b>
<b>Current liabilities</b>						
Trade and other payables	7	-	218	-	-	-
<b>Total current liabilities</b>		<b>-</b>	<b>218</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>-</b>	<b>218</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>5,844,037</b>	<b>7,389,319</b>	<b>7,599,793</b>	<b>3,847,872</b>	<b>3,852,126</b>
<b>Equity</b>						
Reserves	8	1,397,683	3,028,880	3,101,792	-	-
Accumulated surplus	8	4,446,354	4,360,439	4,498,001	3,847,872	3,852,126
<b>Total equity</b>		<b>5,844,037</b>	<b>7,389,319</b>	<b>7,599,793</b>	<b>3,847,872</b>	<b>3,852,126</b>

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 2024

	Budget 2024 Consolidated \$'000	Actual 2024 Consolidated \$'000	Actual 2023 Consolidated \$'000	Actual 2024 Parent \$'000	Actual 2023 Parent \$'000
Notes					
Net cash flows from operating activities	( 4,254)	-	-	-	-
Net cash flows from investing activities	-	-	-	-	-
Net cash flows from financing activities	-	-	-	-	-
<b>Net increase/(decrease) in cash</b>	<b>( 4,254)</b>	-	-	-	-
Opening cash and cash equivalents	4,254	-	-	-	-
<b>Closing cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 2024

	Consolidated			Parent		
	Accumulated Surplus \$'000	Reserves \$'000	Total \$'000	Accumulated Surplus \$'000	Reserves \$'000	Total \$'000
<b>Balance at 1 July 2023</b>	4,498,001	3,101,792	7,599,793	3,852,126	-	3,852,126
Net result for the period	(135,082)	-	(135,082)	(4,254)	-	(4,254)
<b>Other comprehensive income</b>						
Investment in associate	(2,480)	(72,912)	(75,392)	-	-	-
<b>Total other comprehensive income</b>	(2,480)	(72,912)	(75,392)	-	-	-
<b>Total comprehensive income/(loss)</b>	(137,562)	(72,912)	(210,474)	(4,254)	-	(4,254)
<b>Balance at 30 June 2024</b>	<b>4,360,439</b>	<b>3,028,880</b>	<b>7,389,319</b>	<b>3,847,872</b>	<b>-</b>	<b>3,847,872</b>
<b>Balance at 1 July 2022</b>	<b>4,405,745</b>	<b>1,397,907</b>	<b>5,803,652</b>	<b>3,852,126</b>	<b>-</b>	<b>3,852,126</b>
Net result for the period	90,272	-	90,272	-	-	-
<b>Other comprehensive income</b>						
Investment in associate	1,984	1,703,885	1,705,869	-	-	-
<b>Total other comprehensive income</b>	1,984	1,703,885	1,705,869	-	-	-
<b>Total comprehensive income/(loss)</b>	92,256	1,703,885	1,796,141	-	-	-
<b>Balance at 30 June 2023</b>	<b>4,498,001</b>	<b>3,101,792</b>	<b>7,599,793</b>	<b>3,852,126</b>	<b>-</b>	<b>3,852,126</b>

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

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Notes to the Consolidated Financial Statements  
for the year ended 30 June 2024

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# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 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 four (4) 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;
3. Plus ES Partnership (AUP) which owns and conducts unregulated activities; and
4. Ausgrid Aurora Property Partnership (APP) which holds surplus properties held by the Ausgrid group.

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

The Corporation is a not-for-profit entity from 4 November 2016 as profit is not its principal objective. 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 Note 2 "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.

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 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 (the Company), four ERIC Alpha Asset Trusts (NAPTs), four ERIC Alpha Operator Trusts (NOPTs), four ERIC Alpha AUP Trusts (NAUPTs), four ERIC Alpha APP Trusts (NAPPTs) and the associated four ERIC Alpha Asset Corporations (NAPT Trustee), four ERIC Alpha Operator Corporations (NOPT Trustee), four ERIC Alpha AUP Corporations (NAUPT Trustee) and four ERIC Alpha APP Corporations (NAPPT Trustee) companies. NAPTs, NOPTs, NAUPTs and NAPPTs 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 612 975 185) 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

#### NAPPTs:

- ERIC Alpha APP Corporation 1 Pty Ltd (ACN 664 207 907) as trustee for the ERIC Alpha APP Trust 1
- ERIC Alpha APP Corporation 2 Pty Ltd (ACN 664 208 066) as trustee for the ERIC Alpha APP Trust 2
- ERIC Alpha APP Corporation 3 Pty Ltd (ACN 664 208 315) as trustee for the ERIC Alpha APP Trust 3
- ERIC Alpha APP Corporation 4 Pty Ltd (ACN 664 208 404) as trustee for the ERIC Alpha APP Trust 4

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 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 MATERIAL ACCOUNTING POLICY INFORMATION

#### 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)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- the requirements of the *Government Sector Finance Regulation 2024*
- 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.

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (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 FY2024*

The accounting policies applied in FY2024 are consistent with those of the previous financial year.

There were no new or amended standards commencing in FY2024 which have a material impact on the Corporation. 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 the Corporation.

*ii. Issued but not yet effective*

As mandated by Treasury Policy and Guidelines TPG24-06 *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.

Management has 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 2024)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024)
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative date 1 January 2024)
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative date 1 January 2025)

#### AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 Presentation and Disclosure in Financial Statements was issued on 14 June 2024, with an operative date of 1 January 2028 for not-for-profit public sector entities. AASB 18 will supersede AASB 101 Presentation of Financial Statements. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.



# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 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 have 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 by the Treasurer and reported by the NSW Treasury under its administered activities, 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.

#### Investment in subsidiary

The Corporation was established to hold 100 per cent interest in the Company. The parent's investment in subsidiary and the Company's contributed capital is eliminated in full on the consolidation level. Refer to Note 6 and Note 8 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 TPP21-09 *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 Ausgrid as at 30 June 2024.

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The fair value analysis explored two scenarios to determine the fair value range for Ausgrid's PPE. Scenario 1 was based on Ausgrid's value in use corporate model which incorporated cash flows for Ausgrid. Scenario 2 removed the impact of growth due to capital expenditure (capex) and associate growth cash flows which were determined by Ausgrid management to be approximately 25% of total forecast capex assumed by the regulated business under scenario 1. For the purposes of this valuation, a value within Scenario 2 was chosen as it excludes the impact of growth capex and associated growth cash flows to value an existing asset base using the income approach.

Key assumptions under Scenario 2 used by the external advisor in the discounted cash flow analysis were:

- A 75 per cent of the value of distributor licence and goodwill have been adopted when calculating the PPE fair value to remove the impact of growth capex;
- A post-tax (0 per cent Corporate tax rate) WACC of 6.75 – 7.25 per cent (mid-point of 7.00 per cent);
- A 30-year (to 30 June 2054) cashflow horizon was used in applying the Gordon Growth method with a terminal value growth rate of 1.86 per cent as a proxy for long term cashflows.

The Corporation adopted the range of values under Scenario 2 and capped the high end of that range based on Scenario 1 to take account of the economic constraint of the value of the business to derive to their fair value range. The sensitivity analysis below has been modelled for the mid-point of Ausgrid's PPE valuation range.

The Corporation applied an approximate post-tax (0 per cent Corporate tax rate) discount rate of 7.00 per cent (2023: 7.25 per cent post tax (0 per cent Corporate tax rate)). The sensitivity table below shows the fair value where a change in discount rate of +/- 0.25 per cent is used:

Discount Sensitivity	+0.25% (\$M)	Valuation Amount (\$M)	-0.25% (\$M)
30 June 2024	22,310	23,671	25,185
30 June 2023	21,965	23,062	24,257

The Corporation applied a terminal value growth rate of 1.86 per cent (2023: 1.35 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:

Discount Sensitivity	+0.25% (\$M)	Valuation Amount (\$M)	-0.25% (\$M)
30 June 2024	24,073	23,671	23,310
30 June 2023	23,999	23,062	22,201

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.

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.

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 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 Fund (the Fund) was established as a SDA to facilitate all financial and investment return of the Corporation, disburse the operational cost incurred by the Corporation and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report disclosed in NSW Treasury 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 9.

#### 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.

#### Impact of Climate-related matters on Financial Reporting for 2023-24

Management has considered potential impacts of climate-related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on the Corporation's preparation of:

- Investment in Associate
- Contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Judgements, Estimates and Assumptions

### 4. REVENUE

	2024 Consolidated \$'000	2023 Consolidated \$'000	2024 Parent \$'000	2023 Parent \$'000
Share of profit/(loss) in associate	57,536	139,872	-	-
Grants and other contributions <sup>1</sup>	985	1,139	966	1,123
<b>Total</b>	<b>58,521</b>	<b>141,011</b>	<b>966</b>	<b>1,123</b>

<sup>1</sup>The Corporation does not have a bank account. The Fund was established under Section 32 of the Act to facilitate all financial transactions of the Corporation. The Fund is a SDA controlled by the Treasurer and reported by the NSW Treasury under its administered activities.

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 are a grant contribution from the Crown in the Right of the State of NSW (the Crown) which is reported under NSW Treasury administered activities. The grant received is without a sufficiently specific performance obligation.

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 5. EXPENSES

	2024	2023	2024	2023
	Consolidated \$'000	Consolidated \$'000	Parent \$'000	Parent \$'000
<b>Contribution paid</b>				
Contribution paid to Consolidated Fund <sup>1</sup>	192,400	49,600	4,254	-
	<b>192,400</b>	<b>49,600</b>	<b>4,254</b>	<b>-</b>
<b>Director fees</b>				
Fees	340	468	340	468
Superannuation contribution	38	48	38	48
Committee fees	18	18	18	18
	<b>396</b>	<b>534</b>	<b>396</b>	<b>534</b>
<b>Other expenses</b>				
Audit fees	97	92	84	80
Administration charge <sup>2</sup>	275	275	275	275
Stamp duty <sup>3</sup>	218	-	-	-
Other	217	238	211	234
	<b>807</b>	<b>605</b>	<b>570</b>	<b>589</b>
<b>Total expenses</b>	<b>193,603</b>	<b>50,739</b>	<b>5,220</b>	<b>1,123</b>

<sup>1</sup>The contributions paid to the Consolidated Fund are shown under expenses as all financial returns must be deposited into the SDA. The contribution paid in FY2024 was \$192.4 million including \$188.1 million distributions and \$4.3 million return of capital.

<sup>2</sup>Finance Officers of the NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements.

<sup>3</sup>To address the stamp duty on APP's acquisition, a pre-transaction application for stamp duty relief (as a corporate reconstruction) was made to Revenue NSW. It is expected that the transfers will qualify for a corporate reconstruction concessional rate of stamp duty of 10%. APP has made a capital reduction which will provide the APP partners the funds to pay the stamp duty on the transfer once the stamp duty relief determination is given. The application for stamp duty relief remains outstanding at the date of these financial statements.

### 6. INVESTMENTS

#### Investment in subsidiary

The Corporation was established to hold the 100 per cent interest in its subsidiary Company and this holding structure implemented by the State to manage its retained interest in NAP, NOP, AUP and APP. Refer to Note 2 for details.

	2024	2023	2024	2023
	Consolidated \$'000	Consolidated \$'000	Parent \$'000	Parent \$'000
Investment in ERIC Alpha Holdings Pty Ltd <sup>4</sup>	-	-	3,847,872	3,852,126
	<b>-</b>	<b>-</b>	<b>3,847,872</b>	<b>3,852,126</b>

<sup>4</sup>In July 2023, ERIC-A, through its interest in the Ausgrid Aurora Property Partnership (APP), lodged an exemption application with Revenue NSW for any potential stamp duty liabilities arising from the transfer of 14 surplus properties to APP in June 2023. Ausgrid provided \$4.254 million to ERIC-A (by way of a capital reduction) to settle these potential obligations should the exemption application not be approved. These monies were subsequently transferred to the Electricity Retained Interest Corporation – Ausgrid (ERIC-A) Fund on 13 September 2023 which reduced the contributed capital of ERIC-A. Stamp duty exemption has been granted by NSW Revenue on 22 November 2023.

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 6. INVESTMENTS (continued)

#### Investment in associate

The Corporation's Group investment in an associate represents 100 per cent interest in shares of the Company, which has an investment in associate consisting of the NSW Government's 49.6 per cent share in the Ausgrid Partnerships and a consortium comprising IFM Investors, AustralianSuper and APG Asset Management (APG) holds 50.4 per cent partnership interest.

	2024 Consolidated \$'000	2023 Consolidated \$'000	2024 Parent \$'000	2023 Parent \$'000
Investment in associate	7,389,537	7,599,793	-	-
	<b>7,389,537</b>	<b>7,599,793</b>	-	-

In accordance with AASB 12, the table below provides summarised financial information for the associate. The information disclosed reflects amounts presented in the financial statements of the associate and not the Corporation's share of those amounts. They have been amended to reflect adjustments made by the Corporation when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

#### The associate's assets and liabilities

	2024 Associate \$'000	2023 Associate \$'000
Current assets	724,000	704,000
Non-current assets	27,868,260	27,609,163
	<b>28,592,260</b>	<b>28,313,163</b>
Current liabilities	1,961,000	2,459,000
Non-current liabilities	11,733,000	10,532,000
	<b>13,694,000</b>	<b>12,991,000</b>
<b>Net assets</b>	<b>14,898,260</b>	<b>15,322,163</b>

#### The associate's profit

Revenue	2,527,000	2,381,000
Profit before income tax	116,000	282,000
<b>Profit after income tax</b>	<b>116,000</b>	<b>282,000</b>
Other comprehensive income	(152,000)	4,000
<b>Total comprehensive income</b>	<b>(36,000)</b>	<b>286,000</b>

#### The associate's commitments for expenditure

Capital expenditure	376,000	323,000
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# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 6. INVESTMENTS (continued)

#### Reconciliation of Movements

	2024 Associate \$'000	2023 Associate \$'000
Balance at the beginning of the financial year	15,322,163	11,700,911
The associate's net profit/(loss)	116,000	282,000
The associate's other comprehensive income	(152,000)	4,000
Distributions made by associate	(379,326)	(100,000)
The associate's PPE fair value changes	-	3,435,252
Return of capital	(8,577)	-
Balance at the end of the financial year	<b>14,898,260</b>	<b>15,322,163</b>
Corporation's share in %	49.6%	49.6%
Corporation's share in \$	7,389,537	7,599,793
Carrying amount	<b>7,389,537</b>	<b>7,599,793</b>

### 7. PAYABLES

	2024 Consolidated \$'000	2023 Consolidated \$'000	2024 Parent \$'000	2023 Parent \$'000
<b>Current</b>				
Stamp duty payable <sup>1</sup>	218	-	-	-
<b>Total</b>	<b>218</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> To address the stamp duty on APP's acquisition, a pre-transaction application for stamp duty relief (as a corporate reconstruction) was made to Revenue NSW. It is expected that the transfers will qualify for a corporate reconstruction concessional rate of stamp duty of 10%. APP has made a capital reduction which will provide the APP partners the funds to pay the stamp duty on the transfer once the stamp duty relief determination is given. The application for stamp duty relief remains outstanding at the date of these financial statements.

### 8. EQUITY

	2024 Consolidated \$'000	2023 Consolidated \$'000	2024 Parent \$'000	2023 Parent \$'000
Accumulated surplus	4,360,439	4,498,001	3,847,872	3,852,126
Reserves	3,028,880	3,101,792	-	-
<b>Closing Balance</b>	<b>7,389,319</b>	<b>7,599,793</b>	<b>3,847,872</b>	<b>3,852,126</b>

#### Accumulated Surplus

The Parent's accumulated surplus accounts for the ordinary shares issued by the Company 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*.

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 9. BUDGET REVIEW

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 transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

#### Net result:

The net result of the Corporation was a loss of \$135.1 million. The loss comprises the Corporation's 49.6 per cent share of Ausgrid Partnership's profit of \$57.5 million less \$192.4 million contributions paid to the Consolidated Fund and a \$0.2 million stamp duty expense arising from the APP Tranche 2 transfer.

Total expenses for FY2024 were \$193.6 million, \$4.2 million higher than budgeted mainly due to a return of capital paid to the Consolidated Fund of \$4.3 million in 2024.

Total revenue was \$58.5 million, \$110.9 million lower than the budget estimate due to a decrease in Ausgrid Partnership's profit, as recognised by the Corporation, which flows to the Corporation's share of profit.

#### Assets and Liabilities:

Total assets for the year were \$7,389.5 million for the financial year ending 30 June 2024, higher by \$1,545.5 million as compared to the budget estimate. This is mainly due to an PPE fair value uplift of \$1,703.9 million in FY2023, offset by a higher than expected total comprehensive loss by \$190.7 million in FY2024.

Total liabilities for the year were \$0.2 million, which was \$0.2 million higher than the budget estimate due to the stamp duty liability arising from the Aurora Tranche 2 properties transfer in FY2024.

#### Cash flows:

The Corporation does not have a bank account. Under Section 32 of the Act, the ERIC-A Fund was established as a SDA to facilitate all financial and investment return of the Corporation, disburse the operational cost incurred by the Corporation and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report 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 by the Treasurer and reported by the NSW Treasury under its administered activities. These activities are not recognised by the Corporation.

The movement of \$4.3 million in cash flows in the budget estimate is due to timing difference between the preparation of budget and the financial statements. In FY2024 the cash flows are disclosed as nil in the Statement of Cash Flows.

### 10. LEGAL INTEREST IN THE NETWORK PARTNERSHIP TRUSTS

The Corporation, through Ausgrid Network Asset Partnership Trusts (NAPTs), Ausgrid Network Asset Operator Partnership Trusts (NOPTs), Ausgrid Network Unregulated Partnership Trusts (AUPs) and Ausgrid Aurora Property Partnership Trusts (APPTs) holds a 49.6 per cent legal equity interest in the NAP, NOP, AUP and APP. 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.

# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 11. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At the reporting date, the Corporation's contingent assets of \$1 million (2023: \$1.5 million) and contingent liabilities of \$18.4 million (2023: \$18.4 million) represent its share in the associate's contingent assets and contingent liabilities.

### 12. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2024 Consolidated \$'000	2023 Consolidated \$'000
Short-term employee benefits	358	486
Post-employment benefits	38	48
<b>Total</b>	<b>396</b>	<b>534</b>

Short-term employee benefits include director salaries and committee fees, and post-employment benefits include superannuation. In FY2023 there were adjustments in Board member's remuneration following the Statutory and Other Officers Remuneration Tribunal (SOORT) determination, including 1.53% increase in Board member's remuneration for FY2023 as well as backpay of \$115,000 including contributions to compulsory superannuation for current and retired Board members since 2017. There was no similar adjustment in FY2024.

### 13. RELATED PARTIES

#### (a) Ultimate parent

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

#### (b) Key management personnel remuneration

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

The NSW Cabinet are considered related parties of the Corporation because of its role to direct overall government policy and make decisions about State issues.

The Corporation does not have employees. The key management personnel services were provided by NSW Treasury. The Corporation Directors are independent members who have been appointed by the Treasurer.

No loans were made to any of the KMP by the Corporation during the year. Refer to Note 12 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 Director 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. There are distributions of \$188.1 million and return of capital of \$4.3 million for the current year. No other transactions were made between the Corporation and the Partnerships during the year.



# Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 13. RELATED PARTIES (continued)

#### (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 \$275,000 (2023: \$275,000) and is shown as an administrative charge in the Corporation Note 5.

As the Corporation does not have a bank account, all expenses incurred by the Corporation are funded by NSW Treasury administered activities as grant income from the Crown.

### 14. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

**End of audited financial statements**



## 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 Consolidated Statement of Comprehensive Income for the year ended 30 June 2024, the Consolidated Statement of Financial Position as at 30 June 2024, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a Statement of Material Accounting Policy Information 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 2024* (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).

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

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 2024 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Directors 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 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 is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions. The Directors' responsibility also includes such internal control as the Directors 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 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/ar3.pdf](http://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 and 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.

A handwritten signature in black ink, appearing to read 'Somaiya', written over a faint, light-colored rectangular stamp or watermark.

Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 September 2024  
SYDNEY



Treasury

# **Electricity Retained Interest Corporation - Endeavour Energy**

ABN 61 573 737 242

**Financial Statements**

**for the year ended 30 June 2024**

# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Financial Statements  
for the year ended 30 June 2024

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# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

**Statement by the Accountable Authority  
for the year ended 30 June 2024**

## 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 2024* 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



Director: .....  
Trevor Danos AM FTSE - Chair

Dated: 26 September 2024

# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

## Report by Members of the Board for the year ended 30 June 2024

The Directors present their report on Electricity Retained Interest Corporation - Endeavour Energy (the Corporation) for the financial year ended 30 June 2024.

### 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 FTSE (Chair) (Appointed on 1 March 2017, reappointed on 2 June 2023 for a two-year term)
- Dr Marlene Kanga AO FTSE FAICD (Appointed on 1 February 2023 for a three-year term)
- Claudia Bels FAICD (Appointed on 13 November 2023 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 49.6 per cent interest in the Endeavour Energy business is constituted by five (5) partnerships.

#### Endeavour Energy's regulated business

1. Endeavour Energy Network Asset Partnership (NAP) holding regulated distribution network assets;
2. Endeavour Energy Network Operator Partnership (NOP) which operates the regulated distribution network assets;

#### Endeavour Energy's unregulated business investment:

3. Endeavour Energy Network Unregulated Partnership (NUP) which owns and conducts unregulated activities.

#### Endeavour Energy's Renewable Energy Zone (REZ) investment:

4. Endeavour Energy REZ NO Partnership (Endeavour REZNOP) was formed on 28 August 2023 to hold Endeavour Energy's interest in the ACERREZ Network Operator Partnership (ACERREZ NOP)<sup>1</sup>; and
5. Endeavour Energy REZ M&L Partnership (Endeavour REZM&LP) was formed on 27 November 2023 to hold Endeavour Energy's interest in the ACERREZ M&L Contractor Trust (ACERREZ M&LCT)<sup>2</sup>.

The Corporation holds a 49.6 per cent interest in each of NAP, NOP, NUP, Endeavour REZNOP and Endeavour REZM&LP via controlled entities. In respect of the REZ downstream ownership interests:

- Endeavour REZNOP holds Endeavour Energy's 27.96 per cent ownership interest in the ACERREZ NOP which has been selected as the successful bidder and preferred network operator for the Central West Orana Renewable Energy Zone (CWO REZ) project; and
- Endeavour REZM&LP holds Endeavour Energy's 27.96 per cent ownership interest in the ACERREZ M&LCT which will carry out maintenance and lifecycle services for the CWO REZ project under contract to ACERREZ NOP.

Other than as described in the review of operations below, there has been no significant change in the Corporation's principal activities during the year.

<sup>1</sup> ACERREZ NOP is comprised of three partners: Acciona (36.02 per cent), Cobra (36.02 per cent) and Endeavour Energy (27.96 per cent).

<sup>2</sup> The ACERREZ M&L Contractor Trust is owned by the same sponsors and in the same proportions as the ACERREZ Partnership (Acciona (36.02 per cent), Cobra (36.02 per cent) and Endeavour Energy (27.96 per cent)).



# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

## Report by Members of the Board for the year ended 30 June 2024

### Operating results

The net result of the Corporation was a \$38.7 million loss for the year, representing the Corporation's 49.6 per cent share of Endeavour Energy business' profit and loss. The loss comprises of the Corporation's 49.6 per cent share of Endeavour Energy business' profit of \$89.8 million less \$128.5 million contributions paid to the Consolidated Fund as mandated under Section 34 of the Act. 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 distributions received as at the reporting date was \$128.5 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 activities. The financial results of the Corporation are disclosed in the attached financial statements. The Corporation had no employees for the year. Finance and other personnel of NSW Treasury provide administrative services to the Corporation.

Endeavour Energy provides a regulated essential service and currently maintains a strong financial position, forecast cash balance, and available undrawn borrowing facilities. Endeavour Energy revenues were in line with expectations for the year. The Baa1 (Moody's) credit rating was maintained.

### Significant changes in state of affairs

During the reporting period, Endeavour Energy continued its participation in the ACEREZ NO consortium (formerly called ACE Energy) together with Acciona and Cobra (both major international infrastructure companies, each headquartered in Spain) to competitively bid for a 35-year concession to develop and operate the proposed CWO REZ network. The procurement was conducted by Energy Corporation of New South Wales (EnergyCo) pursuant to the NSW Government's Electricity Infrastructure Roadmap. On 18 December 2023, EnergyCo and ACEREZ executed a Commitment Deed under which ACEREZ NO was appointed as the successful bidder to be the CWO REZ network operator, responsible to build, own and operate the new network.

Over the reporting period, Endeavour Energy paid aggregate distributions of \$259 million to the owners of Endeavour Energy (including the Corporation). The Corporation's 49.6 per cent share of \$259 million was \$128.5 million which was paid into the Fund and subsequently remitted to the State's Consolidated Fund.

On 3 July 2023 the Corporation established 34 new controlled entities (17 trusts and 17 trustee companies for those trusts) to hold its interest in the CWO REZ project.

In August 2023, the NSW Government approved the commitment of an additional \$35 million of equity funding to the Corporation (as a part owner of Endeavour Energy) to fund its equity funding commitments for the CWO REZ project. The Treasurer provided a letter of support to the Corporation under which the Treasurer committed to provide up to \$185 million of equity funding to the Corporation, and granted updated regulatory authorisations on 24 July 2023.

Over the period, Endeavour Energy established two new partnerships to hold its CWO REZ project interests (Endeavour REZNOP and Endeavour REZM&LP) and two ACEREZ entities were established on 18 December 2023 – ACEREZ NOP (which will be the network operator of the CWO REZ) and the ACEREZM&LCT (which will undertake the maintenance and lifecycle (M&L) services) as well as subsidiary entities of each.

Financial close for the CWO REZ project transaction is currently targeted for quarter 1 in 2025. Endeavour Energy is engaged in detailed project and commercial implementation with its ACEREZ NO partners, which will continue throughout FY2025.

Endeavour Energy is assessing and pursuing several strategies to actively expand and grow its business through unregulated business opportunities (in addition to the CWO REZ project).

# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

## Report by Members of the Board for the year ended 30 June 2024

### Significant events after the balance date

Other than for the CWO REZ project, 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

Insurance 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 Deeds of Indemnity dated 8 June 2017 (in the case of Trevor Danos AM FTSE), 21 December 2022 (in the case of Dr Marlene Kanga AO FTSE FAICD), and 13 November 2023 (in the case of Claudia Bels FAICD), 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 and director of controlled entities (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 FTSE - Chair

Dated: 26 September 2024

# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2024

		Budget 2024	Actual 2024	Actual 2023	Actual 2024	Actual 2023
	Notes	Consolidated \$'000	Consolidated \$'000	Consolidated \$'000	Parent \$'000	Parent \$'000
<b>Revenue</b>						
Share of profit of associates	4	140,120	89,772	85,803	-	-
Grants and other contributions	4	1,506	1,200	1,238	1,182	1,223
		<b>141,626</b>	<b>90,972</b>	<b>87,041</b>	<b>1,182</b>	<b>1,223</b>
<b>Expenses</b>						
Contributions paid	5	144,940	128,464	162,878	-	-
Directors' fees	5	415	357	485	357	485
Other expenses	5	1,091	843	753	825	738
		<b>146,446</b>	<b>129,664</b>	<b>164,116</b>	<b>1,182</b>	<b>1,223</b>
<b>Net result</b>		<b>(4,820)</b>	<b>(38,692)</b>	<b>(77,075)</b>	-	-
<b>Other comprehensive income</b>						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		-	(37,547)	1,687	-	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		-	2,430	(1,637)	-	-
Share of associate's changes in revaluation surplus of property, plant and equipment		-	248,674	(170,124)	-	-
<b>Total other comprehensive income/(loss)</b>	6	-	<b>213,557</b>	<b>(170,074)</b>	-	-
<b>Total comprehensive income/(loss)</b>		<b>(4,820)</b>	<b>174,865</b>	<b>(247,149)</b>	-	-

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 2024

	Notes	Budget 2024 Consolidated \$'000	Actual 2024 Consolidated \$'000	Actual 2023 Consolidated \$'000	Actual 2024 Parent \$'000	Actual 2023 Parent \$'000
<b>Total current assets</b>		-	-	-	-	-
<b>Non-current assets</b>						
Investments	6	2,986,989	2,982,565	2,806,785	1,947,363	1,946,448
<b>Total non-current assets</b>		<b>2,986,989</b>	<b>2,982,565</b>	<b>2,806,785</b>	<b>1,947,363</b>	<b>1,946,448</b>
<b>Total assets</b>		<b>2,986,989</b>	<b>2,982,565</b>	<b>2,806,785</b>	<b>1,947,363</b>	<b>1,946,448</b>
<b>Current liabilities</b>						
Payables		-	-	-	-	-
<b>Total current liabilities</b>		-	-	-	-	-
<b>Total non-current liabilities</b>		-	-	-	-	-
<b>Total liabilities</b>		-	-	-	-	-
<b>Net assets</b>		<b>2,986,989</b>	<b>2,982,565</b>	<b>2,806,785</b>	<b>1,947,363</b>	<b>1,946,448</b>
<b>Equity</b>						
Reserves	7	705,531	746,547	535,420	-	-
Accumulated surplus	7	2,281,458	2,236,018	2,271,365	1,947,363	1,946,448
<b>Total equity</b>		<b>2,986,989</b>	<b>2,982,565</b>	<b>2,806,785</b>	<b>1,947,363</b>	<b>1,946,448</b>

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 2024

	Budget 2024 Consolidated \$'000	Actual 2024 Consolidated \$'000	Actual 2023 Consolidated \$'000	Actual 2024 Parent \$'000	Actual 2023 Parent \$'000
Net cash flows from operating activities	-	-	-	-	-
Net cash flows from investing activities	(14,900)	-	-	-	-
Net cash flows from financing activities	14,900	-	-	-	-
<b>Net increase/(decrease) in cash</b>	-	-	-	-	-
Opening cash and cash equivalents	-	-	-	-	-
<b>Closing cash and cash equivalents</b>	-	-	-	-	-

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 2024

	Consolidated		Parent	
	Accumulated Surplus \$'000	Reserves \$'000	Accumulated Surplus \$'000	Reserves \$'000
<b>Balance at 1 July 2023</b>	<b>2,271,365</b>	<b>535,420</b>	<b>1,946,448</b>	<b>-</b>
Net result for the year	(38,692)	-	-	-
<b>Other comprehensive income</b>				
Investment in associates	2,430	211,127	-	-
<b>Total other comprehensive income</b>	<b>2,430</b>	<b>211,127</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>(36,262)</b>	<b>211,127</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	915	-	915	-
<b>Balance at 30 June 2024</b>	<b>2,236,018</b>	<b>746,547</b>	<b>1,947,363</b>	<b>-</b>
<b>Balance at 1 July 2022</b>	<b>2,350,077</b>	<b>703,857</b>	<b>1,946,448</b>	<b>-</b>
Net result for the year	(77,075)	-	-	-
<b>Other comprehensive income</b>				
Investment in associates	(1,637)	(168,437)	(170,074)	-
<b>Total other comprehensive income</b>	<b>(1,637)</b>	<b>(168,437)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>(78,712)</b>	<b>(168,437)</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June 2023</b>	<b>2,271,365</b>	<b>535,420</b>	<b>1,946,448</b>	<b>-</b>

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

# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

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# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 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 49.6 per cent interest in the Endeavour Energy business is constituted by five (5) partnerships referenced below (the Partnerships). The interests are shown across three separate financial statements provided to the Corporation.

The retained interest of the State in Endeavour Energy is shown in the Endeavour Energy Group Consolidated Financial Statements. The Corporation's subsequent investment interests in the CWO REZ project are shown in the Endeavour Energy REZ NO and M&L Partnership Financial Statements.

#### Endeavour Energy Group Consolidated Financial Statements

1. Endeavour Energy Network Asset Partnership (NAP) which holds regulated distribution network assets;
2. Endeavour Energy Network Operator Partnership (NOP) which operates the regulated distribution network assets; and
3. Endeavour Energy Network Unregulated Partnership (NUP) which owns and conducts unregulated activities;

#### Endeavour Energy REZ NO Partnership Financial Statements

4. Endeavour Energy REZ NO Partnership (Endeavour REZNOP) which holds Endeavour Energy's 27.96 per cent ownership interest in the ACERESZ Network Operator Partnership (ACERESZ NOP) which has been selected as the successful bidder and preferred network operator for the Central West Orana Renewable Energy Zone (CWO REZ) project; and

#### Endeavour Energy REZ M&L Partnership Financial Statements

5. Endeavour Energy REZ M&L Partnership (Endeavour REZM&LP) which holds Endeavour Energy's 27.96 per cent ownership interest in the ACERESZ M&L Contractor Trust (ACERESZ M&LCT) which will carry out maintenance and lifecycle services for the CWO REZ project under contract to ACERESZ NOP.

The financial results of these entities are disclosed in Note 6. The Endeavour Energy REZ entities' (Endeavour REZNOP and Endeavour REZM&LP) financial results are shown separately to the Endeavour Energy Group as those entities hold a partial ownership interest (27.96 per cent) in the CWO REZ Project.

The Corporation is a not-for-profit entity from 2 June 2017 (as profit is not its principal objective). Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

The consolidated financial statements of the Corporation and its controlled entities (subsidiaries) were authorised for issue in accordance with a resolution of the Directors on the date the accompanying Statement by the Accountable Authority was signed.

The Corporation is a NSW Government entity and consolidated as part of the NSW Total State Sector Accounts.



# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 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.

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 Group 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 in NAP and NOP and investment in NUP is recognised at fair value.

#### Entities within the Group

The Corporation is the ultimate parent of 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)

#### Partners of the Endeavour Energy NAP, NOP and NUP

NAPs (NAP partners):

- ERIC Epsilon Asset Corporation 1 Pty Ltd (ACN 617 221 575) as trustee for the ERIC Epsilon Asset Trust 1
- ERIC Epsilon Asset Corporation 2 Pty Ltd (ACN 617 221 655) as trustee for the ERIC Epsilon Asset Trust 2
- ERIC Epsilon Asset Corporation 3 Pty Ltd (ACN 617 221 708) as trustee for the ERIC Epsilon Asset Trust 3
- ERIC Epsilon Asset Corporation 4 Pty Ltd (ACN 617 221 726) as trustee for the ERIC Epsilon Asset Trust 4

# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 2. BASIS FOR CONSOLIDATION (continued)

NOPTs (NOP partners):

- ERIC Epsilon Operator Corporation 1 Pty Ltd (ACN 617 221 735) as trustee for the ERIC Epsilon Operator Trust 1
- ERIC Epsilon Operator Corporation 2 Pty Ltd (ACN 617 221 744) as trustee for the ERIC Epsilon Operator Trust 2
- ERIC Epsilon Operator Corporation 3 Pty Ltd (ACN 617 221 753) as trustee for the ERIC Epsilon Operator Trust 3
- ERIC Epsilon Operator Corporation 4 Pty Ltd (ACN 617 221 771) as trustee for the ERIC Epsilon Operator Trust 4

NUPTs (NUP partners):

- ERIC Epsilon Contestable Services Corporation 1 Pty Ltd (ACN 621 653 736) as trustee for the ERIC Epsilon Contestable Services Trust 1
- ERIC Epsilon Contestable Services Corporation 2 Pty Ltd (ACN 621 653 843) as trustee for the ERIC Epsilon Contestable Services Trust 2
- ERIC Epsilon Contestable Services Corporation 3 Pty Ltd (ACN 621 653 923) as trustee for the ERIC Epsilon Contestable Services Trust 3
- ERIC Epsilon Contestable Services Corporation 4 Pty Ltd (ACN 621 654 055) as trustee for the ERIC Epsilon Contestable Services Trust 4

The following controlled entities were established on 3 July 2023 to hold the Corporation's investment interest in the CWO REZ:

REZNOHoldCoTs (the holding entities of the partners):

- ERIC Epsilon REZ NO HoldCo 1 Pty Ltd (ACN 669 394 030) as trustee for the ERIC Epsilon REZ NO HoldCo Trust 1
- ERIC Epsilon REZ NO HoldCo 2 Pty Ltd (ACN 669 394 334) as trustee for the ERIC Epsilon REZ NO HoldCo Trust 2
- ERIC Epsilon REZ NO HoldCo 3 Pty Ltd (ACN 669 394 405) as trustee for the ERIC Epsilon REZ NO HoldCo Trust 3
- ERIC Epsilon REZ NO HoldCo 4 Pty Ltd (ACN 669 394 487) as trustee for the ERIC Epsilon REZ NO HoldCo Trust 4

REZNOTs (the partners):

- ERIC Epsilon REZ NO 1 Pty Ltd (ACN 669 396 801) as trustee for the ERIC Epsilon REZ NO Trust 1 ABN 79 175 710 337
- ERIC Epsilon REZ NO 2 Pty Ltd (ACN 669 396 909) as trustee for the ERIC Epsilon REZ NO Trust 2 ABN 52 389 717 594
- ERIC Epsilon REZ NO 3 Pty Ltd (ACN 669 397 040) as trustee for the ERIC Epsilon REZ NO Trust 3 ABN 98 587 645 745
- ERIC Epsilon REZ NO 4 Pty Ltd (ACN 669 397 237) as trustee for the ERIC Epsilon REZ NO Trust 4 ABN 75 638 622 344

# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 2. BASIS FOR CONSOLIDATION (continued)

#### Partners in Endeavour REZM&LP and ERIC holding entities of those partners

REZM&LHoldCoTs (the holding entities of the partners):

- ERIC Epsilon REZ M&L HoldCo 1 Pty Ltd (ACN 669 394 656) as trustee for the ERIC Epsilon REZ M&L HoldCo Trust 1
- ERIC Epsilon REZ M&L HoldCo 2 Pty Ltd (ACN 669 394 861) as trustee for the ERIC Epsilon REZ M&L HoldCo Trust 2
- ERIC Epsilon REZ M&L HoldCo 3 Pty Ltd (ACN 669 395 788) as trustee for the ERIC Epsilon REZ M&L HoldCo Trust 3
- ERIC Epsilon REZ M&L HoldCo 4 Pty Ltd (ACN 669 396 070) as trustee for the ERIC Epsilon REZ M&L HoldCo Trust 4

REZM&LTs (the partners):

- ERIC Epsilon REZ M&L 1 Pty Ltd (ACN 669 397 273) as trustee for the ERIC Epsilon REZ M&L Trust 1 ABN 80 741 911 892
- ERIC Epsilon REZ M&L 2 Pty Ltd (ACN 669 397 335) as trustee for the ERIC Epsilon REZ M&L Trust 2 ABN 16 144 274 861
- ERIC Epsilon REZ M&L 3 Pty Ltd (ACN 669 397 371) as trustee for the ERIC Epsilon REZ M&L Trust 3 ABN 78 113 032 462
- ERIC Epsilon REZ M&L 4 Pty Ltd (ACN 669 397 504) as trustee for the ERIC Epsilon REZ M&L Trust 4 ABN 71 469 724 166

The NAPT, NOPT, NUPT, REZHoldCoT, REZNOHoldCoTs, REZNOTs, REZM&LHoldCoTs and REZM&LTs listed above hold the legal interests of the Corporation's interests and investments in Endeavour Energy and the CWO REZ.

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 does not itself pay distributions.

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION

#### 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)
- The requirements of the *Government Sector Finance Act 2018* (GSF Act)
- The requirements of the *Government Sector Finance Regulation 2024*
- 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. Discrepancies between totals and the sum of components reflect rounding.

# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 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.

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

##### *i. Effective for the first time in FY2024*

The accounting policies applied in FY2024 are consistent with those of the previous financial year.

There were no new or amended standards commencing in FY2024 which have a material impact on the Corporation. 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 the Corporation.

##### *ii. Issued but not yet effective*

As mandated by Treasury Policy and Guidelines TPG24-06 *Mandates of options and major policy decisions under Australian Accounting Standards*, 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 for annual periods beginning on or after 1 January 2024)
- *AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative for annual periods beginning on or after 1 January 2024)
- *AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative for annual periods beginning on or after 1 January 2024)
- *AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative for annual periods beginning on or after 1 January 2024)
- *AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (operative for annual periods beginning on or after 1 January 2024)
- *AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability* (operative for annual periods beginning on or after 1 January 2025)

# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### **AASB 18 Presentation and Disclosure in Financial Statements**

AASB 18 *Presentation and Disclosure in Financial Statements* was issued on 14 June 2024, with an operative date of 1 January 2028 for not-for-profit public sector entities. AASB 18 will supersede AASB 101 *Presentation of Financial Statements*. AASB 18 sets out the requirements for the presentation and disclosure of information to improve communication in general purpose financial statements. Management will assess the impact of AASB 18 on its financial statements in due course.

#### **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 in respect of the State's interest held by the Corporation. It is recognised when distributions have been approved by the relevant Endeavour Energy Partnership Board. As the distribution income is deposited into the SDA and remitted to Consolidated Fund subsequently, and the SDA is controlled by the Treasurer and reported by NSW Treasury under its administered activities, the cash flows 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 and equity amounts 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.

The Corporation does not have a bank account. The Fund was established under Section 32 of the Act to facilitate all financial transactions of the Corporation. The Fund is an SDA controlled by the Treasurer and reported by NSW Treasury under its administered activities. Distributions from the Endeavour Energy 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. The grant received is without sufficiently specific performance obligations.

#### **Investment in subsidiary**

The Corporation was established to hold the State's 49.6 per cent retained interest in Endeavour Energy through its 100 per cent owned subsidiary ERIC Epsilon Holdings Pty Ltd, which owns the entities that hold the State's interest and investment in the existing Endeavour Energy business (NAP, NOP and NUP) and also the new CWO REZ project investment. The parent's investment in subsidiary and the ERIC Epsilon Holdings Pty Ltd's contributed capital is eliminated in full at the consolidated level. Refer to Note 6 and Note 7 for details.

#### **Investment in associates**

The State's retained interests and investment in Endeavour Energy business (which includes the CWO REZ project investments) are accounted in the Corporation's investment in associates as per AASB 128 *Investments in Associates and Joint Ventures* using the equity method. The reporting period for Endeavour Energy, CWO REZ project investments and the Corporation are consistent.

# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 Endeavour Energy Group'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 the Endeavour Energy Group as at 30 June 2024.

The net assets of Endeavour REZNOP and Endeavour REZM&LP as at 30 June 2024 mainly consisted of related party loans and distributions receivable; as a result, the fair value analysis for FY2024 did not include these associates.

The fair value analysis explored two scenarios to determine the fair value range for Endeavour Energy Group's PPE. Scenario 1 is based on Endeavour Energy's five-year management business plan for FY2025 to FY2029. It also incorporated Endeavour Energy's ability and obligation to enhance its distribution network through capital expenditure which enabled an economic cap to be placed on the value of the current PPE. Scenario 2 removes the impact of growth capital expenditure (capex) and associated growth cash flows which is determined by Endeavour Energy's management to be approximately 27 per cent of total forecast capex assumed under Scenario 1. For the purposes of this valuation, a value within Scenario 2 was chosen as it excludes the impact of growth capex and associated growth cash flows to value an existing asset base using the income approach.

Key assumptions under Scenario 2 used by the external advisor in the discounted cash flow analysis were:

- 73 per cent of the distributor licence and goodwill has been adopted when calculating the PPE fair value to remove the impact of growth capex on value;
- A post-tax (0 per cent corporate tax rate) WACC of 6.75 – 7.25 per cent (mid-point of 7.00 per cent);
- The Australian Energy Regulator had confirmed the regulatory revenue up to FY2029 in April 2024, therefore a 20-year (to 30 June 2049) cashflow horizon was used in applying the Gordon Growth method with a terminal value growth rate of 1.83 per cent as a proxy for long term cashflows.

The Corporation adopted the range of values under Scenario 2 and capped the high end of that range based on Scenario 1 to take account of the economic constraint of the value of the business to derive to their fair value range. The sensitivity analysis below has been modelled for the mid-point of Endeavour Energy's PPE valuation range.

The Corporation applied a post-tax (0 per cent corporate tax rate) discount rate of approximately 7.00 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 2024	9,008	9,612	10,287
30 June 2023	8,384	8,937	9,553

# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 3. STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Corporation applied a terminal value growth rate of 1.8 per cent (2023: 2.0 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 2024	9,856	9,612	9,393
30 June 2023	9,195	8,937	8,705

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.

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 reported 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 Electricity Retained Interest Corporation – Endeavour Energy Fund (the Fund) was established for the Corporation in the 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 8.

#### Going Concern

The Treasurer authorises payment of the Group's expenses from the Fund. The State will provide the Corporation support in the form of contributions to meet its payment obligations as and when they become due and payable. In November 2022, the Treasurer provided the Corporation with a Letter of Comfort committing to provide up to \$150 million of equity funding to the Corporation to fund its equity commitment for the CWO REZ project. In August 2023, the State Government approved an additional \$35 million of equity funding to the Corporation, bringing the State's commitment to provide equity funding to the Corporation to \$185 million. As a result, the financial statements are prepared on a going concern basis.

#### Impact of Climate-related matters on Financial Reporting for 2023-24

Management has considered potential impacts of climate related matters on the financial statements as at 30 June 2024 and has determined that there is no material impact on the Corporation's preparation of:

- Investment in Associate
- Contingent liabilities
- Financial liabilities at amortised cost
- Events after the reporting period
- Going Concern
- Judgements, Estimates and Assumptions

# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 4. REVENUE

	2024 Consolidated \$'000	2023 Consolidated \$'000	2024 Parent \$'000	2023 Parent \$'000
Share of profit / (loss) of associate	89,772	85,803	-	-
Grants and other contributions	1,200	1,238	1,182	1,223
<b>Total</b>	<b>90,972</b>	<b>87,041</b>	<b>1,182</b>	<b>1,223</b>

### 5. EXPENSES

	2024 Consolidated \$'000	2023 Consolidated \$'000	2024 Parent \$'000	2023 Parent \$'000
<b>Contributions paid</b>				
Contributions paid to the Consolidated Fund <sup>1</sup>	128,464	162,878	-	-
	<b>128,464</b>	<b>162,878</b>	-	-
<b>Director fees</b>				
Fees	322	440	322	440
Superannuation contributions	35	45	35	45
	<b>357</b>	<b>485</b>	<b>357</b>	<b>485</b>
<b>Other expenses</b>				
Audit fees	97	92	84	80
Administration charge <sup>2</sup>	275	275	275	275
Other	471	386	466	383
	<b>843</b>	<b>753</b>	<b>825</b>	<b>738</b>
<b>Total expenses</b>	<b>129,664</b>	<b>164,116</b>	<b>1,182</b>	<b>1,223</b>

<sup>1</sup> Since the controlled entities and the Corporation do not have a bank account, distributions received from the retained interest and investment in Endeavour Energy are transferred to the Fund and subsequently repatriated to the State as mandated under Section 34 of the Act.

<sup>2</sup> Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements.



# Electricity Retained Interest Corporation-Endeavour Energy

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## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 6. INVESTMENTS

#### Investment in subsidiary

The Corporation was established to hold 49.6 per cent retained interest in Endeavour Energy through its 100 per cent owned subsidiary Epsilon Holdings which holds 100 per cent of the NAPT, NOPT, NUPT.

The Corporation further holds 49.6 per cent ownership interest in Endeavour REZ NOP (established 28 August 2023) and Endeavour REZ M&LP (established 27 November 2023) through its 100 per cent owned subsidiary Epsilon Holdings, which holds 100 per cent of ERIC Epsilon REZ HoldCo Pty Ltd which in turn holds 100 per cent of the REZNOHoldCoTs, REZNOTs, REZM&LHoldCoTs and REZM&LTs as referred to in Note 2.

	2024 Consolidated \$'000	2023 Consolidated \$'000	2024 Parent \$'000	2023 Parent \$'000
Investment in ERIC Epsilon Holdings Pty Ltd	-	-	1,947,363	1,946,448
	-	-	<b>1,947,363</b>	<b>1,946,448</b>

The Corporation's Group investments in associates represents 100 per cent interest in the shares of Epsilon Holdings, which has investments in associates consisting of NSW Government's 49.6 per cent share in the Endeavour Energy business. The Edwards partner Consortium holding the other 50.4 per cent.

#### Investment in associate

Investment in associate - Endeavour Energy	2,981,590	2,806,785	-	-
Investment in associate - Endeavour REZ NOP	840	-	-	-
Investment in associate - Endeavour REZ M&LP	135	-	-	-
<b>Total</b>	<b>2,982,565</b>	<b>2,806,785</b>	-	-

In accordance with AASB 12 *Disclosure of Interests in Other Entities*, the table below provides summarised financial information for the associates. The information disclosed reflects amounts presented in the financial statements of the associates and not the Corporation's share of those amounts. They have been amended to reflect adjustments made by the Corporation when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2024 Endeavour Energy Group Associate \$'000	2024 Endeavour REZ NOP Pship Associate \$'000	2024 Endeavour REZ M&L Pship Associate \$'000	2023 Endeavour Energy Group Associate \$'000
<b>The associates assets and liabilities</b>				
Current assets	780,300	1,679	242	562,800
Non-current assets	12,199,972	15	30	11,721,040
<b>Total assets</b>	<b>12,980,272</b>	<b>1,694</b>	<b>272</b>	<b>12,283,840</b>
Current liabilities	781,600	-	-	366,100
Non-current liabilities	6,187,400	-	-	6,258,900
<b>Total liabilities</b>	<b>6,969,000</b>	<b>-</b>	<b>-</b>	<b>6,625,000</b>
<b>Net assets</b>	<b>6,011,272</b>	<b>1,694</b>	<b>272</b>	<b>5,658,840</b>

# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 6. INVESTMENTS (continued)

	2024 Endeavour Energy Group Associate \$'000	2024 Endeavour REZ NOP Pship Associate \$'000	2024 Endeavour REZ M&L Pship Associate \$'000	2023 Endeavour Energy Group Associate \$'000
<b>Revenue</b>	<b>1,558,900</b>	<b>16</b>	<b>104</b>	<b>1,470,700</b>
Profit before tax	180,873	16	104	172,991
Profit after tax	180,873	16	104	172,991
<b>Other comprehensive income</b>	<b>430,558</b>	<b>-</b>	<b>-</b>	<b>(342,893)</b>
<b>Total comprehensive income</b>	<b>611,431</b>	<b>16</b>	<b>104</b>	<b>(169,902)</b>
<b>The associates commitments for expenditure</b>				
Capital expenditure	100,400	-	-	120,300
<b>Reconciliation of movements</b>				
Balance at the beginning of the financial year	5,658,840	-	-	6,154,742
Shares issued during the period	-	1,678	168	-
Associates net profit/(loss)	180,873	16	104	172,991
Associates other comprehensive income/(loss)	(70,799)	-	-	100
Distributions made by associate	(259,000)	-	-	(326,200)
Distributions paid to the Edwards partner Consortium for interest on the promissory note <sup>1</sup>	-	-	-	200
The associates PPE fair value changes	501,358	-	-	(342,993)
<b>Balance at the end of the financial year</b>	<b>6,011,272</b>	<b>1,694</b>	<b>272</b>	<b>5,658,840</b>
<sup>1</sup> The June 2022 distribution owing to the Edwards partner Consortium was paid on 21 November 2022. Interest income that had accrued on the promissory note for the June 22 distribution was \$0.2 million.				
<b>Corporation's share in %</b>	<b>49.60%</b>	<b>49.60%</b>	<b>49.60%</b>	<b>49.60%</b>
<b>Corporation's share in \$</b>	<b>2,981,590</b>	<b>840</b>	<b>135</b>	<b>2,806,785</b>

# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 7. EQUITY

	2024 Consolidated \$'000	2023 Consolidated \$'000	2024 Parent \$'000	2023 Parent \$'000
Reserves	746,547	535,420	-	-
Accumulated surplus	2,236,018	2,271,365	1,947,363	1,946,448
<b>Closing Balance</b>	<b>2,982,565</b>	<b>2,806,785</b>	<b>1,947,363</b>	<b>1,946,448</b>

#### *Contributed Capital*

Contributed capital disclosed in Epsilon Holdings has been eliminated in full at the consolidated level.

#### *Accumulated Surplus*

The Corporation's accumulated surplus accounts for the ordinary shares issued by Epsilon Holdings transferred to the Corporation from the Treasurer on behalf of the Crown in right of the State of NSW (the Crown), 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*.

This includes \$915,296 transferred from the Fund to the Corporation on 24 April 2024 as part of the Treasurer's \$185 million equity funding commitment for the CWO REZ project. ERIC Epsilon Holdings Pty Ltd subsequently issued 915,296 shares to the Corporation for its investments in associates interest in the Endeavour REZNOP and Endeavour REZM&LP shown at Note 6.

### 8. BUDGET REVIEW

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 transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

#### **Net result**

The net result of the Corporation was a loss of \$38.7 million at the end of the year, representing the Corporation's 49.6 per cent share of Endeavour Energy Partnerships' net result. This mainly consisted of \$89.8 million share of profit less distributions paid of \$128.5 million. 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 \$129.7 million, \$16.8 million lower than budget due to revisions to income from the CWO REZ project for equity contributed which would have been repatriated to the State.

Total revenue was \$91.0 million, \$50.7 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 \$2,982.6 million, \$4.4 million lower than budget. This is mainly due the Corporation's share of the Endeavour Energy's net profit realised being \$50.3 million lower than budget, the PPE fair value impairment of \$170.1 million recognised for FY2023, and the Corporation's share of changes in cash flow hedges in FY2024 which lead to a loss of \$37.5 million that was not included in the FY2024 budget. This was mainly offset by a PPE fair value uplift of \$248.7 million in FY2024 (refer to Note 6).

# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 8. BUDGET REVIEW (continued)

#### Cash flows

The Corporation does not have a bank account. Under Section 32 of the Act, the Fund was established as an 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 cash flow of the Corporation. The published Budget Paper for the Corporation discloses the activities of the SDA which is controlled by the Treasurer and reported by the NSW Treasury under its administered activities. Regardless of the approved amount in the budget for the Corporation's Cash Flow Statement, the amount shown in the Cash Flow Statement will always be nil as these activities are not recognised by the Corporation.

### 9. LEGAL INTEREST IN THE NETWORK PARTNERSHIP TRUSTS

#### Endeavour Energy existing business investment

For the Endeavour Energy investment, the Corporation, through NAPT, NOPT and NUPT, holds a 49.6 per cent legal interest in NAP, NOP and NUP.

#### Endeavour REZNOP investment

For the Endeavour REZNOP investment, the Corporation through REZHoldCoT, REZNOHoldCoTs and REZNOTs, holds a 49.6 per cent legal interest in Endeavour REZNOP.

#### Endeavour REZM&LP investment

For the Endeavour REZM&LP investment, the Corporation through REZHoldCoT, REZM&LHoldCoTs and REZM&LTs holds a 49.6 per cent legal equity interest in Endeavour REZM&LP.

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 and investments, must be payable into the Fund which is controlled by the State, in accordance with the Act. The Corporation recognises the retained interest in Endeavour Energy and investment in the CWO REZ project in the Consolidated Statement of Financial Position using the equity method.

### 10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Corporation's contingent liabilities are \$0.2 million (2023: \$0.50 million) representing its 49.6 per cent share in the associate's contingent assets and contingent liabilities. There were no contingent assets (2023: Nil).

# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 11. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2024 Parent \$'000	2023 Parent \$'000
Short-term KMP benefits	322	440
Other KMP benefits	35	45
<b>Total</b>	<b>357</b>	<b>485</b>

Short-term employee benefits include Director salaries and other KMP benefits include superannuation. In FY2023 there were adjustments in Director's remuneration following the Statutory and Other Officers Remuneration Tribunal (SOORT) determination, including 1.53 per cent increase in Director's remuneration for FY2023 as well as backpay of \$115,000 including contributions to compulsory superannuation for current and retired Directors since 2017. There was no similar adjustment in FY2024.

### 12. RELATED PARTIES

#### (a) Ultimate parent

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

#### (b) Key Management Personnel remuneration

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

The Corporation does not have employees. The key management personnel services were provided by NSW Treasury. The Corporation Directors are independent members who have been appointed by the Treasurer. Directors of the Corporation are also appointed to directorships in Endeavour Energy to represent the State's interest in its investment.

Refer to Note 11 Compensation of Key Management Personnel for total remuneration payable to the Directors.

No loans were made to any of the KMP by the Corporation during the year.

#### (c) Transactions with related parties

##### (i) Transactions with KMP

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

##### (ii) Transactions with Directors of related entities

The Directors of the Corporation are also Directors for the 5 Partnerships. Distributions received from the Partnerships to the Corporation during the year are reported in the Consolidated Statement of Comprehensive Income. Equity transfers for the CWO REZ project are reported in the Consolidated Statement of Changes in Equity. No other transactions were made between the Corporation and the Partnerships during the year.

# Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

## Notes to the Consolidated Financial Statements for the year ended 30 June 2024

### 12. RELATED PARTIES (continued)

#### (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, and administrative 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 \$275,000 (2023: \$275,000) and is shown as an administrative charge in the Corporation. Refer to note 5.

As the Corporation does not have a bank account, all expenses incurred by the Corporation are funded by Treasury as grant income.

### 13. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

**End of audited financial statements**



## INDEPENDENT AUDITOR'S REPORT

### Electricity Retained Interest Corporation - Endeavour Energy

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Electricity Retained Interest Corporation - Endeavour Energy (the Corporation), which comprise the Statement by the Accountable Authority, the Consolidated Statement of Comprehensive Income for the year ended 30 June 2024, the Consolidated Statement of Financial Position as at 30 June 2024, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a Statement of Material Accounting Policy Information 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 2024* (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).

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

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 2024 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Directors 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 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 is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions. The Directors' responsibility also includes such internal control as the Directors 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 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.

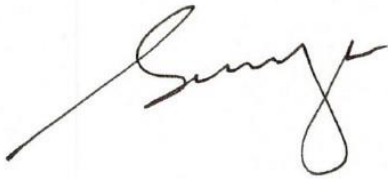
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, 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/ar3.pdf](http://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 and 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.

A handwritten signature in black ink, appearing to read 'Somaiya', written over a faint, light-colored rectangular stamp or watermark.

Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

27 September 2024  
SYDNEY

# Appendix 15: Special Deposit Accounts Administered by NSW Treasury Financial Reports



Treasury

Restart NSW Fund  
Financial Report  
for the year ended 30 June 2024

**Restart NSW Fund**  
**Financial Report**  
**for the year ended 30 June 2024**

**STATEMENT BY THE RESPONSIBLE MANAGER**

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 2024; 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.



**Michael Coutts-Trotter**  
**Secretary, NSW Treasury**

12 September 2024

## Restart NSW Fund

### Statement of the Fund's Activities and Position for the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
<b>Receipts</b>			
Proceeds from issue of bonds	3	19,445	170,133
Interest earned	3	31,150	26,590
Other authorised transfers	3	2,960	2,668
Other contributions	3	-	2,043
<b>Total receipts</b>		<u>53,555</u>	<u>201,434</u>
<b>Payments</b>			
Infrastructure projects	4	2,290,231	1,580,604
Administrative expenses	4	39	22
<b>Total payments</b>		<u>2,290,270</u>	<u>1,580,626</u>
<b>Net receipts/(payments)</b>		<u>(2,236,715)</u>	<u>(1,379,192)</u>
 <b>Statement of Fund's Position as at 30 June</b>			
Opening balance of the Fund		8,250,681	9,246,286
Net receipts/(payments)		(2,236,715)	(1,379,192)
Income/(loss) from investments	5	432,175	383,587
<b>Closing balance of the Fund</b>		<u>6,446,141</u>	<u>8,250,681</u>
 Balance of Fund held in			
Cash and cash equivalents		483,922	820,637
Investment in NSW Infrastructure Future Fund investment trust	5	5,962,219	7,430,044
		<u>6,446,141</u>	<u>8,250,681</u>

The accompanying notes form part of the financial report.

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 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:

- 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 Responsible Manager on the date the accompanying Statement by the Responsible Manager 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

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 1. INFORMATION ON THE RESTART NSW FUND (continued)

- 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.

#### 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 MATERIAL ACCOUNTING POLICY INFORMATION

##### 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.

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 can 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.

Cash is held in a bank account administered by NSW Treasury.

The cash held by the Fund is classified as a restricted asset as it can only be used as allowed by the Act as detailed in Note 1.

Funds invested in the NSW Infrastructure Future Fund (Investment Trust) are investments held in the NSW Infrastructure Future Fund, a unit trust investment facility administered by the NSW Treasury Corporation (TCorp). The Investment Trust'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 2024

#### 3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 7 of the Act.

	2024 \$'000	2023 \$'000
<b>Section 7(1)(b) receipts - issue of bonds</b>		
Proceeds from Waratah bonds	19,445	170,133
<b>Section 7(1)(c) receipts - interest earned</b>		
Interest earned	31,150	26,590
<b>Section 7(1)(d) receipts - other monies authorised to be paid into the Fund</b>		
GST received	2,960	2,668
<b>Section 7(1)(e) receipts - voluntary contributions</b>		
Other contributions	-	2,043
<b>Total Receipts</b>	<b>53,555</b>	<b>201,434</b>

Proceeds from Waratah bonds issued were paid into the Fund and the Fund has no obligation to repay these bonds. The corresponding 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. In accordance with Treasurer's Direction TD23-18 Management of Cash, Banking and Payments issued in October 2023, the Fund will no longer earn interest on its cash held in the Treasury Banking System from 1 July 2024.



## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 4. PAYMENTS

Payments from the Fund are in accordance with Section 8 of the Act, except where noted.

	2024	2023
	\$'000	\$'000
<b>Section 8(a) payments - infrastructure projects</b>		
<i>Restart NSW (excluding Rebuilding NSW)</i>		
Additional support Tourism Infrastructure	-	13,362
Batemans Bay Bridge Replacement**	23	(811)
Bridges for the Bush Program**	1,162	2,478
Buses and Rapid Buses for Western Sydney Airport	3,885	-
Corridor Identification and Reservation	-	1,698
Fixing Country Roads	7,435	916
Gateway to the South	-	10,100
Hospitals Growth Program	75	-
Housing Acceleration Fund (HAF 4)	12,226	30,208
Housing Acceleration Fund (HAF 5)	26,907	31,920
Illawarra Infrastructure Fund	-	2,250
Lismore Hospital Redevelopment	4,984	8,000
Maitland Hospital Development	-	7,151
New Intercity Fleet (previously Next Generation Rail Fleet)*	277,548	-
Newcastle Inner Bypass (Rankin Park to Jesmond)	23,802	1,350
NSW Cycling Infrastructure Initiative	16,171	19,427
Redevelopment of Circular Quay	119	16,560
Regional Freight Pinch Point Program and Safety Program	1,848	21
Regional Growth: Economic Activation Fund - Connecting Country Communities	2,637	5,257
Regional Growth: Economic Activation Fund - First Class Food and Fibre	13,628	2,394
Regional Growth: Economic Activation Fund - Growing Local Economies	26,490	40,905
Regional Growth: Economic Activation Fund - Resources for Regions	6,695	4,142
Regional Growth: Environment and Tourism Fund	5,746	8,037
Regional Project Development and Delivery Fund	-	445
Regional Road Freight Corridor	158,102	179,834
Regional Tourism Infrastructure Program	-	7,465
Resources for Regions Program	2,270	3,825
Housing Acceleration Fund (HAF3)	690	-
Sydney Metro West	1,258,000	495,000
Truck Stop in Greater Sydney	106	-
Urban Roads Fund	35,850	-
Water Security for Regions Program	5,873	6,499
Western Sydney Centre of Innovation in Plant Sciences	11,199	-
Western Sydney roads for Sydney's Second Airport	141,109	34,866
	2,044,580	933,299

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 4. PAYMENTS (continued)

	2024	2023
	\$'000	\$'000
<i>Rebuilding NSW</i>		
Bridges for the Bush Program**	560	(1,097)
Corridor Identification and Reservation	2,494	10,916
Fixing Country Rail	13,688	5,153
Fixing Country Roads	13,632	29,398
Future Focused Schools	1,034	10,612
Gateway to the South	-	10,114
Hospitals Growth Program	-	13,912
Pinch Points and Clearways	1,657	22,412
Primary and Integrated Care Strategy	135	8,348
Regional Growth Roads	10,125	37,058
Regional Growth - Environment and Tourism fund	11,138	24,684
Regional Multipurpose Services (MPS) Health Facilities	1,400	3,386
Regional Road Freight Corridor	131,012	150,148
Regional School Renewal Program***	(19,950)	10,186
Safe and Secure Water Program	61,106	54,934
Sports Stadia	4,620	13,310
Traffic Management Upgrades	-	41,043
Water Security for Regions Program	-	298
Western Harbour Tunnel and M6	13,000	-
	245,651	444,815
<i>Capital grants / equity contributions to Government Agencies*</i>		
Capital grants to Transport Asset Holding Entity (TAHE)	-	202,490
	-	202,490
<b>Total Section 8(a) payments</b>	<b>2,290,231</b>	<b>1,580,604</b>
<b>Section 8(b) payments - administrative expenses</b>		
Auditor's remuneration	35	20
GST payments	4	2
	<b>39</b>	<b>22</b>
<b>Total payments</b>	<b>2,290,270</b>	<b>1,580,626</b>

\*In prior year the Fund recognised cash contributions paid to Transport Asset Holding Entity (TAHE) as capital grants to TAHE. In the current year, the payment was reported under the project New Intercity Fleet and paid to Transport for NSW.

\*\*In the prior year refunds were received from general government sector agencies relating to unspent Restart Funds for infrastructure projects approved under Section 8(a) of the Act.

\*\*\*The \$19.950 million receipts includes a refund of \$20 million and payment of \$0.05 million for the Regional School Renewal Program. Refer below for further information.

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 4. PAYMENTS (continued)

##### Payments yet to be made in accordance with Section 8 of the Act

In the financial year 2021-22, \$20 million had been paid to the Department of Education out of the Fund's bank account (administered by NSW Treasury) but were yet to be paid to suppliers or delivering entities for the approved projects listed below.

In the financial year 2023-24 the Fund received the unspent amount from the Department of Education into the Fund's bank account. The receipt of this amount is disclosed in Note 4 as these are refunds received from general government sector agencies relating to unspent Restart Funds for infrastructure projects approved under Section 8(a) of the Act.

Project	Agency	2024 \$'000	2023 \$'000
Regional School Renewal Program	Department of Education	-	20,000

##### Payments from the Fund in accordance with Section 9(2) of the Act

The Act requires that at least 30% of the total payments over the life of the Fund be made 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	30,927,465	28,617,234
Total amount of payments made from the Fund for infrastructure projects in rural and regional areas since inception of the Fund	7,772,103	6,998,370
Cumulative % of total payments from the Fund for infrastructure projects in rural and regional areas since inception of the Fund	25.13%	24.46%

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 5. INVESTMENT IN NSW INFRASTRUCTURE FUTURE FUND

	2024 \$'000	2023 \$'000
<b>Opening balance</b>	7,430,044	8,846,457
(Less)/add: Investments - cash transferred (out)/in (to)/from the operating bank account	(1,900,000)	(1,800,000)
Add/(Less): Net income/(loss) from investments:		
Distribution reinvested	3,994	113,997
Unrealised gain/(loss) on other financial assets	351,382	221,053
Realised gain/(loss) on other financial assets	76,799	48,537
<b>Closing balance</b>	<b>5,962,219</b>	<b>7,430,044</b>

The Fund is authorised to invest in accordance with Section 10 of the Act. Implemented since 2017-18, the Investment Trust is the investment vehicle for the Fund in assisting the NSW Government to meet its infrastructure objectives. 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 in December 2016. The investment benchmark and guidelines were revised and approved in February 2023.

#### **OneFund Initiative**

In the NSW Budget 2024-25, the Government announced the implementation of the OneFund initiative in the financial year 2024-25.

The OneFund initiative is an integrated approach to financial asset management that works by pooling several of the State's Investment Funds together including the Funds invested in the NSW Infrastructure Future Fund (Investment Trust) into a master fund structure. The master fund structure will result in a more efficient and diversified investment portfolio, with improved risk adjusted-returns over the long-term.

The OneFund will be complemented by a new framework, which will enable a more efficient way of keeping the investment funds in OneFund appropriately funded to meet their policy requirements.

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 5. INVESTMENT IN NSW INFRASTRUCTURE FUTURE FUND (continued)

##### 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 Equities	3.50	3.46	206,293
Developed Market Equities	14.00	13.80	822,786
Global High Yield	2.25	2.19	130,573
Bank Loans	5.25	5.07	302,284
Emerging Market Debt	6.00	6.13	365,484
Cashflow Targeting Credit	23.00	22.84	1,361,772
Australian Nominal Bonds	15.50	15.49	923,548
Cash	11.00	11.29	673,134
Core Alternatives	9.00	9.20	548,524
Defensive Alternatives	8.00	8.13	484,728
Opportunistic	2.50	2.40	143,093
<b>Total</b>	<b>100</b>	<b>100</b>	<b>5,962,219</b>

##### Performance returns

The investment return objective of the Investment Trust is to achieve CPI + 2.0% p.a. over rolling 10-year periods. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return (after fees)	6.30	4.10
Strategic Asset Allocation (SAA) benchmark	6.10	5.00
<b>Net relative to SAA benchmark</b>	<b>0.20</b>	<b>(0.90)</b>

#### 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 management of risk is further discussed below.

The Fund's other financial instrument is cash held in the Treasury Banking System which was subject to interest rate risk in the financial year 2023-24. In accordance with Treasurer's Direction TD23-18 Management of Cash, Banking and Payments issued in October 2023, the Fund will no longer earn interest on its cash held in the Treasury Banking System from 1 July 2024.

## **Restart NSW Fund**

### **Notes to the Financial Report for the year ended 30 June 2024**

#### **6. FINANCIAL INSTRUMENTS - (CONTINUED)**

##### **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 Climate Change and Balance Sheet Management (CCBS) division at NSW Treasury. Regular meetings take place between TCorp and CCBS 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**



## 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 Responsible Manager, the Statement of the Fund's Activities and Position for the year ended 30 June 2024 and notes to the financial report. The financial report has been prepared by the Responsible Manager 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 aspects, the financial report presents fairly, the Fund's position as at 30 June 2024, 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 2024.

In my opinion, payments from the Fund, have in all material respects, been made in accordance with the Act for the year ended 30 June 2024.

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. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I am independent of the Fund 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).

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements.'

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

### **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 Responsible Manager's Responsibilities for the Financial Report**

The Responsible Manager 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 Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

### **The Responsible Manager's Responsibilities under the *Restart NSW Fund Act 2011***

The responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 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](http://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 they 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 'Compliance Engagements' 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 noncompliance 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 2024 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 than for which it was prepared.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY



Treasury

Social and Affordable Housing NSW Fund  
Financial Report  
for the year ended 30 June 2024

**Social and Affordable Housing NSW Fund**

**Financial Report  
for the year ended 30 June 2024**

**STATEMENT BY THE RESPONSIBLE MANAGER**

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 2024; 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.



**Michael Coutts-Trotter  
Secretary, NSW Treasury**

12 September 2024

## Social and Affordable Housing NSW Fund

### Statement of the Fund's Activities and Position for the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
<b>Receipts</b>			
Interest earned	3	942	502
Recovery of financial risk management costs	3	7,022	550
Other contributions	3	4,175	-
GST received	3	2	2
<b>Total receipts</b>		<b>12,141</b>	<b>1,054</b>
<b>Payments</b>			
Grant expenses	4	87,002	67,356
Administrative expenses	4	197	435
Financial management expenses	4	-	8,350
<b>Total payments</b>		<b>87,199</b>	<b>76,141</b>
<b>Net receipts/(payments)</b>		<b>(75,058)</b>	<b>(75,087)</b>
<b>Statement of Fund's Position as at 30 June</b>			
Opening balance of the Fund		1,588,553	1,526,072
Net receipts/(payments)		(75,058)	(75,087)
Income/(loss) from investments	5	108,626	137,568
<b>Closing balance of the Fund</b>		<b>1,622,121</b>	<b>1,588,553</b>
Balance of Fund held in			
Cash and cash equivalents		12,149	12,207
Investment in Social and Affordable Housing NSW Fund			
Investment Trust	5	1,609,972	1,576,346
		<b>1,622,121</b>	<b>1,588,553</b>

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 2024

#### 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 Responsible Manager on the date the accompanying Statement by the Responsible Manager 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 2024

#### 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 MATERIAL ACCOUNTING POLICY INFORMATION

##### 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 2024

#### 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Funds invested in the Social and Affordable Housing NSW Fund (Investment Trust) are investments held in the Social and Affordable Housing NSW Fund, a unit trust investment facility administered by the NSW Treasury Corporation (TCorp). The Fund'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.

	2024 \$'000	2023 \$'000
<b>Section 7(1)(c) receipts</b>		
Interest earned	942	502
<b>Section 7(1)(e) receipts</b>		
Other contributions	4,175	-
<b>Section 7(1)(g) receipts</b>		
Recovery of financial risk management costs	7,022	550
<b>Section 7(1)(h) receipts</b>		
GST received	2	2
<b>Total receipts</b>	<b>12,141</b>	<b>1,054</b>

During the financial year 2023-24 the Fund received contributions of \$4.175 million from a service provider delivering social and affordable housing dwellings as a result of a contract variation agreed with the service provider.

In accordance with Treasurer's Direction TD23-18 Management of Cash, Banking and Payments issued in October 2023, the Fund will no longer earn interest on its cash held in the Treasury Banking System from 1 July 2024.

#### 4. PAYMENTS

Payments from the Fund are in accordance with Section 8 of the Act.

	2024 \$'000	2023 \$'000
<b>Section 8(1)(a) payments - grant expenses</b>		
Grants to DCJ for project, program or initiatives	85,496	65,587
Grants to DCJ for employee related expenses related to program project or initiatives	1,506	1,769
<b>Section 8(1)(b) payments - administrative expenses</b>		
Auditor's remuneration	23	19
Other operating expenses	174	416
<b>Section 8(1)(e) payments - financial management expenses</b>		
Financial risk management costs	-	8,350
<b>Total payments</b>	<b>87,199</b>	<b>76,141</b>

## Social and Affordable Housing NSW Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 5. INVESTMENT IN SOCIAL AND AFFORDABLE HOUSING NSW FUND

	2024 \$'000	2023 \$'000
<b>Opening balance</b>	<b>1,576,346</b>	<b>1,513,778</b>
(Less)/Add: Investments - cash transferred (out)/in (to)/from the operating bank account	(75,000)	(75,000)
Add/(Less): Net income/(loss) from investments		
Distribution reinvested	32,514	49,839
Unrealised gain/(loss) on other financial assets	73,753	83,997
Realised gain/(loss) on other financial assets	2,359	3,732
<b>Closing balance</b>	<b>1,609,972</b>	<b>1,576,346</b>

The Fund is authorised to invest in accordance with Section 9 of the Act. Implemented since 2017-18, the Investment Trust is the investment vehicle for the Fund in assisting the NSW Government to meet its delivery of social and affordable housing objective. The Investment Trust is managed by Treasury Corporation (TCorp).

Asset allocation and investment instructions of the Investment Trust are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp in July 2017. The investment benchmark and guidelines were further revised and approved in June 2023.

#### **OneFund Initiative**

In the NSW Budget 2024-25, the Government announced the implementation of the OneFund initiative in the financial year 2024-25.

The OneFund initiative is an integrated approach to financial asset management that works by pooling several of the State's Investment Funds together including the Funds invested in the Social and Affordable Housing NSW Fund (Investment Trust) into a master fund structure. The master fund structure will result in a more efficient and diversified investment portfolio, with improved risk adjusted-returns over the long-term.

The OneFund will be complemented by a new framework, which will enable a more efficient way of keeping the investment funds in OneFund appropriately funded to meet their policy requirements.



## Social and Affordable Housing NSW Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 5. INVESTMENT IN SOCIAL AND AFFORDABLE HOUSING NSW FUND (continued)

##### Asset allocation

The actual asset allocation of the Investment Trust as at the reporting date was:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value (\$'000)
Australian Equities	8.00	8.43	135,721
Developed Market Equities	33.50	33.39	537,569
Emerging Market Equities	4.00	4.30	69,229
Global High Yield	2.40	2.38	38,317
Bank Loans	5.60	5.49	88,387
Emerging Market Debt	4.00	4.11	66,170
Receivables	0.00	0.07	1,127
Middle Market Credit	2.50	2.58	41,537
Australian Nominal Bonds	5.00	4.99	80,338
Cash	5.00	4.68	75,347
Core Alternatives	4.00	4.07	65,526
Defensive Alternatives	3.00	2.89	46,528
Opportunistic	6.50	6.63	106,741
Unlisted Global Property	5.00	4.70	75,669
Unlisted Australian Property	4.00	3.06	49,265
Unlisted Infrastructure	7.00	7.47	120,265
Sustainable Development Infrastructure	0.50	0.76	12,236
<b>Total</b>	<b>100</b>	<b>100</b>	<b>1,609,972</b>

##### Performance returns

The investment return objective of the Investment Trust 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 <i>(after fees)</i>	7.00	6.40
Strategic Asset Allocation (SAA) Benchmark	8.20	6.50
<b>Net relative to SAA benchmark</b>	<b>(1.20)</b>	<b>(0.10)</b>

#### 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 asset is cash held in the Treasury Banking System which was subject to interest rate risk in the financial year 2023-24. In accordance with Treasurer's Direction TD23-18 Management of Cash, Banking and Payments issued in October 2023, the Fund will no longer earn interest on its cash held in the Treasury Banking System from 1 July 2024.

## **Social and Affordable Housing NSW Fund**

### **Notes to the Financial Report for the year ended 30 June 2024**

#### **6. FINANCIAL INSTRUMENTS (continued)**

##### **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 Climate Change and Balance Sheet (CCBS) division at NSW Treasury. Regular meetings take place between TCorp and CCBS 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**



## 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 Responsible Manager, the Statement of the Fund's Activities and Position for the year ended 30 June 2024 and notes to the financial report. The financial report has been prepared by the Responsible Manager 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 aspects, the financial report presents fairly, the Fund's position as at 30 June 2024, 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 2024.

In my opinion, payments from the Fund, have in all material respects, been made in accordance with the Act for the year ended 30 June 2024.

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. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I am independent of the Fund 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).

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements.'

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

### **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 Responsible Manager's Responsibilities for the Financial Report**

The Responsible Manager 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 Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

### **The Responsible Manager's Responsibilities under the *Social and Affordable Housing NSW Fund Act 2016***

The responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 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](http://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 they 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 'Compliance Engagements' 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 noncompliance 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 2024 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 than for which it was prepared.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY



Treasury

NSW Generations (Community Services and  
Facilities) Fund  
Financial Report  
for the year ended 30 June 2024

## NSW Generations (Community Services and Facilities) Fund

### Financial Report for the year ended 30 June 2024

#### STATEMENT BY THE RESPONSIBLE MANAGER

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 2024; 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.



**Michael Coutts-Trotter**  
Secretary, NSW Treasury

12 September 2024

## NSW Generations (Community Services and Facilities) Fund

### Statement of the Fund's Activities and Position for the year ended 30 June 2024

		2024 \$'000	2023 \$'000
<b>Receipts</b>			
Government contributions	3	512,587	500,000
Interest earned	3	30,400	10,834
GST received	3	2	1
<b>Total receipts</b>		<u>542,989</u>	<u>510,835</u>
<b>Payments</b>			
Project payments	4	266,827	7,529
Administrative expenses	4	19	15
<b>Total payments</b>		<u>266,846</u>	<u>7,544</u>
<b>Net receipts/(payments)</b>		<u>276,143</u>	<u>503,291</u>
 <b>The Fund's Position as at 30 June</b>			
Opening balance of the Fund - cash		535,555	32,264
Net receipts/(payments)		<u>276,143</u>	<u>503,291</u>
<b>Closing balance of the Fund - cash</b>		<u>811,698</u>	<u>535,555</u>

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 2024

#### 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 Responsible Manager on the date the accompanying Statement by the Responsible Manager 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 2024

#### 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 MATERIAL ACCOUNTING POLICY INFORMATION

##### 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 2024

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (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 to meet its operating objectives 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.

	2024 \$'000	2023 \$'000
<b>Section 13(a) receipts</b>		
Money appropriated by Parliament	512,587	500,000
<b>Section 13(c) receipts</b>		
Interest earned	30,400	10,834
<b>Section 13(e) receipts</b>		
GST received	2	1
<b>Total receipts</b>	<u>542,989</u>	<u>510,835</u>

During the year \$512.6 million was appropriated by Parliament for payment into the Fund. These monies will be largely used to fund transformational infrastructure projects that will enhance communities throughout Western Sydney under the Western Sydney Infrastructure Grants Program (WSIGP) (formerly the WestInvest Program).

In October 2023, the WestInvest Program name was changed to WSIGP to align the program more accurately with the nature and scope of projects in the Western Sydney Region.

## NSW Generations (Community Services and Facilities) Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 4. PAYMENTS

Payments from the Fund are in accordance with Section 14 of the Act.

	2024 \$'000	2023 \$'000
<b>Section 14(1)(a) payments</b>		
My Community project payments	-	328
Western Sydney Infrastructure Grants Program:		
Program management costs	4,356	7,201
Community competitive allocation projects	177,168	-
Local Government allocation projects	53,505	-
State Government allocation projects	23,635	-
Local Small Commitments Allocation Program	5,736	-
Multicultural Communities Commitments Program	2,427	-
<b>Total project payments</b>	<b>266,827</b>	<b>7,529</b>
<b>Section 14(1)(b) payments</b>		
Auditor's remuneration	19	15
<b>Total administrative expenses</b>	<b>19</b>	<b>15</b>
<b>Total payments</b>	<b>266,846</b>	<b>7,544</b>

In May 2018, the State approved the My Community Project (MCP) initiative which was the first community initiative funded by the Fund. The State committed \$24.6 million to fund community projects across NSW to help improve community wellbeing. All MCP projects were completed in financial year 2022-23.

In September 2021, the State approved up to \$5 billion for the WSIGP. This comprises \$3 billion for State Government projects and \$2 billion for high priority projects to be developed in consultation with communities. Out of the \$2 billion, \$400 million is to be directly allocated to the 15 eligible local councils in Western Sydney for local government projects and \$1.6 billion in community competitive projects.

In June 2023, the State approved up to \$40.2 million for the Local Small Commitments Allocation Program and the Multicultural Communities Commitments Program. The Local Small Commitments Allocation Program provides support to local councils to upgrade community facilities, amenities and services. The Multicultural Communities Commitments Program provides support to community organisations to deliver festivals, other events and assistance for the multicultural community.

Section 14(1)(a) of the Act states that the cost of any project, program or initiative that the Treasurer is satisfied promotes the purpose of the Fund may be paid out of the Fund. The Treasurer is satisfied that the MCP, WSIGP, Local Small Commitments Allocation Program and the Multicultural Communities Commitments Program promote the purpose of the Fund and therefore comply with Section 14(1)(a) of the Act.

## **NSW Generations (Community Services and Facilities) Fund**

### **Notes to the Financial Report for the year ended 30 June 2024**

#### **5. FINANCIAL INSTRUMENTS**

##### **Risk management**

The Fund's only financial instrument is the cash held in the Treasury Banking System which was subject to interest rate risk in the financial year 2023-24. In accordance with Treasurer's Direction TD23-18 Management of Cash, Banking and Payments issued in October 2023, the Fund will no longer earn interest on its cash held in the Treasury Banking System from 1 July 2024.

#### **6. EVENTS AFTER THE REPORTING DATE**

There are no events after reporting date requiring disclosure.

**End of audited financial report**



## INDEPENDENT AUDITOR'S REPORT

### NSW Generations (Community Services and Facilities) 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 NSW Generations (Community Services and Facilities) Fund (the Fund), which comprises the Statement by the Responsible Manager, the Statement of the Fund's Activities and Position for the year ended 30 June 2024 and notes to the financial report. The financial report has been prepared by the Responsible Manager 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 aspects, the financial report presents fairly, the Fund's position as at 30 June 2024, 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 2024.

In my opinion, payments from the Fund, have in all material respects, been made in accordance with the Act for the year ended 30 June 2024.

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. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I am independent of the Fund 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).

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements.'

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

### **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 Responsible Manager's Responsibilities for the Financial Report**

The Responsible Manager 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 Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

### **The Responsible Manager's Responsibilities under the *NSW Generations Funds Act 2018***

The responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 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](http://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 they 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 'Compliance Engagements' 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 noncompliance with specific requirements of the Act.

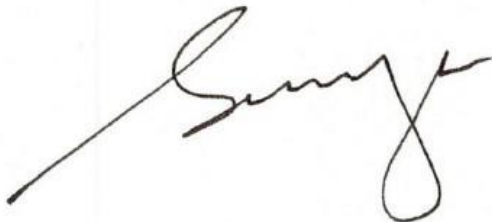
### **Inherent Limitations**

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 2024 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 than for which it was prepared.

A handwritten signature in black ink, appearing to read 'Somaiya', is written over a faint, light-colored watermark of a stylized figure or logo.

Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY





Treasury

NSW Generations (Debt Retirement) Fund  
Financial Report  
for the year ended 30 June 2024

**NSW Generations (Debt Retirement) Fund**

**Financial Report  
for the year ended 30 June 2024**

**STATEMENT BY THE RESPONSIBLE MANAGER**

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 2024; 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.



**Michael Coutts-Trotter**  
**Secretary, NSW Treasury**

12 September 2024

## NSW Generations (Debt Retirement) Fund

### Statement of the Fund's Activities and Position for the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
<b>Receipts</b>			
Interest earned	3	5,859	98,158
GST received	3	2	2
<b>Total receipts</b>		<u>5,861</u>	<u>98,160</u>
<b>Payments</b>			
Repayment of State Debt	4	121,800	3,339,238
Administrative expenses	4	18	16
<b>Total payments</b>		<u>121,818</u>	<u>3,339,254</u>
<b>Net receipts/(payments)</b>		<u>(115,957)</u>	<u>(3,241,094)</u>
<b>Statement of the Fund's Position as at 30 June</b>			
Opening balance of the Fund		16,142,055	18,072,871
Net receipts/(payments)		(115,957)	(3,241,094)
(Loss)/income from investments	5	975,138	1,310,278
<b>Closing balance of the Fund</b>		<u>17,001,236</u>	<u>16,142,055</u>
Balance of Fund held in			
Cash and cash equivalents		6,362	122,319
Investment in NSW Generations (Debt Retirement) Fund Investment Trust	5	16,994,874	16,019,736
		<u>17,001,236</u>	<u>16,142,055</u>

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 2024

#### 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 Responsible Manager on the date the accompanying Statement by the Responsible Manager 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 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 Fund.

## NSW Generations (Debt Retirement) Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 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 MATERIAL ACCOUNTING POLICY INFORMATION

##### 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.

Funds invested in the NSW Generations (Debt Retirement) Fund (Investment Trust) are investments held in the NSW Generations (Debt Retirement) Fund, a unit trust investment facility administered 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.

## NSW Generations (Debt Retirement) Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 9 of the Act.

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Section 9(1)(f) receipts</b>		
Interest earned	5,859	98,158
<b>Section 9(1)(g) receipts</b>		
GST received	2	2
<b>Total receipts</b>	<b>5,861</b>	<b>98,160</b>

In accordance with Treasurer's Direction TD23-18 Management of Cash, Banking and Payments issued in October 2023, the Fund will no longer earn interest on its cash held in the Treasury Banking System from 1 July 2024.

In the NSW Budget 2024-25, the Government announced that following the Upper House review of the NSW Generations' Debt Retirement Fund, previously budgeted contributions into the Fund have been suspended in order to stabilise gross debt and avoid unnecessary borrowings and interest expenses. The Government is also implementing a new Fund management framework to ensure any future contributions align with the State's fiscal position.

#### Appropriated amount hypothecated to the Fund

In the financial year 2021-22, the following amounts were appropriated to the Fund and represent a cumulative spending authority that is available for immediate use for the purposes of the Fund but have not been transferred to the bank account established for the Fund.

In the financial year 2022-23, no additional amounts were appropriated, and no amounts have been transferred to the bank account established for the Fund.

During the financial year 2023-24, the NSW Generations Funds Act 2018 was amended to transfer the appropriated amount hypothecated to the Fund to the Consolidated Fund. Accordingly, as at 30 June 2024, no amounts continue to be hypothecated to the Fund.

<b>Authority</b>	<b>Special Deposit Account</b>	<b>2024</b>	<b>2023</b>
		<b>\$'000</b>	<b>\$'000</b>
NSW Generations Funds Act 2018	NSW Generations (Debt Retirement) Fund	-	4,582,033

## NSW Generations (Debt Retirement) Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 4. PAYMENTS

Payments from the Fund are in accordance with Section 10 of the Act.

	2024 \$'000	2023 \$'000
<b>Section 10(a) payments</b>		
Repayment of State Debt	121,800	3,339,238
<b>Section 10(b) payments</b>		
Administrative expenses - auditor's remuneration	18	16
<b>Total payments</b>	<b>121,818</b>	<b>3,339,254</b>

During the financial year 2021-22, \$11 billion of proceeds from the sale of WestConnex was paid into the Fund. These proceeds were used to repay the debt of the State in the financial years 2021-22 and 2022-23. The \$11 billion debt retirement program was completed in the financial year 2022-23.

In the financial year 2023-24, the Treasurer approved payment of \$121.8 million from the interest earned by the Fund to repay the debt of the State.

#### 5. INVESTMENT IN NSW GENERATIONS (DEBT RETIREMENT) FUND

	2024 \$'000	2023 \$'000
<b>Opening balance</b>	<b>16,019,736</b>	<b>14,709,458</b>
Add/(Less): Net income/(loss) from investments:		
Distribution reinvested	254,979	291,204
Unrealised (loss)/gain on other financial assets	720,159	1,019,074
<b>Closing balance</b>	<b>16,994,874</b>	<b>16,019,736</b>

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 Treasury Corporation (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 investment benchmark and guidelines were revised in March 2021.

#### OneFund Initiative

In the NSW Budget 2024-25, the Government announced the implementation of the OneFund initiative in the financial year 2024-25.

The OneFund initiative is an integrated approach to financial asset management that works by pooling several of the State's Investment Funds together including the funds invested in the NSW Generations (Debt Retirement) Fund (Investment Trust) into a master fund structure. The master fund structure will result in a more efficient and diversified investment portfolio, with improved risk adjusted-returns over the long-term.

The OneFund will be complemented by a new framework, which will enable a more efficient way of keeping the investment funds in OneFund appropriately funded to meet their policy requirements.

## NSW Generations (Debt Retirement) Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 5. INVESTMENT IN NSW GENERATIONS (DEBT RETIREMENT) FUND (continued)

##### Asset Allocation

The actual asset allocation of the Investment Trust as at the reporting date was:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value (\$'000)
Australian Equities	5.00	5.13	871,837
Developed Market Equities	32.00	32.05	5,446,857
Emerging Market Equities	3.50	3.73	633,909
Global High Yield	1.50	1.73	294,011
Bank Loans	3.50	3.88	659,401
Emerging Market Debt	3.00	3.00	509,846
Receivables	0.00	0.06	10,197
Middle Market Credit	4.00	4.62	785,163
Cash	5.00	5.51	936,418
Core Alternatives	6.00	6.07	1,031,589
Defensive alternatives	3.00	2.67	453,763
Opportunistic	7.00	7.33	1,245,724
Unlisted Global Property	8.50	7.33	1,245,724
Unlisted Australian Property	2.50	2.27	385,784
Unlisted Infrastructure	11.50	10.91	1,854,141
Sustainable Development Infrastructure	4.00	3.71	630,510
<b>Total</b>	<b>100</b>	<b>100</b>	<b>16,994,874</b>

##### 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 ( <i>after fees</i> )	6.00	6.40
Strategic Asset Allocation (SAA) benchmark	8.70	8.00
<b>Net relative to SAA benchmark</b>	<b>(2.70)</b>	<b>(1.60)</b>



## **NSW Generations (Debt Retirement) Fund**

### **Notes to the Financial Report for the year ended 30 June 2024**

#### **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 was subject to interest rate risk in the financial year 2023-24. In accordance with Treasurer's Direction TD23-18 Management of Cash, Banking and Payments issued in October 2023, the Fund will no longer earn interest on its cash held in the Treasury Banking System from 1 July 2024.

#### **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 Climate Change and Balance Sheet Management (CCBS) division at NSW Treasury. Regular meetings take place between TCorp and CCBS 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**



## INDEPENDENT AUDITOR'S REPORT

### NSW Generations (Debt Retirement) 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 NSW Generations (Debt Retirement) Fund (the Fund), which comprises the Statement by the Responsible Manager, the Statement of the Fund's Activities and Position for the year ended 30 June 2024 and notes to the financial report. The financial report has been prepared by the Responsible Manager 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 aspects, the financial report presents fairly, the Fund's position as at 30 June 2024, 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 2024.

In my opinion, payments from the Fund, have in all material respects, been made in accordance with the Act for the year ended 30 June 2024.

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. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I am independent of the Fund 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).

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements.'

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

### **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 Responsible Manager's Responsibilities for the Financial Report**

The Responsible Manager 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 Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

### **The Responsible Manager's Responsibilities under the *NSW Generations Funds Act 2018***

The responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 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](http://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 they 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 'Compliance Engagements' 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 noncompliance 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 2024 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 than for which it was prepared.

A handwritten signature in black ink, appearing to read 'Somaiya', written over a faint, light-colored background.

Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY



Treasury

# Electricity Retained Interest Corporation – Ausgrid (ERIC–A) Fund

Financial Report  
for the year ended 30 June 2024

**ERIC–A Fund**

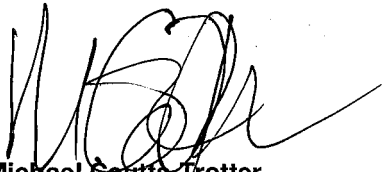
**Financial Report  
for the year ended 30 June 2024**

**STATEMENT BY THE RESPONSIBLE MANAGER**

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 2024; 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.



**Michael Courts-Trotter  
Secretary, NSW Treasury**

12 September 2024

## ERIC–A Fund

### Statement of the Fund's Activities and Position for the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
<b>Receipts</b>			
Financial returns	3	192,400	49,600
Interest earned	3	769	324
Money appropriated by Parliament into the Fund	3	-	700
<b>Total receipts</b>		<b>193,169</b>	<b>50,624</b>
<b>Payments</b>			
Funds transferred to NSW Consolidated Fund	4	192,450	48,690
Administrative expenses of the Corporation	4	59	65
Costs of operation of the Corporation	4	912	1,029
<b>Total payments</b>		<b>193,421</b>	<b>49,784</b>
<b>Net receipts/(payments)</b>		<b>(252)</b>	<b>840</b>
<b>The Fund's position as at 30 June</b>			
Opening balance of the Fund - Cash		1,164	324
Net receipts / (payments)		(252)	840
<b>Closing balance of the Fund - Cash</b>		<b>912</b>	<b>1,164</b>

The accompanying notes form part of the financial report.

**ERIC–A Fund**  
**Notes to the Financial Report**  
**for the year ended 30 June 2024**

**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 Responsible Manager on the date the accompanying Statement by the Responsible Manager 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 - Ausgrid (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 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.



**ERIC–A Fund**  
**Notes to the Financial Report**  
**for the year ended 30 June 2024**

**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 MATERIAL ACCOUNTING POLICY INFORMATION**

**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 on 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 to meet its operating objectives 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 2024**

**3. RECEIPTS**

The Fund is authorised to receive amounts in accordance with Section 33 of the Act.

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Section 33 (a) receipts - financial returns</b>		
Distributions from network partnership arrangement	188,146	49,600
Return of capital from network partnership arrangement	4,254	-
<b>Section 33 (b) receipts</b>		
Interest	769	324
<b>Section 33 (d) receipts</b>		
Money appropriated by Parliament into the Fund	-	700
<b>Total receipts</b>	<b>193,169</b>	<b>50,624</b>

**4. PAYMENTS**

Payments from the Fund are in accordance with Section 34 of the Act.

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Section 34 (a) payments - funds transferred to NSW Consolidated Fund</b>	<b>192,450</b>	<b>48,690</b>
<b>Section 34 (c) payments - administrative expenses of the Corporation</b>		
Expert advice*	59	65
<b>Total administrative expenses</b>	<b>59</b>	<b>65</b>
<b>Section 34 (d) payments - costs of operation of the Corporation</b>		
ASIC fees	6	4
Auditor's remuneration	97	90
External recruitment fees	1	25
Travel and Treasury admin cost	276	276
Committee fees	17	17
Directors fees	238	311
Superannuation	38	47
PAYG	105	149
Corporate cost**	21	20
Governance, secretarial and commercial support***	113	90
<b>Total costs of operation of the Corporation</b>	<b>912</b>	<b>1,029</b>
<b>Total payments</b>	<b>193,421</b>	<b>49,784</b>

The following expenses incurred in 2023 have been reclassified or renamed for better clarity and transparency:

\*Expert advice was previously reported as professional services and has been renamed

\*\*Corporate cost was previously reported as miscellaneous expenses and has been renamed

\*\*\*Governance, secretarial and commercial support payments amounting to \$90k was previously reported under section 34(c) and has been reclassified to section 34(d).

**ERIC–A Fund  
Notes to the Financial Report  
for the year ended 30 June 2024**

**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 the reporting date, a rise of 1 per cent or fall of 1 per cent in interest rate over the course of the year would result in an increase of \$9.1k or decrease of \$9.1k in the interest earned respectively (2023: rise by 1 percent increase of \$11.6k or fall by 1 percent decrease of \$11.6k).

**6. EVENTS AFTER THE REPORTING DATE**

There are no events after reporting date requiring disclosure.

**End of the report**



## 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 Electricity Retained Interest Corporation - Ausgrid (ERIC-A) Fund (the Fund), which comprises the Statement by the Responsible Manager, the Statement of the Fund's Activities and Position for the year ended 30 June 2024 and notes to the financial report. The financial report has been prepared by the Responsible Manager using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Corporation's annual reporting obligations under section 35 of the *Electricity Retained Interest Corporations Act 2015* (the Act)

In my opinion, in all material aspects, the financial report presents fairly, the Fund's position as at 30 June 2024, 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 2024.

In my opinion, payments from the Fund, have in all material respects, been made in accordance with the Act for the year ended 30 June 2024.

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. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I am independent of the Fund 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).

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements.'

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

### **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 Corporation's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

### **The Responsible Manager's Responsibilities for the Financial Report**

The Responsible Manager 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 Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Corporation's annual reporting responsibilities under the Act.

### **The Responsible Manager's Responsibilities under the *Electricity Retained Interest Corporations Act 2015***

The responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 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](http://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 they 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 'Compliance Engagements' 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 noncompliance 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 2024 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 Corporation's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose than for which it was prepared.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY



Treasury

# Electricity Retained Interest Corporation – Endeavour (ERIC-E) Fund

Financial Report  
for the year ended 30 June 2024

**ERIC-E Fund**

**Financial Report  
for the year ended 30 June 2024**

**STATEMENT BY THE RESPONSIBLE MANAGER**

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 2024; 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.



**Michael Coutts-Trotter  
Secretary, NSW Treasury**

12 September 2024



## ERIC-E Fund

### Statement of the Fund's Activities and Position for the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
<b>Receipts</b>			
Financial returns	3	128,464	163,138
Interest earned	3	1,658	566
<b>Total receipts</b>		<u>130,122</u>	<u>163,704</u>
<b>Payments</b>			
Funds transferred to NSW Consolidated Fund	4	118,890	144,882
Administrative expenses of the Corporation	4	102	167
Costs of operation of the Corporation	4	1,064	1,319
<b>Total payments</b>		<u>120,056</u>	<u>146,368</u>
<b>Net receipts/(payments)</b>		<u>10,066</u>	<u>17,336</u>
<b>The Fund's Position as at 30 June</b>			
Opening balance of the Fund		20,505	3,169
Net receipts/(payments)		10,066	17,336
<b>Closing balance of the Fund</b>		<u>30,571</u>	<u>20,505</u>
Balance of the Fund held in:			
Cash and cash equivalents		29,656	20,505
Investments in the Corporation	5	915	-
		<u>30,571</u>	<u>20,505</u>

The accompanying notes form part of the financial report.

## ERIC-E Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 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 Responsible Manager on the date the accompanying Statement by the Responsible Manager was signed.

##### Key Activities

The principal objective of the Fund is to set aside an account where all financial returns (including dividend income, return of capital and any financial distribution) derived by the Electricity Retained Interest Corporation Endeavour (the Corporation) or any subsidiary of the Corporation are deposited.

The Corporation oversees the State's retained interest as a lessee of network infrastructure assets of Endeavour Energy for the purpose of protecting its value to the State.

##### Payments into the Fund

Section 33 of the Act states the amounts payable into the Fund. These are:

- a) all financial returns (including dividend income, return of capital and any other financial distribution) derived by the Corporation or any subsidiary of the Corporation from that part of the retained interest for which the Corporation is responsible, and
- b) the proceeds of investment of the Fund, and
- c) such money as may be advanced by the Treasurer for payment into the Fund, and
- d) such money as may be appropriated by Parliament for payment into the Fund, and
- e) any money borrowed by the Corporation or a subsidiary of the Corporation.

## ERIC-E Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 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.

##### Investments in the Corporation

Section 36 of the Act prescribes that the Corporation may invest money in the Fund established for the Corporation in such manner as may be authorised by the Treasurer.

#### 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

##### 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 and investments of the Corporation.

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.

The investments of the Corporation are reported at cost.

## ERIC-E Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 33 of the Act.

	2024 \$'000	2023 \$'000
<b>Section 33 (a) receipts - financial returns</b>		
Distributions from network partnership arrangements	128,464	163,138
<b>Section 33 (b) receipts</b>		
Interest earned	1,658	566
<b>Total receipts</b>	<b>130,122</b>	<b>163,704</b>

#### 4. PAYMENTS

Payments from the Fund are to be in accordance with Section 34 of the Act.

	2024 \$'000	2023 \$'000
<b>Section 34 (a) payments - funds transferred to NSW Consolidated Fund</b>	<b>118,890</b>	<b>144,882</b>
<b>Section 34 (c) payments - administrative expenses of the Corporation</b>		
Expert advice*	102	167
<b>Total administrative expenses</b>	<b>102</b>	<b>167</b>
<b>Section 34 (d) payments - costs of operation of the Corporation</b>		
ASIC fees	5	4
Auditor's remuneration	94	95
External recruitment fees	29	49
Travel and Treasury administration support	276	276
Corporate cost**	20	20
GST remittance	-	261
Directors fees	228	301
Superannuation	36	45
Payroll tax and PAYG	91	139
Governance, secretarial and commercial support***	285	129
<b>Total costs of operation of the Corporation</b>	<b>1,064</b>	<b>1,319</b>
<b>Total payments</b>	<b>120,056</b>	<b>146,368</b>

The following expenses incurred in 2023 have been reclassified or renamed for better clarity and transparency:

\*Expert advice was previously reported as professional services and has been renamed

\*\*Corporate cost was previously reported as miscellaneous expense and has been renamed

\*\*\*Governance, secretarial and commercial support payments amounting to \$129k was previously reported under section 34(c) and has been reclassified to section 34(d).

## ERIC-E Fund

### Notes to the Financial Report for the year ended 30 June 2024

#### 5. INVESTMENTS IN THE CORPORATION

The Electricity Retained Interest Corporation Endeavour (the Corporation) is authorised to invest in accordance with Section 36 of the Act.

During the year the Fund paid an equity contribution of \$0.915 million to the Corporation for investment in the Central West Orana Renewables Energy Zone (CWO REZ) project. The CWO REZ project is a key initiative under the NSW Electricity Infrastructure Roadmap to deliver clean, affordable, and reliable energy to households and businesses across the State. This equity contribution forms part of the State's \$185 million equity funding commitment to the CWO REZ project.

The investments paid by the Fund pursuant to a statutory power under the Act continue to form part of the SDA as the investments are held on account of the Fund for the achievement of its objectives.

#### 6. 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 of 1 per cent or fall of 1 per cent in interest rate over the course of the year would result in an increase of \$297k or decrease of \$297k in the interest earned respectively (2023: rise by 1 percent increase of \$205k or fall by 1 percent decrease of \$205k).

#### 7. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

**End of audited financial report**



## INDEPENDENT AUDITOR'S REPORT

### Electricity Retained Interest Corporation - Endeavour (ERIC-E) Fund

To Members of the New South Wales Parliament

#### Opinions

##### Opinion of 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 Responsible Manager, the Statement of the Fund's Activities and Position for the year ended 30 June 2024 and notes to the financial report. The financial report has been prepared by the Responsible Manager using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Corporation'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 2024, 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 2024.

In my opinion, payments from the Fund, have in all material respects, been made in accordance with the Act for the year ended 30 June 2024.

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. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Fund 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).

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or 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 Corporation's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

### **The Responsible Manager's Responsibilities for the Financial Report**

The Responsible Manager 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 Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to enable the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error.

The Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Corporation's annual reporting responsibilities under the Act.

### **The Responsible Manager's Responsibilities under the *Electricity Retained Interest Corporations Act 2015***

The Responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager 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 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](http://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 statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

### **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 'Compliance Engagements' 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 2024 does not provide assurance on whether compliance with the Act will continue in future.

### **Use of Report**

My report was prepared for the purpose of fulfilling the Corporation'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.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 September 2024  
SYDNEY



**Note:** The Housing and Productivity Fund financial statements are unaudited.



Treasury

Housing and Productivity Fund  
Financial Report  
for the period 1 October 2023 to 30 June 2024

**Housing and Productivity Fund**  
**Financial Report**  
**for the period 1 October 2023 to 30 June 2024**

**STATEMENT BY THE RESPONSIBLE MANAGER**

Pursuant to Section 7.31F of the *Environmental Planning and Assessment Act 1979*, I declare that in my opinion:

- (a) The accompanying financial report and notes to the financial report provides details of the transactions of the Housing and Productivity Fund for the period 1 October 2023 to 30 June 2024; 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.



**Michael Coutts-Trotter**  
**Secretary, NSW Treasury**

9 October 2024

## Housing and Productivity Fund

### Statement of the Fund's Activities and Position for the period 1 October 2023 to 30 June 2024

	Note	2024 \$'000
<b>Receipts</b>		
Housing and productivity contributions	3	6,011
Transport project component	3	8
Other receipts	3	-
<b>Total receipts</b>		<b><u>6,019</u></b>
<b>Payments</b>		
Payments for regional infrastructure	4	-
Administrative expenses	4	-
<b>Total payments</b>		<b><u>-</u></b>
<b>Net receipts/(payments)</b>		<b><u>6,019</u></b>
 <b>Statement of Fund's Position as at 30 June</b>		
Opening balance of the Fund		-
Net receipts/(payments)		6,019
<b>Closing balance of the Fund</b>		<b><u>6,019</u></b>
 Balance of Fund held in		
Cash at bank		4,696
Cash in transit	5	1,323
		<b><u>6,019</u></b>

The accompanying notes form part of the financial report.

**Housing and Productivity Fund**  
**Notes to the Financial Report**  
**for the period 1 October 2023 to 30 June 2024**

**1. INFORMATION ON THE HOUSING AND PRODUCTIVITY FUND**

**Reporting entity**

Housing and Productivity Fund (the Fund) is required to prepare an annual report under Section 7.31F of the *Environmental Planning and Assessment Act 1979*.

Section 7.31B of the Act states that the purpose of the Fund is to support housing and promote economic activity in each region for which a housing and productivity contribution is required.

The Fund achieves this by providing a source of funding for regional infrastructure in the region that:

- a) facilitates the achievement of the planning priorities identified in a strategic plan applicable in the region, and
- b) is able to be delivered in a reasonable time, and
- c) is aligned with the asset management plan of the public authority to whom funding is provided.

The Act requires different accounts to be established in the Fund to ensure:

- a) housing and productivity contributions from development on land in a region, and proceeds from the investment of the contributions, are expended in the region
- b) the transport project component from development on land in an area, and proceeds from the investment of the component, are expended for the benefit of the area

Section 7.31A 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 housing and productivity contribution came into effect from 1 October 2023 as a result of the amendment to the *Environmental Planning and Assessment Act 1979*.

The financial report for the Fund is a special purpose financial report with the reporting period being from 1 October 2023 to 30 June 2024. This is the first of reporting for the Fund and accordingly there is no comparative period.

The Fund is administered by the NSW Treasury Secretary on behalf of the State of New South Wales.

The financial report was authorised for issue by the Responsible Manager on the date the accompanying Statement by the Responsible Manager was signed.

**Key Activities**

The Fund was established to support housing and promote economic activity in each region for which a housing and productivity contribution is required.

## Housing and Productivity Fund

### Notes to the Financial Report for the period 1 October 2023 to 30 June 2024

#### 1. INFORMATION ON THE HOUSING AND PRODUCTIVITY FUND (continued)

##### Funding Sources for Housing and Productivity Fund

Section 7.31C of the Act states the amounts payable into the Fund. These are:

- a) housing and productivity contributions, and
- b) money appropriated by Parliament for the purposes of the Fund, and
- c) the proceeds of the investment of money in the Fund, and
- d) money required to be paid into the Fund by or under this Act, the regulations or other legislation, and
- e) money advanced by the Treasurer for the purposes of the Fund.

##### Payments out of the Fund

Section 7.31D of the Act prescribes the payments from the Fund. These are:

- a) payments to public authorities for the provision of regional infrastructure, including associated administrative expenses, and
- b) money required to meet administrative expenses in relation to the Fund, and
- c) money directed or authorised to be paid from the Fund by this Act or the regulations, and
- d) money to repay money advanced by the Treasurer under section 7.31C(e).

#### 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

##### Basis of preparation

The Fund's financial report is a special purpose financial report which has been prepared on a cash basis. 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 presentation focus in the financial report is balances of the Fund at the reporting date and changes during the period.

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 at bank and cash in transit.

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 can 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.

## Housing and Productivity Fund

### Notes to the Financial Report for the period 1 October 2023 to 30 June 2024

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION - CONTINUED

### Value of the Fund - continued

Cash is either held in a bank account administered by NSW Treasury or in transit from Service NSW.

The cash held by the Fund is classified as a restricted asset as it can only be used as allowed by the Act as detailed in Note 1.

## 3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 7.31C of the Act.

	2024 \$'000
<b>Section 7.31C(a) Housing and Productivity contribution</b>	
HAP Fund contributions - Lower Hunter	428
HAP Fund contributions - Central Coast	72
HAP Fund contributions - Greater Sydney	5,127
HAP Fund contributions - Illawarra-Shoalhaven	384
	6,011
<b>Section 7.31C(a) Transport project component</b>	8
<b>Total Receipts</b>	6,019

## 4. PAYMENTS

Payments from the Fund are in accordance with Section 7.31D of the Act.

	2024 \$'000
<b>Section 7.31D(1)(a) payments to public authorities for the provision of regional infrastructure, including associated administrative expenses</b>	
Payments for regional infrastructure - Lower Hunter	-
Payments for regional infrastructure - Central Coast	-
Payments for regional infrastructure - Greater Sydney	-
Payments for regional infrastructure - Illawarra-Shoalhaven	-
Total	-
<b>Section 7.31D(1)(b) money required to meet administrative expenses in relation to the Fund</b>	
Auditor's remuneration	-
Other administrative expenses	-
Total	-
<b>Total Payments</b>	-

**Housing and Productivity Fund**  
**Notes to the Financial Report**  
**for the period 1 October 2023 to 30 June 2024**

**5. CASH IN TRANSIT**

The Fund uses the Service NSW electronic banking transfer system to receive receipts into the Fund.

As at 30 June 2024, the Fund has yet to receive \$1.32 million into the Fund's bank account (administered by NSW Treasury) from Service NSW.

These receipts form part of the Fund as the housing and productivity contribution has been paid by the developer via the Service NSW electronic banking transfer system prior to 30 June 2024.

The receipts have been subsequently received into the Fund's bank account after reporting date.

**6. EVENTS AFTER THE REPORTING DATE**

There are no events after reporting date requiring disclosure.

**End of financial report**

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## NSW Treasury

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