NSW Treasury

Annual Report

2021-22

treasury.nsw.gov.au

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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NSW Treasury

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31 October 2022

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Letter of Submission to the NSW Treasurer

The Hon Matt Kean MP
Treasurer and Minister for Energy

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 2022, for presentation to the NSW Parliament in accordance with the *Annual Report (Departments)* Act 1985.

This volume reports on the operations and performance of the NSW Treasury, together with the consolidated financial statements for the period 1 July 2021 to 30 June 2022.

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 154 to 457.

Yours sincerely,

Dr Paul Grimes PSM
Secretary

31 October 2022

Secretary's Foreword

I am pleased to present NSW Treasury's annual report for 2021-22.

The past year has been marked by several major challenges: the second year of the COVID-19 pandemic; major floods and storms; rising global inflation; and the war in Ukraine.

Treasury supported the Government to deliver the 2021-22 Half-Yearly Review and the 2022-23 NSW State Budget. Both these critical documents detailed the Government's priorities and Treasury's economic assessments, with the NSW economy continuing to bounce back as the year unfolded.

As part of the 2022-23 Budget process, Treasury assisted in the development of the Government's Women's Opportunity Statement, a major initiative focused on improving women's economic opportunities. The reforms set out in the statement build on the Women's Economic Opportunity Review, led by Sam Mostyn AO.

In 2021-22, Treasury also implemented several internal changes: the most significant over the past year has been the move of the Office of Energy and Climate Change (OECC) from the Department of Planning and Environment into the Treasury Cluster in April 2022.

One of the central planks of our State's economic policy agenda is ensuring New South Wales leads the way on climate change and seizes the opportunities from the transformation to a new, low-cost, clean-energy economy. Establishing OECC within the Treasury Cluster provides the opportunity to harness and leverage synergies and expertise across Treasury.

This change brought an additional 400 full-time-equivalent staff across Energy, Climate Change and Sustainability and the Energy Corporation of NSW (EnergyCo). I'm proud of the seamless way that Treasury and OECC have come together to develop policy advice and deliver programs for New South Wales.

This year has been significant too for our focus on people and a future-facing Treasury. We have continued to build capacity through significant recruitment, despite a challenging labour market.

We remain committed to an ever-more equitable and diverse workplace. Across our diversity and inclusion streams, Treasury has three approved action plans.

Through our **Gender Equality Action Plan**, we are committed to increasing employment opportunities and outcomes for women; in the past year, the proportion of women in senior leadership roles has increased to 46 per cent.

After significant consultation, we have launched our **Disability Inclusion Action Plan**, contributing to the NSW Government's priority of employing 10,000 more people with disability.

Significant work has also been done on our reconciliation journey, which commenced in 2019. We launched our first-stage Reflect Reconciliation Action Plan (RAP) in 2020; from March 2021, our dedicated Reconciliation Delivery team, in partnership with the RAP working group, helped Treasury successfully complete our Reflect RAP commitments in 2021. Following an intense consultation process throughout the first half of 2022, our second-stage **Innovate RAP** was published in July 2022, detailing the work we will do in the coming 2022-24 period.

I am proud of the work of so many dedicated public servants in Treasury over the past year, and am honoured to present this report on their work in 2021-22.

Dr Paul Grimes PSM

Secretary

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About NSW Treasury

Overview and mission

NSW 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; monitors the performance of its commercial agencies; advises on performance and financial management policies; and supports the development of policy advice and implementation of programs focused on energy, climate-change mitigation and adaptation, and the transformation to a new low-cost, clean-energy economy.

Established in April 1824, Treasury is the oldest government agency in Australia. The organisation has served the people of New South Wales for nearly 200 years. As we near the bicentenary of Treasury, we will reflect proudly on our agency's successes and soberly on its failures. 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 New South Wales.

Our core responsibilities

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, Total State Sector Accounts and other financial reports, on behalf of the Treasurer.

Analysis, advice and delivery

- informed fiscal, economic, commercial 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 transactions
- respected commercial, financial and service delivery reforms
- market-leading analysis and advice on 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

- accessing a secure and sustainable energy
- supporting a sustainable and climate resilient New South Wales
- encouraging a circular economy to better manage our resources.

Treasury's structure

Following the machinery-of-government process that came into effect on 1 April 2022, several areas of Treasury transitioned to the Department of Customer Service, while other functions of NSW Government were brought into Treasury. Our organisational structure was refined to improve systems, platforms and processes to continue to deliver for New South Wales.

Economic Strategy and Productivity

The Economic Strategy and Productivity (ES&P) Group shapes the NSW economic strategy and influences the future direction of economic policy and reform, tax policy, productivity policy and federal financial relations.

Policy and Budget

The Policy and Budget (P&B) Group is the primary agency relationship manager at Treasury, working collaboratively with NSW government agencies to provide high quality advice on financial management, analysis of and advice on the State's assets and liabilities, policy reform and resource allocation.

Commercial and Procurement

The Commercial and Procurement (C&P) Group is responsible for commercial policy development, infrastructure and structured finance, managing the State's shareholding in its commercial businesses, managing major asset transactions, and looking after a range of whole-of-government procurement.

NSW Treasury core responsibilities

Management of NSW finances

Analysis, advice and delivery

Management of NSW assets

Addressing energy and climate change challenges

Corporate Services

The Corporate Services (CS) Group brings together corporate Treasury functions with a goal to keep the 'house of Treasury' in order. The Group streamlines processes, drives staff engagement, embraces flexibility, enables collaboration and strengthens the foundations of our culture at Treasury. CS comprises Information Technology, Human Resources, Communications, and Finance and Operations.

Office of Energy and Climate Change

The Office of Energy and Climate Change (OECC) drives one of the core aspects of the State's economic policy agenda: ensuring New South Wales leads the way on climate change and seizes the opportunities from the transformation to a new low-cost, clean energy economy. OECC comprises Energy, Climate Change and Sustainability and the Energy Corporation of NSW.

Office of General Counsel

Supports the Treasurer, Cluster Ministers and NSW Treasury by providing strategic legal advice and a 'legal lens' to policy initiatives; provides general support on major commercial transactions and strategic projects; conducts contract reviews, advice and negotiations; undertakes statutory interpretation, review and updates to Treasury legislation; deals with disputes, litigation management and support as necessary; supports Treasury compliance activities from a legal perspective; supports Treasury's information access, privacy, and other regulatory and governance obligations; and engages with other NSW legal functions, including the Crown Solicitor's Office and Parliamentary Counsel's Office.

Office of the Secretary

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

Machinery-of-government changes

The following organisational units were part of NSW Treasury until 1 April 2022, when they moved across to the Department of Customer Service through machinery-of-government changes:

- **Business Connect**, which provides quality advice to support small businesses to start, operate, adapt and grow.
- The **Small Business Commissioner**, who represents and supports NSW small businesses and helps to promote a better regulatory and business environment for them to succeed.

The following group was part of the Department of Planning and Environment until 1 April 2022, when they were moved into the Treasury cluster through machinery-of-government changes.

- The **Office of Energy and Climate Change**, which ensures New South Wales leads the way on climate changes and seizes the opportunities from the transformation to a new low-cost, clean-energy economy.

The following autonomous entity produces its own annual report:

- The **NSW Procurement Board**, which develops and implements a government-wide strategic approach to procurement. The NSW Procurement Board's 2021-22 Annual Report can be found on page 128 of the appendices in this annual report.

Treasury leadership team as at 30 June 2022

Dr Paul Grimes PSM
Secretary

Joann Wilkie
Deputy Secretary
Economic Strategy and Productivity

San Midha
Deputy Secretary
Policy and Budget

Sonya Campbell
Acting Deputy Secretary
Commercial and Procurement

Brendan Bruce
Acting Deputy Secretary
Corporate Services

Rachel Parry
Deputy Secretary
Energy, Climate Change and Sustainability

James Hay
Chief Executive
Energy Corporation of NSW

Sally-Anne Lyster
Chief People Officer

Tracy Wilson
Chief Information Officer

Stewart Walters
Chief Finance and Operations Officer

Charles Cho
General Counsel

Michael Gadiel
Acting Chief of Staff
Office of the Secretary

2 Performance

2021-22 Treasury Outcome and Business Plan

The 2021-22 Treasury Outcome and Business Plan (the Plan) reflects our vision for how we will contribute to making NSW a better place for its citizens.

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

Through the Plan, our work is benchmarked across three outcomes:

- a strong, diverse and resilient economy
- a sustainable fiscal environment enabling delivery of outcomes
- stewardship of the public sector performance and financial system.

These outcomes guide Treasury's decision-making and inform the work that we seek to prioritise and deliver.

The Plan is currently being updated to capture the Office of Energy and Climate Change outcomes.

Our Vision

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

Our Purpose

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

Outcome Indicators

Outcome 1

A strong, resilient and diverse economy

- Growth in real GSP per capita

Outcome 2

A sustainable fiscal environment enabling delivery of outcomes

- Maintaining the triple-A credit rating
- Annual expense growth below long-term revenue growth
- Reducing the long-term fiscal gap
- Fully funding the State's unfunded defined benefit superannuation liabilities by June 2040

Outcome 3

Stewardship of the public sector performance and financial system

- Provision of effective tools and frameworks (including technology) to enable sector to strengthen their performance and financial management, and promote efficient, effective and economical use of government resource
- No material adverse findings in Audit Office financial audit reports to Parliament
- A voice of the customer survey of the support provided by Treasury and the effectiveness of Treasury performance and financial management stewardship

Our programs to deliver our outcomes

Outcome 1

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

Outcome 2

- Fiscal Planning and Management
- Sector Procurement Services, Analytics and Systems
- Financial Reporting and Systems Management
- Sector Support and Resource Allocation
- Evidence Informed Investment and Policy
- Commercial and Balance Sheet Management

Outcome 3

- Performance and Financial Systems Stewardship
- Digitally Focused Treasury
- Highly Capable, Collaborative and Diverse Team
- Supporting First Nations wellbeing, outcomes and prosperity

Change priorities

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

Our commitments

- Collaborative
- Inclusive
- Flexible

Outcome 1: A strong, resilient and diverse economy

Building a strong, productive and diverse economy

One of Treasury's core focus areas is building a strong, productive and diverse economy.

Treasury delivers a range of programs that work towards achieving this goal, with activity spanning economic policy, productivity reform, tax policy, and federal financial relations. Treasury's economic research and analysis capabilities also provide insights into emerging policy issues likely requiring the attention of policymakers.

Major procurement reforms in the past year contribute to Treasury's mission, such as fiscal repair and reform, review of procurement governance, simplifying procurement processes, and procurement savings opportunities.

The Infrastructure and Structured Finance Unit (ISFU) supports the procurement of high-profile and high-risk infrastructure projects by NSW Government agencies, with a focus on achieving strong commercial outcomes, value for money, and appropriate allocation of project risks between NSW Government and the private sector.

The team maintains working relationships with agencies and similar units in treasuries in other states and territories to drive best practice. The team is also responsible for the NSW Public Private Partnership (PPP) Guidelines and the NSW Bid Cost Contributions Policy for Treasury.

Supporting small business resilience and recovery from the COVID-19 pandemic and natural disasters remained an important focus in 2021-22. Treasury and the NSW Small Business Commission[1] continued to advocate for and develop policy in support of small business in New South Wales and assisted small businesses to navigate COVID-19 challenges. The Business Connect program also provided business advice, webinars and events. Since 2017, the program has supported more than 46,000 businesses with an overall customer satisfaction score of 99 per cent in 2021-22.

Treasury played a key role in coordinating the State's response to the COVID-19 Delta and Omicron outbreaks in 2021-22. Treasury regularly briefed business and industry groups during the outbreaks, including coordinated briefings that enabled them to engage directly with the NSW Chief Health Officer, the Department of Customer Service and the NSW Police Force regarding the COVID-19 restrictions and associated public health messaging, and provided a channel for industry feedback on both the restrictions and the support packages.

1 Treasury responsibilities relating to the NSW Small Business Commission and Business Connect were transferred to the NSW Department of Customer Service on 1 April 2022.

Treasury remained responsible for managing the NSW Government's COVID-19 business support programs and engaged Service NSW to administer these packages on our behalf. In 2021-22, the NSW Government provided more than $10.5 billion[2] in support for businesses impacted by COVID-19, including through the 2021 JobSaver Payment, the 2021 COVID-19 Micro-business Grant, the 2021 COVID-19 Business Grant, the Small Business Fees and Charges Rebate and the 2022 Small Business Support Program.

Treasury also worked with Service NSW on the delivery of the State's economic recovery voucher programs including Dine & Discover NSW and Parents NSW.

Treasury provided regular briefings for Crisis Cabinet on the economic impacts of the COVID-19 pandemic to help inform NSW Government decision making and policy responses on COVID-19.

Other highlights for 2021-22 included:

- 2022-23 Budget economic forecasts. Treasury provided modelling and forecasts for the 2022-23 Budget, as well as weekly economic data briefings for State's agencies on the performance of the New South Wales economy. In the 2022-23 Budget, NSW Treasury forecast a strong rebound in growth in the New South Wales economy after a COVID-19 impacted three-year period.
- Intergenerational insights to inform NSW Government policy making and the budget process, including an update of 2021 Intergenerational Report (June 2021) modelling on the long-term fiscal gap, to identify long-term risks and opportunities for the New South Wales budget and NSW Government policy making.
- Stakeholder engagement and forums on economic topics, including the Beyond COVID-19 Forum in December 2021. Treasury brought together key stakeholders to discuss key challenges and opportunities identified in the 2021-22 NSW Intergenerational Report.
- Engagement on federal financial relations, including ongoing work to maintain the state share of Australian Government funding, and the coordination of policy and reform at the national level.
- A continued focus on supporting First Nations wellbeing and prosperity. The Aboriginal and Torres Strait Islander Outcome Budgeting Landscape Report 2022 outlined lessons from current approaches to First Nations outcomes that could help the NSW Government better direct focus towards cross-government outcomes.

Improving economic wellbeing

Treasury continues its work to help improve economic wellbeing for New South Wales through development of an ambitious reform agenda for Government, from productivity and regulatory reform to revenue and tax reform. Treasury's work aims to support economic wellbeing for the people of New South Wales, to help make a positive and practical difference to people's lives.

Highlights for 2021-22 included:

- The Women's Economic Opportunities Review identified options to improve women's economic participation and economic security in New South Wales. It informed the NSW Government's $16.5 billion reform package set out in the Women's Opportunity Statement to make New South Wales the best place in Australia for women to live, work and raise a family.
- Research insights from Treasury's Tax Reform Taskforce to help drive housing and tax reform conversations. It included the release of detailed research and modelling on the potential for property tax reform to increase home ownership, Property Tax Reform and Home Ownership: July 2022.
- Further work by the NSW Productivity Commission to progress opportunities for New South Wales productivity growth outlined in the 2021 White Paper. It included providing industry insights on hybrid working and better regulation options to unlock opportunities from emerging technologies.
- Putting $1.1 billion of State supplier spend into the economy through same-day payment via card.

Treasury also recognises that government procurement presents opportunities to invest in diverse suppliers. This includes small and medium businesses, Aboriginal businesses and Australian Disability and Social Enterprises. Through these opportunities, Treasury can provide a diverse range of goods and services while also supporting local jobs and building skills, and remain committed to improving access to government business opportunities.

2 This figure is the total 2021-22 spend across these programs, distinct from the 2021-22 budget allocations for these programs. It includes around $3.2 billion contribution towards the JobSaver program by the Australian government.

Accessing secure and sustainable energy

Office of Energy and Climate Change (OECC) prioritised the development of renewable energy in New South Wales and continued program and policy development to improve energy reliability across the State. Additionally, OECC implemented essential services powers to ensure ongoing reliability of energy supplies in the face of significant domestic and international challenges.

The key entities required to deliver actions under the NSW Electricity Infrastructure Roadmap and its enabling legislation have been appointed and established. The Energy Corporation of NSW (EnergyCo) is the infrastructure planner for certain Renewable Energy Zones (REZs), AEMO Services Limited is the NSW Consumer Trustee and the Energy Security Target Monitor, the Australian Energy Regulator and IPART are the Regulator for certain functions, and Dr Mark Apthorpe is the NSW Electricity Infrastructure Jobs Advocate.

EnergyCo has progressed the design and development of the first five REZs in New South Wales. The Central-West Orana and New England REZs have been declared by the Minister for Energy, and there has been an overwhelming industry response to registrations of interest for South-West and Hunter Central-Coast and Illawarra REZs. EnergyCo continues to work with communities, key stakeholders and industry on the delivery of these REZs.

$3 billion

NSW Hydrogen Strategy

OECC coordinated and developed the nation-leading $3 billion NSW Hydrogen Strategy, to halve the cost of production of green hydrogen in New South Wales. Additionally, to ensure the prosperity of New South Wales' primary industries and land sector, OECC is investing $125 million over the next eight years through the Primary Industries Productivity and Abatement program. This will support farmers and land managers across New South Wales to reduce their emissions, improve their carbon management and enhance biodiversity on their land alongside production.

OECC developed and managed the *Energy Legislation Amendment Act 2021* to enable green hydrogen production, enhance energy emergency response frameworks and remove barriers to renewable energy projects in State forests. OECC also coordinated the NSW Government's input to the Energy Security Board's post-2025 reform program.

By fourth quarter 2021-22, OECC had researched and legislated a Renewable Fuel Scheme, with a green hydrogen target of ~67,000 tonnes per year by 2030. Targeted programs also delivered an 85 per cent increase in GreenPower purchases and consulted on a new GreenPower Renewable Gas certification pilot.

Specialists assessed and completed risk analysis of 34 pipelines, 16 pipeline action plans and 25 licence variations to support the ongoing safe and reliable operation of critical energy infrastructure.

Energy social programs supported the Government's COVID-19 management strategy by providing direct support via emergency energy bill assistance, with an average bill saving of $343 per customer. In the past financial year, OECC provided meaningful support to around one-third of all New South Wales households, reducing the average electricity bill for each by 19 per cent.

Supporting a sustainable, climate resilient New South Wales

OECC continues to strengthen climate change action now and into the future.

The Climate Adaptation Strategy sets out an ambitious approach to climate change adaptation for New South Wales. It includes key decision-making principles and objectives for adaptation, key priorities and a suite of actions including development of adaption action plans and robust, trusted metrics to underpin the climate response.

The Net Zero Emissions and Clean Economy Board was established to advise the NSW Government on the implementation of the State's Net Zero Plan to achieve 50 per cent emissions reduction by 2030 and net zero by 2050. The Board provides advice on the design of Net Zero programs and policies, opportunities for low emissions research and strategies to support existing industries to decarbonise.

The Net Zero Plan Stage 1: 2020-2030 Implementation Update was released in September 2021.

The first capital project funded under the Net Zero Industry and Innovation Program High Emitting Industries has commenced. The project aims to reduce nitrogen dioxide and nitric oxide emissions at the Orica Kooragang Island (Newcastle) facility and to reduce emissions by 567,000 tonnes of $CO2$ equivalent each year.

The $633 million NSW Electric Vehicle Strategy is the largest EV plan in Australia. It includes a $3,000 rebate and stamp duty waivers for eligible new EVs, as well as funding to leverage significant private sector investment to service growing demand. In particular, the plan will support private industry to roll out ultra-fast charging stations, chargers at regional businesses and tourist locations, 500 kerbside charge points in residential streets, and chargers at about 125 medium and large apartment buildings.

Encouraging a circular economy to better manage our resources

The *Plastic Reduction and Circular Economy Act 2021* creates a legislative framework that enables the Government to prohibit the supply of other problematic and unnecessary plastic items and support the circular economy into the future. Phase one of the single-use plastics ban began on 1 June 2022. The NSW Government intends to prevent nearly 2.7 billion plastic items from entering New South Wales' coastal, marine and bushland environments over the next 20 years.

Outcome 2: A suitable fiscal environment enabling delivery of outcomes

Fiscal planning and management

The New South Wales economy faced another challenging year. The period began in lockdown in response to the Delta outbreak of COVID-19. Shortly after the economy emerged from Delta, the Omicron outbreak drove a substantial increase in cases and dramatically impacted labour supply in January.

However, the combination of the successful vaccination program and strong fiscal support provided by the Australian and NSW Governments enabled businesses and households to transition to living with COVID-19 in the community. This supported a strong economic recovery. Domestic economic activity has risen higher than the pre-Delta level and driven the unemployment rate down to 3.3 per cent in the June quarter, which is the lowest level since 1974.

The strong recovery in the economy, both domestically and abroad, alongside the ongoing impacts of COVID-19 and the Russian invasion of Ukraine has brought with it the renewed threat of inflation. Headline inflation in Australia rose to 6.1 per cent in the June quarter – its highest level in more than 30 years – while the Sydney headline inflation rose to 5.3 per cent.

The Reserve Bank of Australia (RBA) and other major global central banks are responding to this threat, rapidly raising interest rates from the lows seen at the height of the pandemic to help ensure the current elevated price increases do not become entrenched in wage and price setting behaviours. To do so, the RBA is hoping to generate a soft landing in the economy where unemployment gradually rises back to its full employment level (around 4 per cent). This has added additional risks to an already highly uncertain global and domestic economic environment, weighing on consumer sentiment and house prices. Consumer spending has remained strong, supported by the strengthening of household balance sheets and elevated saving during the height of the pandemic.

Sector support and resource allocation

Through the Budget cycle, and for Cabinet Committees throughout the year, Treasury provided high quality and insightful advice to the NSW Government and agencies on financial management, policy reform and resource allocation. The quality and influence of Treasury relies on evidence informed through research, analysis, and continued consultation with sector stakeholders. Treasury supports the sector with advice that balances considerations around economic and fiscal impacts, value for money and achieving state outcomes.

Sector procurement and services, analytics and systems

Procurement has received a particular uplift in the past year with the implementation of a Procurement Toolbox for buyers in Treasury. This includes templates for market engagements, quick guides for key procurement activities, and guidance to ensure legislative compliance.

Procurement Analytics has also undergone a transformation, with an uplift in Spend Cube use, accuracy, insights, and outcome generation. Spend Cube is a discovery and decision support tool for whole-of-government procurement. It captures external procurement expenditure information such as what is bought from which suppliers and how much is spent across clusters, categories, financial years, geographies and supplier types (small/medium enterprises, Aboriginal, social, etc). The information in this self-service database provides central visibility and insights to support procurement planning across government's commercial, social and sustainability priorities.

- Half (five out of 10) of clusters have commenced spend re-categorisation, with clear benefits seen around category visibility, planning and the ability to reconcile reporting.
- There are now more than 300 Spend Cube users (a 100 per cent year-on-year increase), with a 67 per cent retention rate.
- There are improved 'inter-government spend' and 'SME spend' working definitions/conventions; cluster feedback is complete and implementation is underway.
- Whole-of-government taxonomy has been drafted across Facilities Management, ICT, Professional Services and Contingent Labour. Cluster feedback is complete and recategorisation/testing of new taxonomy on these categories is about to commence.
- A Cluster Self Quality Assurance monitoring tool prototype has been developed.

Evidence-informed investment and policy

One of Treasury's core focus areas is driving evidence-informed investment and policy. This is achieved through creating policy that improves private sector collaboration, improves economic opportunities for social enterprises, and diversifies NSW Government supply chains.

Treasury's principal instrument for delivering in this area is the Centre for Evidence and Evaluation (CEE). CEE works in partnership with clusters to drive evidence-informed decision-making, implement plans of action to develop business cases, prepare cost-benefit analyses, and conduct process, outcome and economic evaluations of government initiatives in accordance with Treasury guidelines.

In 2021-22, this included work to:

- Update NSW Government Evaluation Guidelines, in consultation with all clusters. Treasury will also be doing further work to update the NSW Cost Benefit Analysis Guidelines including improving analysis of social, environmental, and cultural outcomes and values.
- Develop new assessment tools for flood-impacted communities seeking Government support. To help Government respond effectively to natural disasters and flood impacted communities across the State, the CEE developed new assessment tools to assist the NSW Flood Inquiry and Governments responses, including a Cost Benefit Assessment Framework for Floods and Natural Disasters. This included developing options to make insurance more affordable and available for floods, and enabled NSW agencies to rapidly assess flood mitigation projects for New South Wales communities.

Financial reporting and systems management

Treasury continues to align, standardise, simplify and digitise its banking platforms to efficiently and effectively manage $80 billion in annual State spend.

For FY2020-21, the Total State Sector Accounts (TSSA) prepared by Treasury received an unqualified opinion from the independent auditor.

Commercial and balance sheet management

Treasury continues to work with TCorp to efficiently and effectively dispense commercial and balance sheet management.

For example, the 2021 WestConnex transaction generated $11.1 billion with the proceeds net of stamp duty ($10.3 billion) directed to the NSW Generations Fund for future debt retirement. The strong sale result also enabled the State to use $823 million as seed funding towards the new $5 billion WestInvest program to support medium-term post-COVID economic recovery for the people of Western Sydney. The WestInvest program will secure a brighter future for Western Sydney families and residents, building new and improved facilities and local infrastructure to help communities affected by COVID-19.

The Infrastructure and Structured Finance Unit (ISFU) contributes to commercial and balance sheet management by driving value for money outcomes on the procurement of high-profile and high-risk infrastructure projects.

Outcome 3: Stewardship of the public sector performance and financial system

Performance and financial systems stewardship

The Performance and Financial Systems Stewardship Program is an initiative under the stewardship outcome that modernises and enhances Treasury's approach to the development and issue of instructions, guidance and information to the sector.

Treasury conducts a Stewardship survey annually to understand general government customers' views on the stewardship support provided by Treasury to drive effective performance and financial management. Treasury has used the survey results to report performance and identify continuous improvement opportunities.

Treasury has achieved:

- an average score of 3.5 for how Treasury responded to requests/enquiries, including customer satisfaction.
- an average score of 3.9 where the users report that they can easily locate, identify and implement policy requirements.

Treasury continues to find innovative ways to provide a streamlined and consistent approach on how to communicate policy requirements. Starting from 1 January 2022, format of the non-legislative instruments, including Treasury Policy Papers, Treasury Circulars and guidance material was transitioned into 'one instrument' – the Treasury Policy and Guidelines (TPG). The aim is to allow the sector to clearly and easily identify the purpose of the information and understand what (if any) mandatory obligations the instrument imposes on them.

Highly capable, collaborative and diverse team

A key focus for Treasury is ensuring a rewarding employee experience and a strong, positive work culture. The People and Culture team worked to further embed Treasury's cultural commitments of Collaboration, Inclusion and Flexibility.

Treasury continually commits to provide better career and development support for existing and aspiring leaders at all levels through an organisation-wide learning approach. A major overhaul of its Learning & Development offering now focuses on Leading, Learning and Wellbeing at Treasury.

The Leading for Impact leadership fundamentals program was launched in early 2022. Since then, 85 leaders have completed the program with a further 50 scheduled before the end of December 2022. A core element of the program educates leaders on Treasury's approach to Diversity and Inclusion (D&I), supporting employee performance and wellbeing. Treasury continues to iterate its learning program to drive capability enhancements across key areas of professional development.

Treasury has continued to build capability through the recruitment of 382 roles during the year, reflecting a challenging labour market but also supporting the career growth and mobilisation of many of its people into other parts of NSW Government.

Treasury is focused on the Premier's Priority #14: delivering by 2025 parity for women in leadership, double the number of Aboriginal and Torres Strait Islander people in senior leadership roles over 10 years, and 10,000 more people with a disability employed across the NSW Government sector.

Treasury has five D&I streams, with three approved action plans:

- Disability Inclusion Action Plan (DIAP): 24 action items and commitments
- Gender Equality Action Plan (GEAP): 33 action items and commitments
- Innovate Reconciliation Action Plan (IRAP): 66 action items and commitments.

From July 2020 to September 2021, Treasury undertook significant consultation to form the DIAP which was launched in December 2021. A key deliverable is obtaining the Disability Confident Recruiter Accreditation from the Australian Network on Disability. Treasury is making strong progress towards this accreditation and gradually building accessibility considerations into its office facilities, processes and systems.

The Gender Equality Action Plan GEAP 2022-2025 was launched in March 2022. The GEAP consultation strategy included information from Listening Circles in 2019, focus groups in 2020, and the results of the Workplace Gender Equality Agency (WGEA) Diagnostic Assessment Tool.

Treasury's Reconciliation journey commenced in 2019. A process of deep listening and advocacy led to the development of Treasury's Reflect Reconciliation Action Plan (RAP) in November 2020. A dedicated Reconciliation Delivery team was established in March 2021 to provide delivery support for the RAP and to report monthly to the Treasury leadership team on RAP progress. Treasury successfully completed its Reflect RAP commitments in November 2021. In July 2022, Treasury's Innovate 2022-24 Reconciliation Action Plan was published, detailing the priority actions moving forward.

For the first time ever, Treasury produced the 2022-23 NSW State Budget in a digital format as well as hardcopy. This drove a 36 per cent increase in traffic to the Budget website year-on-year; additionally, the web-based Budget Papers were viewed online nearly six times more than they were downloaded.

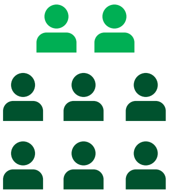
The past 12 months have been marked by a substantial program to increase how staff engage and connect at Treasury, particularly after the disruptive COVID-19 lockdown periods. This has included a major uplift in the agency's digital offering to staff, including a new OECC intranet and revamped Treasury intranet. Corporate Services also undertook an audit of the way Treasury communicates with its staff, favouring a quantity-over-quality approach to its email traffic.

With the arrival of a new Treasury Secretary, the opportunity for staff to directly hear from and engage with the Secretary was boosted through Ngalan - Treasury's new all-hands town halls. 'Ngalan' has a number of meanings in the language of the Gumbaynggirr people, but they all centre on the concept of coming together, being in sync and being present with one another. Permission was graciously granted to use the word for these important sessions.

Treasury undertook a major body of work to streamline, improve and make more accessible personal and professional support and development services through its One Thrive program - a hub to promote the Living, Learning and Leading opportunities for staff.

Treasury has five D&I streams, with three approved action plans:

Disability Inclusion Action Plan (DIAP)	Gender Equality Action Plan (GEAP)	Innovate Reconciliation Action Plan (IRAP)
24	33	66
action items and commitments	action items and commitments	action items and commitments



1,000

Users across the entire sector

Digitally focused Treasury

Treasury continues to drive a digitally focused future and digitise New South Wales' banking from end to end.

In the past year, Treasury reached a key milestone with the commencement of the Prime NextGen platform, a two-year program of work focused on replacing their original Prime budget portal and improving the usability and efficacy of its statewide budgeting platform.

Using modern technology, Treasury has re-engineered and redesigned the platform from the ground up. The new portal improves the user experience, providing a more intuitive and responsive interface.

The platform is powered by scalable cloud infrastructure, available as a service and deployed as code. This dramatically increases performance and reliability, providing significantly more flexibility which supports Treasury's program of continuous improvement.

The NextGen project transformed Prime into a true digital asset for more than 1,000 users across the entire sector.

Supporting First Nations wellbeing, outcomes and prosperity

The NSW Government values the economic, social and cultural contribution of the Aboriginal and Torres Strait Islander peoples of New South Wales. Treasury is continuing to drive greater outcomes for First Nations communities through its economic and budgeting frameworks.

Treasury is leading in First Nations expenditure reporting across comparable jurisdictions. Treasury recently developed a methodology to quantify non-targeted expenditure on First Nations communities; this will be reported in the Comprehensive Indigenous Expenditure Report (CIER) and used to drive greater evidence-based and culturally appropriate investment advice.

Treasury has worked to align Cluster outcomes and business planning reforms with the Government's priorities in working with First Nations communities, including the National Agreement on Closing the Gap.

Since commencing this work, 59 per cent of Closing the Gap outcomes and priority reforms have related measures reported through Outcome Budgeting, with further measures under development.

The Aboriginal Economic Prosperity Outcomes Framework (AEPOF) and Cost-Benefit Analysis (CBA) framework are also under development. The AEPOF is informed by two consultation reports published on the Treasury website in February 2022 and is due for public release before the end of 2022. A research paper and an issues paper for the CBA framework are also in their final stages and will be publicly released over the next three months. This will inform interim guidance for a broader First Nations policy and investment framework for release in 2023.

Treasury's Reconciliation team has connected with other New South Wales agencies to form a reconciliation community of practice and work together to align agendas and issues for advocacy, with official meetings to begin in late 2022. Treasury also established a First Nations Advisory Council (FNAC) in 2021 to provide independent advice to Treasury on First Nations priorities, considerations and reconciliation programs.

The Aboriginal Procurement Policy (APP) will contribute to the NSW Government's strategic economic policy of Growing NSW's First Economy. This provides a significant opportunity to increase skills and economic participation within the state's First Nations communities.

As part of its commitment to Closing the Gap, Treasury is continuing to support opportunities for First Nations employment, business growth and economic prosperity, including the development of evidence-based, culturally informed approaches to guide investment in First Nations communities.

This has included through the use of Business Connect[1], a dedicated and personalised NSW Government program that provides trusted independent business advice. The program provided services to 254 Aboriginal customers in 2021-22. Other highlights include cluster advice on creating and realising economic development and job creation opportunities, improving land use, and supporting the aspirations of First Nations communities.

1 Treasury was responsible for the Business Connect program up to 31 March 2022, with the program transferring to the NSW Department of Customer Service in April 2022.

Internal Audit and Risk Management Attestation Statement for the 2021-2022 Financial Year for NSW Treasury

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

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

Membership

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

- Independent Chair, Julie Elliott, April 2022, second term expires April 2025. Former Independent Member, appointed September 2019, term concluded April 2022.
- Former Independent Chair, Victoria Weekes, appointed April 2017, second term expired April 2022.
- Independent Member, Paul Ruiz, appointed December 2017, second term expires December 2023.
- Independent Member, Jeremy Chandler, appointed July 2021, first term expires July 2024.
- Independent Member, Karen Orvad, appointed April 2022, first term expires April 2025.

Paul Grimes
Secretary
Date: 31/10/2022

Natalie Seal
Director of Risk, Compliance & Audit
Date: 25/10/2022

Internal Audit and Risk Management Attestation Statement for the 2021-2022 Financial Year for Liability Management Ministerial Corporations (LMMC)

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

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

Membership

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

- Independent Chair, Julie Elliott, April 2022, second term expires April 2025. Former Independent Member, appointed September 2019, term concluded April 2022.
- Former Independent Chair, Victoria Weekes, appointed April 2017, second term expired April 2022.
- Independent Member, Paul Ruiz, appointed December 2017, second term expires December 2023.
- Independent Member, Jeremy Chandler, appointed July 2021, first term expires July 2024.
- Independent Member, Karen Orvad, appointed April 2022, first term expires April 2025.

Paul Grimes Secretary
Date: 31/10/2021

Natalie Seal
Director of Risk, Compliance & Audit
Date: 25.10.2022

Internal Audit and Risk Management Attestation Statement for the 2021-2022 Financial Year for Energy Corporation of NSW

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

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

Membership

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

- Independent Chair, Julie Elliott, April 2022, second term expires April 2025. Former Independent Member, appointed September 2019, term concluded April 2022.
- Former Independent Chair, Victoria Weekes, appointed April 2017, second term expired April 2022.
- Independent Member, Paul Ruiz, appointed December 2017, second term expires December 2023.
- Independent Member, Jeremy Chandler, appointed July 2021, first term expires July 2024.
- Independent Member, Karen Orvad, appointed April 2022, first term expires April 2025.

Paul Grimes Secretary
Date: 21/10/2022

Natalie Seal
Director of Risk, Compliance & Audit
Date: 25.10.2022

NSW Treasury Cyber Security Annual Attestation Statement for the 2021-2022 Financial Year

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

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

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

The following separate legal entities will provide their own attestations; State Super, iCare, and TCorp.

Paul Grimes
Secretary, NSW Treasury

INDEPENDENT AUDITOR'S REPORT

The Treasury

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of The Treasury (Treasury), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Summary of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

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

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2022. 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.

<table>
<tr><th>Key Audit Matter</th><th>How my audit addressed the matter</th></tr>
<tr><td colspan="2">Machinery of Government changes</td></tr>
<tr><td>
Treasury was impacted by four Machinery of Government (MoG) changes during 2021–22:
• Administrative Arrangements (Second Perrottet Ministry – Transitional) Order 2021, which transferred Small Business Commissioner staff from Treasury to the Department of Customer Service
• Administrative Arrangements (Administrative Changes – Miscellaneous) Order 2022, which transferred NSW Business Connect staff from Treasury to Service NSW
• Administrative Arrangements (Administrative Changes – Miscellaneous) Order (No 2) 2022, which transferred staff who provide support to the Minister for Energy from the Department of Planning and Environment to Treasury
• Administrative Arrangements (Second Perrottet Ministry—Allocation of Acts and Agencies) Order 2021, which allocated the administration of various Acts to Ministers (including the Treasurer and Minister for Energy).

I consider this to be a key audit matter because:
• the values of assets and liabilities transferred to and from Treasury because of the MoG changes were financially significant
• of the complexity and judgement involved in assessing the completeness and accuracy of the transfer of assets and liabilities at fair value.

Details of the MoG changes and the recognition and measurement of assets and liabilities are disclosed in Note 1(a) and Note 16 respectively.
</td><td>
Key audit procedures included the following:
• obtained an understanding of how assets and liabilities were identified and transferred between agencies
• assessed the reasonableness of the fair value of assets and liabilities transferred into and out of Treasury
• obtained inter-entity confirmations for transferred functions, funds and activities
• reviewed the appropriateness of disclosures in the financial statements arising from the MoG changes.
</td></tr>
</table>

Key Audit Matter	How my audit addressed the matter
COVID-19 expenses (accommodation)	
Treasury was responsible for managing the quarantining of incoming travellers to NSW, incurring $362 million in 2021–22 ($496 million in 2020–21). I consider this to be a key audit matter because: • of the financial significance of this activity, outside of Treasury's normal operations • the complexity and urgency involved in processing a large volume of transactions in a short period of time.	Key audit procedures included the following: • obtaining an understanding of the processes and key controls Treasury had in place to manage this activity • assessing the accuracy and completeness of source data from key systems • testing payments related to these activities on a sample basis, to ensure they were accurately and completely recorded • assessing the adequacy of the financial statement disclosures against the requirements of applicable Accounting Standards and Treasurer's Directions • we identified a material prior period error relating to the recognition of COVID-19 accommodation expenditure, resulting in the retrospective restatement of 2020–21 figures.

Other Information

Treasury's annual report for the year ended 30 June 2022 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 Statements by the Accountable Authorities and the financial reports of the following Funds:

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

Secretary’s Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF 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. The description forms part of my auditor’s report.

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

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

Margaret Crawford
Auditor-General for New South Wales

31 October 2022
SYDNEY

The Treasury

Financial Report
for the year ended 30 June 2022

The Treasury

Statement by the Secretary

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

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

(b) present fairly The Treasury's financial position, financial performance and cash flows.

Dr. Paul Grimes PSM
Secretary

31 October 2022

Statement of Comprehensive Income for the period ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Restated Actual 2021 $'000
Continuing operations				
Expenses excluding losses				
Employee-related expenses	2(a)	167,461	128,241	133,697
Operating expenses	2(b)	759,822	474,520	656,801
Depreciation and amortisation	2(c)	16,719	13,018	16,925
Grants and subsidies	2(d)	46,638	209,723	281,755
Finance costs	2(e)	1,651	1,946	1,775
Other expenses		9,756	-	-
Total expenses excluding losses		**1,002,047**	**827,448**	**1,090,953**
Revenue				
Appropriation	3(a)	1,006,303	610,000	1,075,185
Sale of goods and services	3(b)	-	51,698	85,356
Grants and contributions	3(c)	2,851	81,168	2,370
Personnel Services Revenue	3(d)	-	1,726	-
Acceptance by the Crown of employee benefits and other liabilities	3(e)	1,206	(1,674)	1,714
Investment revenue	3(f)	-	337	184
Other income	3(g)	-	946	3,657
Total revenue		**1,010,360**	**744,201**	**1,168,466**
Operating result		**8,313**	**(83,247)**	**77,513**
Other Gains / (losses)				
(Losses) on disposal of plant and equipment	5	-	(1,011)	(708)
Impairment losses on financial assets		-	-	-
Reversal of /(Impairment losses) on ROU assets	5	-	486	(2,136)
Losses on subleasing ROU assets		-	-	(78)
Increase/decrease of Other Gains/(Losses) due to: Gain from the derecognition of lease arrangements with PNSW	5	-	14,385	-
Foreign exchange gains / (losses)		-	-	(202)
Gain on restoration provision	14	-	972	-
Gain on reversal of COVID-19 grant provision	14	-	753	11,507
Total gains / (losses)		**-**	**15,585**	**8,383**
Net result from continuing operations	20	**8,313**	**(67,662)**	**85,896**
Total other comprehensive income/ (loss)		**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME/ (LOSS)		**8,313**	**(67,662)**	**85,896**

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Restated Actual 2021 $'000
ASSETS				
Current assets				
Cash and cash equivalents	6	25,601	480,472	192,731
Receivables	7	107,102	27,476	53,464
Total current assets		**132,703**	**507,948**	**246,195**
Non-current assets				
Receivables	7	125	-	-
Property, plant and equipment				
- Plant and equipment	8	12,567	10,615	8,679
Right-of-use assets	9	42,158	-	46,217
Intangible assets	10	41,371	45,669	44,956
Total non-current assets		**96,221**	**56,284**	**99,852**
Total assets		**228,924**	**564,232**	**346,047**
LIABILITIES				
Current liabilities				
Payables	12	49,888	105,774	78,245
Borrowings	13	17,351	-	7,037
Provisions	14	14,131	41,859	26,026
Other liabilities	15	-	1,761	-
Total current liabilities		**81,370**	**149,394**	**111,308**
Non-current liabilities				
Borrowings	13	57,340	-	63,917
Provisions	14	3,862	2,185	3,066
Other liabilities	15	-	7,601	-
Total non-current liabilities		**61,202**	**9,786**	**66,983**
Total liabilities		**142,572**	**159,180**	**178,291**
Net assets		**86,352**	**405,052**	**167,756**
EQUITY				
Accumulated funds		86,352	405,052	167,756
Total equity		**86,352**	**405,052**	**167,756**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the period ended 30 June 2022

	Notes	Restated Accumulated Funds $'000
Balance at 1 July 2021		**167,756**
Net result for the year		**(67,662)**
Other comprehensive income		-
Total other comprehensive income		**-**
Total comprehensive (loss) for the year		**(67,662)**
Transactions with owners in their capacity as owners		
Increase in net assets from equity transfers	16	304,958
Balance at 30 June 2022		**405,052**
Balance at 1 July 2020		**85,148**
Net result for the year		**49,816**
Correction of prior period error	27	36,080
Restated Net Result for the year		**85,896**
Other comprehensive income		-
Total other comprehensive income		**-**
Restated Total comprehensive income for the year		**85,896**
Transactions with owners in their capacity as owners		-
(Decrease) in net assets from equity transfers	16	**(3,288)**
Restated Balance at 30 June 2021		**167,756**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the period ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(165,357)	(128,207)	(130,361)
Grants and subsidies		(46,638)	(201,832)	(396,901)
Finance costs		(1,583)	(1,925)	(2,011)
Supply of goods and services		(769,543)	(454,355)	(669,901)
Total payments		**(983,121)**	**(786,319)**	**(1,199,174)**
Receipts				
Appropriations (excluding equity appropriations)		1,006,303	610,000	1,075,185
Sale of goods and services		(224)	70,223	92,986
Interest received		-	337	185
Grants and contributions		2,851	81,167	1,709
Other receipts		-	12,042	4,184
Total receipts		**1,008,930**	**773,769**	**1,174,249**
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	**25,809**	**(12,550)**	**(24,925)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from other financial assets		2,337	-	4,460
Purchase of plant and equipment		(7,352)	(4,902)	(975)
Purchase of intangible assets		(2,075)	(2,112)	(2,259)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(7,090)**	**(7,014)**	**1,226**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of principal portion of lease liabilities		(3,961)	(6,616)	(16,216)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(3,961)**	**(6,616)**	**(16,216)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**14,758**	**(26,180)**	**(39,915)**
Opening cash and cash equivalents		10,843	192,731	239,857
Cash transferred in / (out) as a result of administrative restructuring	16	-	313,921	(7,211)
CLOSING CASH AND CASH EQUIVALENTS	6	**25,601**	**480,472**	**192,731**

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

(a) Reporting entity

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

Treasury serves the Treasurer and the government by being a principal financial, economic and policy advisor enabling the government to deliver for the people of NSW. Treasury work includes developing industry, supporting job growth, improving service delivery to the community and increasing living standards, to forge a brighter future in a prosperous and confident post-pandemic NSW economy.

Treasury is structured to meet the following outcomes:

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

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

Under the *Administrative Arrangements (Second Perrottet Ministry - Transitional) Order 2021 and Administrative Arrangements (Administrative Changes- Miscellaneous) Order 2022* commencing on 1 April 2022, Treasury was impacted by the following administrative restructure changes:

- the Office of Small Business Commission (OSBC) transferred out of NSW Treasury to the Department of Customer Service
- the persons employed in Treasury who are principally involved in providing support for NSW Business Connect were transferred to Service NSW

In addition, the *Administrative Arrangements (Second Perrottet Ministry – Allocation of Acts and Agencies) Order 2021* which allocates the administration of various Acts to Ministers resulted in transferring the administration *of Energy and Utilities Administration Act 1987* No 103 to the Minister of Energy who is also the Treasurer. This combined with *Administration Arrangements (Administrative Changes-Miscellaneous Order (No 2) 2022* resulted in the persons employed in the Department of Planning and Environment (DPE) who are principally involved in the administration of legislation, or providing support to the Minister for Energy, transferred to Treasury on 1 April 2022.

Further details of the Treasury administrative restructure are disclosed in Note 16.

Treasury administers, but does not control, certain activities on behalf of the Crown in the right of the State of New South Wales (the Crown). Treasury is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of Treasury's own objectives. Transactions and balances relating to the administered activities are not recognised as Treasury's income, expenses, assets, and liabilities, but are disclosed in Note 22.

In regard to the notes to the financial statements, for administered items the notes not relevant are 1e) Insurance, 1j)(ii) Income recognition and measurement – Rendering of services, 1k) Plant and Equipment, 1l) Intangible Assets, 1p)(i) Employee benefits – Salaries and wages, annual leave and sick leave, 1u)(i) Equity and Reserves – Accumulated Funds, 1x) Budgeted amount and 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, 1p)(iv) Employee benefits – LSL, defined benefit superannuation and related on-costs assumed by the Crown, 1q) Provisions – (iii) State's share of university superannuation and (iv) State's contribution to Commonwealth redress scheme, 1s) Contract assets and liabilities, 1t) Derivatives and 1v) Trust Funds. 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.

(b) Basis of preparation

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

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

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Management has considered the impact of COVID-19 and determined that there is a material impact on Treasury's results but it does not adversely affect Treasury's ability to operate as a going concern. The impact on overall expenditure is detailed in note 2(b).

(c) Statement of compliance

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

(d) 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.

(e) Insurance

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

(f) 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.

(g) Foreign currency translation

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

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

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

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

(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.

1. Summary of Significant Accounting Policies (continued)

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

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

(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.

<u>Recoupment of costs</u>

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

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

<u>Visa nomination fee</u>

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

<u>Mediation fee</u>

The nature of the services is the provision of a mediation service by a Mediator (neutral third-party solicitor) with the main parties that are having disputes in exchange for a fee. The performance obligation is typically satisfied when Treasury appoints a mediator and a mediation meeting is scheduled, the benefit is passed onto the customer. Each mediation service represents a service that is distinct. Payments from customers are typically received in advance of scheduled mediation. Treasury has assessed the difference between payment and scheduled mediation time as immaterial and therefore revenue is recognised when payment is received and measured at the fee published in the Office of Small Business Commissioner website. No significant element of financing is deemed present as payments are made no more than one month before the service delivery on average. Due to the administrative restructure, this revenue stream has been transferred to the Department of Customer Service from 1 April 2022.

<u>Other</u>

The other 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). This revenue stream has been transferred to Treasury as a result of Office of Energy and Climate change (OECC) becoming part of Treasury. The revenue is recognised when performance obligation is satisfied by providing accreditation, certificates etc.

1. Summary of Significant Accounting Policies (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.

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).

(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 NSW Treasury Corporation (TCorp) at interest rates based on the credit rating of the State of NSW. The payment for the fee is received in arrears. Revenue is recognised under AASB 1058 when the right to receive the revenue has occurred.

(k) Plant and equipment

(i) Acquisition of plant and equipment

Plant and equipment are initially measured at cost. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer in Note 16).

(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.

1. Summary of Significant Accounting Policies (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

Recognition and measurement

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

1. Summary of Significant Accounting Policies (continued)

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.

(n) 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.

(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.

1. Summary of Significant Accounting Policies (continued)

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.

(o) Impairment

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

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

Treasury recognises the possible economic impacts brought on by COVID-19 and natural disasters and determines that the ECL for receivables are not required for FY2021-22.

(p) 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.

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

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

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

1. Summary of Significant Accounting Policies (continued)

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. The unfunded liabilities are actuarially assessed at the reporting date. More details are provided in Note 22.D.12. The Crown also assumes any additional defined benefit superannuation liability accruing on the annual leave liability for those agencies whose defined superannuation benefit liability is assumed by the Crown.

Expenses on these Crown assumed provisions including gains or losses on actuarial valuation are disclosed in Note 22.B.1 and B.2.

(q) 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) COVID-19 accommodation and security

Provision is recognised based on cost certifications provided by interstate jurisdictions.

(iii) 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.

(iv) 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.

1. Summary of Significant Accounting Policies (continued)

(r) 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 2.11 per cent (2021: 2.20 per cent).

(s) 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.

(t) 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.

(u) 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 16.

All Treasury administered equity transfers are recognised at fair value. Refer to Note 22.F.

(v) Trust funds

Treasury receives monies in a trustee capacity for various trusts as set out in Note 21. As Treasury performs only a custodial role in respect of these monies, these funds are recognised in the Administered Items, note 22.C.1 and note 22.D.8.

(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

1. Summary of Significant Accounting Policies (continued)

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 19.

(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.

2. Expenses Excluding Losses

	2022 $'000	2021 $'000
(a) Employee-related expenses		
Salaries and wages (including annual leave)	114,466	116,109
Superannuation		
- defined benefit plans	325	248
- defined contribution plans	7,947	7,639
Long service leave	(2,247)	1,845
Workers' compensation insurance	426	598
Payroll tax and fringe benefits tax	5,926	5,902
Redundancies	1,398	1,356
	128,241	**133,697**

The employee related expenses include $1.72 million for the personnel services provided to Energy Corporation of NSW (EnergyCo). The employee related expenses that have been capitalised in property, plant and equipment and intangible assets are excluded from the above.

During this financial year the actuarial review of Treasury's long service leave provision provided a favourable adjustment to the present value of long service leave therefore resulting in a negative expense in long service leave.

	2022 $'000	2021 $'000
(b) Operating expenses include the following:		
Auditor's remuneration - review of the financial statements	1,680	1,753
Lease expense	509	564
COVID-19 expenses		
- Accommodation and security	361,828	496,150
- International student accommodation	-	18,005
- CBD Revitalisation	7,594	36,232
Contractors	23,002	13,372
Centralised corporate support charges	7,337	8,048
Consultants	25,376	40,233
Computers maintenance, licenses and information management	8,545	8,281
Small business advising	5,603	10,959
Fees for services	21,657	11,813
Staff recruitment	482	506
Training	1,460	1,799
Building management maintenance and utilities	1,563	2,128
Internal audit fees	311	452
Maintenance [(i)]	318	372
Printing and advertising	506	1,190
Crown Land waivers refunds and remissions	2,702	-
Travel	131	120
Event management	120	411
Minor plant, equipment and stores	630	1,293
Audit and Risk Committee administration	284	251
Insurance	288	121
Legal fees	1,909	760
Other	685	1,988
	474,520	**656,801**

Reconciliation - Total maintenance expense		
(i) Maintenance expense - contracted labour and other (non-employee related),	318	372
Employee related maintenance expenses included in Note 2(a)	-	-
Total maintenance expenses included in Note 2(a) and 2(b)	**318**	**372**

2. Expenses Excluding Losses (continued)

	2022 $'000	2021 $'000
(c) Depreciation and amortisation		
Depreciation		
Computer hardware	843	749
Office furniture	30	42
Right of use assets	5,285	7,137
Leasehold improvements	1,878	3,451
	8,036	**11,379**
Amortisation of Software intangibles	4,982	5,546
	13,018	**16,925**
(d) Grants and subsidies		
Grants paid to cluster agencies(i)	24,935	132,000
Grants and subsidies - Energy (including low income household, pensioners, hardship)	81,525	-
Grants and subsidies - Federal Government	1,748	-
Grants and subsidies - NSW Government	75,978	-
Grants paid to Jobs for NSW Fund	-	18,500
Grants relating to COVID-19(ii)	-	129,403
Grants to non-government organisations	25,000	-
Other	537	1,852
	209,723	**281,755**

(i) Grants paid to Destination NSW and Western Parkland City Authority (WPCA) in 2020-21. Destination NSW, Jobs for NSW Fund and WPCA have been transferred out of Treasury in 2020-21. Grants were paid to EnergyCo in the last quarter of 2021-22 as a result of administrative restructure effective 1 April 2022.

(ii) The Grants programme to assist small businesses and exporters due to the COVID-19 pandemic finished in 2020-21.

	2022 $'000	2021 $'000
(e) Finance costs		
Interest expense on leases	1,925	2,011
Unwinding of discount rate	21	(236)
	1,946	**1,775**

3. Revenue

(a) Appropriations

Summary of Compliance	**2022** $'000	**Restated 2021** $'000
Original Budget per *Appropriation Act*	1,006,303	1,855,379
Other Appropriations		
Variations made to the appropriations during the financial year		
- Section 32 (2) *Appropriation Act 2021* offset savings - insufficient funds	-	(679,000)
- Section 4.9 *GSF Act 2018* transfers of functions between entities	240,510	(161,486)
- Section 4.13 *GSF Act 2018* exigency of Government	7,000	-
- COVID-19 pandemic and inflation (per Section 34 of the *Appropriation Act*)	1,818	346,553
Total spending authority from parliamentary appropriations, other than deemed appropriations	**1,255,631**	**1,361,446**
Add:		
The spending authority from deemed appropriations during the current year	101,484	129,601
The unutilised spending authority from deemed appropriations in prior years	129,601	-
Total	1,486,716	1,491,047
Less: total expenditure out of Consolidated Fund	(604,976)	(1,120,703)
Variance	**881,740**	**370,344**
Less: The spending authority from appropriations lapsed at 30 June	**(650,655)**	**(240,743)**
Deemed appropriations balance carried forward to following years*	**231,085**	**129,601**

3. Revenue (continued)

The *Appropriation Act 2021* (*Appropriations Act*) and the subsequent variations appropriate the sum of $1.25 billion to the Treasurer out of the Consolidated Fund for the services of NSW Treasury for the year 2021–22. The spending authority of the Minister from the *Appropriations Act* has been delegated or subdelegated to officers of the Treasury and entities that it is administratively responsible for, including:

- Treasury Corporation
- NSW Self Insurance Corporation
- Alpha Distribution Ministerial Holding Corporation
- Building Insurers' Guarantee Corporation
- Electricity Assets Ministerial Holding Corporation
- Electricity Retained Interest Corporation – Ausgrid
- Electricity Retained Interest Corporation – Endeavour Energy
- Electricity Transmission Ministerial Holding Corporation
- Epsilon Distribution Ministerial Holding Corporation
- Liability Management Ministerial Corporation
- Ports Assets Ministerial Holding Corporation
- Roads Retained Interest Pty Ltd
- Workers' Compensation (Dust Diseases) Authority
- Climate Change Fund
- Energy Corporation of NSW

The responsible Minister(s) for each entity above is/are taken to have been given an appropriation out of the Consolidated Fund under the authority of s4.7 of the *Government Sector Finance Act 2018*, 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. The spending authority of the responsible Ministers from deemed appropriation money has been delegated or sub-delegated to officers of the entity that receives or recovers the deemed appropriation money for its own services.

The delegation/sub-delegations for FY21/22 and FY20/21, 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 it relates to expenditure in reliance on a sum appropriated through an annual *Appropriations Act*, the delegation/sub-delegations are referrable to the overall authority to spend set out in the relevant *Appropriations Act*. The individual transaction limits have been properly observed. The information in relation to the limit from the *Appropriations Act* is disclosed in the summary of compliance table above.

The summary of compliance has been prepared on the basis of aggregating the spending authorities of both the Minister for Treasury & Minister for Energy for the services of Treasury, and the responsible Ministers for the services of the entities listed above that receive or recover deemed appropriation money. 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 for COVID-19 related expenses and expenditure related to changes in wages awards and conditions and its expenditure. This is because a separate amount has been appropriated for the services under the *Appropriations Act.* Payments made by DPE on behalf of Treasury have been excluded as the bank account used legally belongs to DPE.

(b) Sale of goods and services	**2022**	**2021**
Rendering of services	**$'000**	**$'000**
Recoupment of costs		
- Crown, residual entities & others	3,793	2,479
- Jobs for NSW Fund	-	3,288
Visa nomination	-	2,566
Mediation Fee	585	-
Recoveries of Quarantining costs from interstate jurisdictions and the Commonwealth Government	46,167	75,626
Education & Training	65	-
Fee for services	331	-
Other	757	1,397
	51,698	**85,356**

3. Revenue (continued)

	2022	2021
	$'000	$'000
(c) Grants and contributions		
Grants with sufficiently specific performance obligations		
- Grants from other government agencies	3,092	656
- Grants from Federal government agencies	7,223	-
Grants without sufficiently specific performance obligations	614	1,709
Contributions from electricity distributors to CCF	70,239	-
Sponsorship revenue	-	5
	81,168	**2,370**

The Climate Change Fund (CCF) has been transferred to the Treasury as a result of the administrative restructure. The Climate Change Fund's purpose is to address the impact of climate change, encourage energy and water saving activities, increase public awareness and acceptance of climate change. The fund receives contributions from defined licensed electricity distributors, as per *the Energy and Utilities Administration (Energy Contributions) Order 2021.*

(d) Personnel Services Revenue		
Personnel Services to Energy Corporation	**1,726**	**-**
	1,726	**-**

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 Note 2(a).

(e) Acceptance by the Crown of employee benefits and other liabilities		
The following liabilities and/or expenses have been assumed by the Crown:		
Long service leave[(i)]	(1,996)	1,460
Superannuation - defined benefit	307	240
Payroll tax	15	14
	(1,674)	**1,714**
(f) Investment revenue		
Finance income on finance lease receivable	-	184
Interest Income on Financial Assets	337	-
	337	**184**
(g) Other income		
Credit card rebate[(ii)]	-	3,053
Other	946	604
	946	**3,657**

(i) The current year long service leave costs are a benefit assumed by the Crown as a result of actuarial gains arising from the movement in the 10-year Commonwealth bond rate on 30 June 2022.

(ii) Represents a rebate received from Treasury's purchase card provider. This rebate is now reported under administered items.

4. Outcome Groups of Treasury

Outcome Group	Purpose:
A strong, resilient and diverse economy	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 and by securing an affordable, reliable, and clean energy future.
A sustainable fiscal environment to enable delivery of outcomes	In advising on the management of the State's fiscal environment, Treasury aims to promote access for NSW residents to quality services and infrastructure that deliver social and economic benefits and are consistent with a sustainable financial position over the medium-term. Under this objective, Treasury is responsible for managing whole of State financial assets and liability activities as measured by investment and debt performance, working towards the State's objective of fully funding Defined Benefits Superannuation by 2040, providing informed fiscal, evidence based, commercial and financial analysis and advice, maintaining the State's AAA[(i)] rating through implementing comprehensive financial management strategies and meeting revenue and expenditure targets. All of Treasury's administered activities conducted on behalf of the Crown relate to this outcome group, as such no separate disclosure is necessary.
Stewardship of performance and financial system to deliver outcomes	NSW Treasury plays a central role as the performance and financial steward for the NSW Government Sector. This role supports compliance with the Government Sector Finance Act 2018, which provides that agencies are required to report and demonstrate performance outcomes and not just financial results. Under this Outcome, Treasury aims to support the building of sector capability, and to assist agencies achieve their performance goals while also meeting all compliance and reporting obligations. This Outcome 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.

(i) Moody's re-affirmed New South Wales a triple-A credit rating on 9 November 2021. Fitch assigned New South Wales a triple-A credit rating on 4 November 2021.

4. Outcome Groups of Treasury (continued)

TREASURY'S EXPENSES & INCOME	A strong, resilient and diverse economy 2022 $'000	Restated 2021 $'000	A sustainable fiscal environment to enable delivery of outcomes 2022 $'000	Restated 2021 $'000	Stewardship of performance and financial system to deliver outcomes 2022 $'000	Restated 2021 $'000	Not Attributable 2022 $'000	Restated 2021 $'000	Total 2022 $'000	Restated 2021 $'000
Expenses excluding losses										
Employee-related expenses	90,515	59,907	32,599	48,708	5,127	25,082	-	-	128,241	133,697
Operating expenses	324,314	331,872	129,793	266,251	20,413	58,678	-	-	474,520	656,801
Depreciation and amortisation	8,872	7,860	3,583	6,013	563	3,052	-	-	13,018	16,925
Grants and subsidies *	169,377	149,755	13,317	-	2,094	-	24,935	132,000	209,723	281,755
Finance costs	1,301	821	557	632	88	322	-	-	1,946	1,775
Total expenses excluding losses	**594,378**	**550,215**	**179,849**	**321,604**	**28,285**	**87,134**	**24,935**	**132,000**	**827,448**	**1,090,953**
Revenue										
Appropriation **	-	-	-	-	-	-	610,000	1,075,185	610,000	1,075,185
Sale of goods and services	45,624	2,569	4,967	77,017	1,107	5,770	-	-	51,698	85,356
Grants and contributions	80,748	5	344	2,365	77	-	-	-	81,168	2,370
Personnel Services Revenue	1,726	-	-	-	-	-	-	-	1,726	-
Acceptance by the Crown of employee benefits and other liabilities	(1,503)	1,373	(140)	233	(31)	108	-	-	(1,674)	1,714
Investment revenue	337	145	-	26	-	12	-	-	337	183
Other income	894	2,294	43	868	9	495	-	-	946	3,657
Total revenue	**127,826**	**6,386**	**5,213**	**80,509**	**1,162**	**6,386**	**610,000**	**1,075,185**	**744,201**	**1,168,466**
Gains / (losses)										
Losses on disposal of plant and equipment	(676)	(151)	(290)	(350)	(46)	(207)	-	-	(1,011)	(708)
Impairment losses on financial assets	-	-	-	-	-	-	-	-	-	-
Reversal of /(Impairment losses) on ROU assets	428	(455)	48	(1,057)	11	(624)	-	-	486	(2,136)
Losses on subleasing ROU assets	-	(78)	-	-	-	-	-	-	-	(78)
Increase/decrease of Other Gains/(Losses) due to:	-	-	-	-	-	-	-	-	-	-
Gain from the derecognition of lease arrangements with PNSW	12,658	-	1,413	-	315	-	-	-	14,385	-
Foreign exchange gains / (losses)	-	(202)	-	-	-	-	-	-	-	(202)
Gain on restoration provision	855	-	95	-	21	-			972	-
Gain on reversal of COVID-19 grant provision	663	11,507	74	-	16	-	-	-	753	11,507
Total gains / (losses)	**13,927**	**10,622**	**1,340**	**(1,408)**	**318**	**(831)**	**-**	**-**	**15,585**	**8,383**
Net result from continuing operations	**(452,625)**	**(533,207)**	**(173,296)**	**(242,503)**	**(26,805)**	**(81,580)**	**585,065**	**943,185**	**(67,662)**	**85,896**
TOTAL COMPREHENSIVE INCOME/LOSS	**(452,625)**	**(533,207)**	**(173,296)**	**(242,503)**	**(26,805)**	**(81,580)**	**585,065**	**943,185**	**(67,662)**	**85,896**

* *Not attributable grants and subsidies relate to grants to cluster agencies.*

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

Treasury has adjusted the methodology of allocating its financial accounts to its Outcomes in 2021-22 by basing proportional splits on actual spend which has resulted in some comparative year allocation variances. As a result of the recent administrative restructure, Outcome 1 includes the financial results of OECC for the last quarter of 2021-22.

Notes to the Financial Statements
30 June 2022

4. Outcome Groups of Treasury (continued)

TREASURY'S ASSETS & LIABILITIES	A strong, resilient and diverse economy 2022 $'000	A strong, resilient and diverse economy Restated 2021 $'000	A sustainable fiscal environment to enable delivery of outcomes 2022 $'000	A sustainable fiscal environment to enable delivery of outcomes Restated 2021 $'000	Stewardship of performance and financial system to deliver outcomes 2022 $'000	Stewardship of performance and financial system to deliver outcomes Restated 2021 $'000	Not Attributable 2022 $'000	Not Attributable Restated 2021 $'000	Total 2022 $'000	Total Restated 2021 $'000
ASSETS										
Current assets										
Cash and cash equivalents	324,921	-	-	-	-	-	155,551	192,731	480,472	192,731
Receivables	22,475	33,253	4,331	15,123	670	5,088	-	-	27,476	53,464
Other financial assets	-	-	-	-	-	-	-	-	-	-
Total current assets	**347,396**	**33,253**	**4,331**	**15,123**	**670**	**5,088**	**155,551**	**192,731**	**507,948**	**246,195**
Non-current assets										
Plant and equipment	6,889	5,357	3,227	2,498	499	824	-	-	10,615	8,679
Right-of-use assets	-	28,528	-	13,302	-	4,387	-	-	-	46,217
Intangible assets	30,857	27,749	12,827	12,939	1,985	4,267	-	-	45,669	44,955
Total non-current assets	**37,746**	**61,635**	**16,053**	**28,739**	**2,484**	**9,478**	**-**	**-**	**56,284**	**99,852**
Total assets	**385,142**	**94,888**	**20,385**	**43,862**	**3,154**	**14,566**	**155,551**	**192,731**	**564,232**	**346,047**
LIABILITIES										
Current liabilities										
Payables	97,697	48,666	6,995	22,133	1,082	7,446	-	-	105,774	78,245
Borrowings	-	4,344	-	2,025	-	668	-	-	-	7,037
Provisions	29,089	16,065	11,059	7,491	1,711	2,470	-	-	41,859	26,026
Other liabilities	1,160	-	521	-	81	-	-	-	1,761	-
Total current liabilities	**127,946**	**69,074**	**18,574**	**31,650**	**2,874**	**10,584**	**-**	**-**	**149,394**	**111,308**
Non-current liabilities										
Borrowings	-	39,453	-	18,397	-	6,067	-	-	-	63,917
Provisions	1,429	1,893	655	882	101	291	-	-	2,185	3,066
Other liabilities	4,885	-	2,352	-	364	-	-	-	7,601	-
Total non-current liabilities	**6,314**	**41,346**	**3,007**	**19,279**	**465**	**6,358**	**-**	**-**	**9,786**	**66,983**
Total liabilities	**134,260**	**110,420**	**21,581**	**50,929**	**3,339**	**16,942**	**-**	**-**	**159,180**	**178,291**
Net assets	**250,882**	**(15,532)**	**(1,197)**	**(7,066)**	**(185)**	**(2,376)**	**155,551**	**192,731**	**405,052**	**167,756**

4(a) Outcome Groups of Treasury (continued)

The Office of Energy and Climate Change transferred from DPE to the Treasury Cluster as a result of administrative arrangements with effect from 1 April 2022. The following summarises the expenses and income by the Treasury from 1 July 2021.
Refer to Note 16 for details regarding transferred assets and liabilities.

	OECC Outcome Group 1	OECC Outcome Group 1	Total Group 1
OECC'S EXPENSES & INCOME	**1 July to 31 March 2022 $'000**	**1 April 2022 to 30 June 2022 $'000**	**2022 $'000**
Expenses excluding losses			
Employee-related expenses	37,530	14,416	51,946
Operating expenses	40,877	21,329	62,206
Depreciation and amortisation	1,423	508	1,931
Grants and subsidies	305,877	97,230	403,107
Total expenses excluding losses	**385,707**	**133,483**	**519,190**
Revenue			
Sale of goods and services	5,174	1,117	6,291
Grants and contributions	208,119	77,669	285,788
Personnel Services Revenue	-	1,726	1,726
Acceptance by the Crown of employee benefits and other liabilities	506	(248)	258
Investment revenue	243	337	580
Other income	937	513	1,450
Total revenue	**214,979**	**81,114**	**296,093**
Gains / (losses)			
Gains / (loss) on disposal	-	-	-
Other gains / (losses)	-	-	-
Net result	**(170,728)**	**(52,369)**	**(223,097)**
Net result from continuing operations	**(170,728)**	**(52,369)**	**(223,097)**
Other comprehensive income	-	-	-
Total other comprehensive income/loss	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**(170,728)**	**(52,369)**	**(223,097)**

5. Other Gains/(Losses)

	2022 $'000	2021 $'000
Gain / (loss) on right of use asset		
Derecognition of right-of-use assets and lease liabilities with Property NSW*	14,385	-
	14,385	**-**

* The net gains(losses) are recognised from the derecognition of the right-of-use asset and lease liability with Property NSW as at 30 June 2022. Please refer to Note 9 for further details on the derecognition.

The net gain from the derecogniton of right-of-use asset and lease liability as at 30 June 2022 is reconciled as below:	2022 $'000
Right-of-use asset	
Gross Carrying Value	75,240
Less: accumulated depreciation and accumulated impairment provision	(16,015)
Net book value	59,225
Amortised balance of incentives received	8,524
Lease liability	(82,134)
Net Gain/(Losses)	14,385

Gain / (Loss) on Disposal

	2022 $'000	2021 $'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	-	-
Written down value of assets disposed	(1,011)	(708)
Net gain / (loss) on disposal of plant and equipment	**(1,011)**	**(708)**
Gain / (loss) on foreign currency transaction	-	(202)
	-	**(202)**
Impairment of ROU assets	486	(2,136)
	486	**(2,136)**

6. Current Assets – Cash and Cash Equivalents

	2022 $'000	2021 $'000
Cash at bank	480,472	192,731
	480,472	**192,731**

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:

	2022 $'000	2021 $'000
Cash and cash equivalents (per Statement of Financial Position)	480,472	192,731
Closing cash and cash equivalents (per Statement of Cash Flows)	**480,472**	**192,731**

Cash at bank includes $324 million relating to Climate Change Fund that is restricted cash, refer to note 11.
Refer to Note 25 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. Current / Non-Current Assets – Receivables

	2022 $'000	Restated 2021 $'000
Current		
Trade receivables from contracts with customers	16,694	4,642
Accrued income	364	8,977
Receivables personnel services	606	-
Receivables from other government agencies (i)	-	21,306
GST	7,641	11,225
Other	-	5,672
	25,305	**51,822**
Prepayments	2,171	1,642
Total current receivables	**27,476**	**53,464**
Movement in the allowance for expected credit losses		
Balance at the beginning of the year	-	61
Increase/(decrease) in allowance recognised in net results	-	(61)
Balance at the end of the year	**-**	**-**

(i) Recoupment of costs in 2020-21 relates mainly to monies owed by Investment NSW and Greater Sydney Commission for 3 months of services provided by Treasury while transferring functions as a result of an administrative restructure

Refer to Note 25 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. Property, Plant and Equipment

	Plant and Equipment $'000	Leasehold Improvements $'000	Total $'000
At 1 July 2021 - fair value			
Gross carrying amount	6,679	16,571	23,250
Accumulated depreciation and impairment	(4,773)	(9,798)	(14,571)
Net carrying amount	**1,906**	**6,773**	**8,679**
At 30 June 2022 - fair value			
Gross carrying amount	7,673	19,334	27,007
Accumulated depreciation and impairment	(5,241)	(11,151)	(16,392)
Net carrying amount	**2,432**	**8,183**	**10,615**
Year ended 30 June 2022			
Net carrying amount at start of year	**1,906**	**6,773**	**8,679**
Additions	1,544	3,393	4,937
Disposals	(502)	(526)	(1,028)
Acquisitions through administrative restructures	110	-	110
Disposals through administrative restructures	(75)	(105)	(180)
Depreciation expense	(873)	(1,878)	(2,751)
Other movements:			
Write back on disposal	422	526	948
Reclassification from PPE to Intangibles	(100)	-	(100)
Net carrying amount at end of year	**2,432**	**8,183**	**10,615**

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

9. Leases

a. Treasury as lessee

During financial year ended 30 June 2022, the entity has accepted the changes in the office accommodation arrangements with Property NSW (PNSW). The main change is the introduction of the “substitution right” clause for PNSW to relocate the entity during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, these agreements are no longer accounted for as a lease within the scope of AASB 16. The office accommodation agreement with PNSW is no longer accounted for as a lease from 30 June 2022. This involves judgment that the “substitution right” clause in the agreement provides PNSW with a substantive substitution right. Management has made a judgment that PNSW can obtain benefits from exercising the substitution right when it achieves office accommodation efficiency at the whole-of-government level and/or its other service objectives. It is also considered practical for PNSW to exercise the substitution right due to the general nature of the relevant office accommodation. The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in “Other Gains/(Losses) (refer to Note 5). From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

The entity continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as the entity receives the economic benefits via using the fit-out or expected compensation from PNSW upon relocation. The incentives received prior to the 30 June 2022 apply to the remaining occupancy period. Therefore, the entity’s accounting treatment for make-good provision and fit-out costs in relation to the relevant accommodation remains unchanged. A liability in relation to the amortised balance of incentives received has been recognised as a liability as at 30 June 2022 and will be amortised during the remaining occupancy period.

ROU assets under leases

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

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
Balance at 1 July 2021	**46,217**	**-**	**46,217**
Acquisition through disposal of sublease	-	-	-
Disposals through administrative restructures	(84)	-	(84)
Re-measurements	17,891	-	17,891
Reversal of impairments	486	-	486
Depreciation expense	(5,285)	-	(5,285)
Derecognition of right-of-use asset	(59,225)	-	(59,225)
Balance at 30 June 2022	**-**	**-**	**-**

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

9. Leases (continued)

Lease liabilities

The following table presents liabilities under leases:

	2022 $'000	2021 $'000
Opening Balance	**70,954**	**108,773**
Transfers through administrative restructures	(96)	(21,723)
Additions	-	1,353
Disposals	-	(141)
Payments	(8,540)	(18,227)
Re-measurements	17,891	(1,061)
Interest expense	1,925	2,011
Foreign exchange	-	(32)
Derecognition of lease liabilities	(82,134)	-
Closing Balance	**-**	**70,954**

During FY2020-21, Treasury subleased part of the ROU assets, therefore reducing the value of the ROU asset. These subleases were transferred to Investment NSW as a result of an administrative restructure.

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

	2022 $'000	2021 $'000
Depreciation expense of ROU assets	5,285	7,137
Interest expense on lease liabilities	1,925	2,011
Expenses relating to short term leases	-	83
Expenses relating to other payments	509	807
Impairment losses/(gain) on ROU assets	(486)	2,136
Losses on subleasing ROU assets	-	78
Gains or losses arising from derecognising the right-of-use assets and lease liabilities with Property NSW	(14,385)	-
Total amount recognised in the Statement of Comprehensive Income	**(7,152)**	**12,252**

Recognition and measurement

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

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

(i) ROU assets

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

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

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

9. Leases (continued)

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

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

(ii) Lease liabilities

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

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

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

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

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

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

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

b. Treasury as lessor

NSW Treasury has not acted as a lessor during the financial year 2021-22.

10. Intangible Assets

	Software $'000	Capital Works in Progress $'000	Total $'000
At 1 July 2021 - fair value			
Gross carrying amount	65,383	491	65,874
Accumulated amortisation and impairment	(20,918)	-	(20,918)
Net carrying amount	**44,465**	**491**	**44,956**
At 30 June 2022 - fair value			
Gross carrying amount	74,338	2,204	76,542
Accumulated amortisation and impairment	(30,873)	-	(30,873)
Net carrying amount	**43,465**	**2,204**	**45,669**
Period ended 30 June 2022			
Net carrying amount at start of year	**44,465**	**491**	**44,956**
Additions	1,141	972	2,113
Disposals	(3,976)	-	(3,976)
Acquisitions through administrative restructures	3,182	1,233	4,415
Amortisation	(4,982)	-	(4,982)
Transfers from WIP to software	491	(491)	-
Other movements:			
Write back on disposal	3,043	-	3,043
Reclassification from PPE to Intangibles	100	-	100
Net carrying amount at end of year	**43,465**	**2,204**	**45,669**

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

11. Restricted Assets

	2022 $'000	2021 $'000
Climate Change Fund	324,921	-
	324,921	**-**

The above amounts are recognised as restricted assets as there are specific legislative/contractual conditions associated with the use of these funds or they are for a specific purpose only.

12. Current Liabilities – Payables

	2022 $'000	Restated 2021 $'000
Current		
Accrued salaries, wages and on-costs	2,846	1,898
Creditors	102,928	76,347
Total payables	**105,774**	**78,245**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 25.

13. Current / Non-Current Liabilities – Borrowings

	2022 $'000	2021 $'000
Current borrowings		
Lease liabilities	-	7,037
Non-current borrowings		
Lease liabilities	-	63,917
Total borrowings	**-**	**70,954**

The current and non-current liabilities – borrowings have ceased to exist this financial year due to the derecognition of lease liabilities as per Note 9.

14. Current / Non-Current Liabilities – Provisions

	2022 $'000	2021 $'000
Current		
Employee benefits and related on-costs		
Annual Leave	14,844	9,558
Provision for on-costs on employee benefits	4,705	4,013
Provision for fringe benefits tax	26	10
	19,575	**13,581**
Other		
COVID-19 stimulus packages	-	754
COVID-19 accommodation and security	22,284	11,691
	22,284	**12,445**
Total current provision	**41,859**	**26,026**
Non-current		
Employee benefits and related on-costs		
Provision for payroll tax on long service leave liability	79	91
Provision for on-costs on long service leave liability	217	171
	296	**262**
Other		
Restoration costs	1,889	2,804
Total non-current provision	**2,185**	**3,066**

14. Current / Non-Current Liabilities – Provisions (continued)

	2022 $'000	2021 $'000
Aggregate employee benefits and related on-costs		
Provisions-current	19,575	13,581
Provisions-non-current	296	262
Accrued salaries, wages and on-costs (Note 12)	2,846	1,898
	22,717	**15,741**
Movements in provisions (other than employee benefits)		
Restoration costs		
Carrying amount at the beginning of financial year	2,804	6,757
Unwinding / change in the discount rate	21	(199)
Change in estimated restoration costs	(972)	-
Additions	36	-
Disposals	-	(37)
Disposal through administrative restructures	-	(3,717)
Carrying amount at end of financial year	**1,889**	**2,804**
Other provisions		
Carrying amount at the beginning of financial year	12,445	128,493
Amounts used	(10,377)	(116,377)
Unused amounts reversed	(753)	(11,507)
Additions	20,969	11,836
Carrying amount at end of financial year	**22,284**	**12,445**

The restoration provision relates to the make good obligation for Treasury's leased premises. It is calculated with reference to the current market price and discounted at 3.5 per cent (2021: 0.77 per cent), which is a pre-tax rate that reflects the current market assessments of the time value of money. The increase in the provision due to the passage of time (i.e., unwinding of discount rate) is recognised as a finance cost. The restoration provision is expected to be utilised at the end of the lease term.

15. Current / Non-Current Liabilities – Other Liabilities

	2022 $'000	2021 $'000
Current		
Occupancy agreement incentive	923	
Unearned revenue	838	-
	1,761	
Non-current		
Occupancy agreement incentive	7,601	-
	7,601	**-**
Total Other Liabilities	**9,362**	**-**

16. Equity Transfer

The *Administrative Arrangements (Second Perrottet Ministry - Transitional) Order 2021 and Administrative Arrangements (Administrative Changes- Miscellaneous) Order 2022 together with Administrative Arrangements (Second Perrottet Ministry – Allocation of Acts and Agencies) Order 2021* and *Administration Arrangements (Administrative Changes-Miscellaneous Order (No 2) 2022* commenced on 1 April 2022 and resulted in the following transfers between Treasury and various other government agencies:

	Treasury to DCS (for OSBC)	Treasury to SNSW (for Business Contact)	DPE to Treasury (for Office of Energy & Climate Change)	Total
	$'000	**$'000**	**$'000**	**$'000**
Current assets				
Cash	(1,225)	-	315,146	313,921
Receivables	-	-	6,589	6,589
Other financial assets	(34)	(196)	1,231	1,001
Total current assets	**(1,259)**	**(196)**	**322,966**	**321,511**
Non current assets				
Receivables	-	-	-	-
Property, plant and equipment	(172)	(7)	109	(70)
Right-of-use assets	(85)	-	-	(85)
Intangibles	-	-	4,415	4,415
Other financial assets	-	-	-	-
Total non current assets	**(257)**	**(7)**	**4,524**	**4,260**
Total assets	**(1,516)**	**(203)**	**327,490**	**325,771**
Current liabilities				
Payables	45	1	(15,666)	(15,620)
Borrowings	96	-	-	96
Provisions	674	114	(6,015)	(5,227)
Other	-	-	-	-
Total current liabilities	**815**	**115**	**(21,681)**	**(20,751)**
Non current liabilities				
Borrowings	-	-	-	-
Provisions	10	1	(73)	(62)
Total non current liabilities	**10**	**1**	**(73)**	**(62)**
Total liabilities	**825**	**116**	**(21,754)**	**(20,813)**
			-	
Increase/(decrease) in net assets from equity transfer	**(691)**	**(87)**	**305,736**	**304,958**

16. Equity Transfer (continued)

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

	Treasury to GSC	Treasury to InvNSW	Total
	$'000	$'000	$'000
Current assets			
Cash	-	(7,211)	(7,211)
Receivables	(6)	(4,175)	(4,181)
Other financial assets	-	(7,149)	(7,149)
Total current assets	**(6)**	**(18,535)**	**(18,541)**
Non current assets			
Receivables	-	(122)	(122)
Property, plant and equipment	(9)	(4,820)	(4,829)
Right-of-use assets	-	(5,439)	(5,439)
Intangibles	-	(564)	(564)
Other financial assets	-	(4,921)	(4,921)
Total non current assets	**(9)**	**(15,866)**	**(15,875)**
Total assets	**(15)**	**(34,401)**	**(34,416)**
Current liabilities			
Payables	66	2,476	2,542
Borrowings	-	13,532	13,532
Provisions	124	2,835	2,959
Other		154	154
Total current liabilities	**190**	**18,997**	**19,187**
Non current liabilities			
Borrowings	-	8191	8,191
Provisions	-	3,750	3,750
Total non current liabilities	**-**	**11,941**	**11,941**
Total liabilities	**190**	**30,938**	**31,128**
Increase/(decrease) in net assets from equity transfer	**175**	**(3,463)**	**(3,288)**

17. Commitments

	2022	2021
	$'000	$'000
Capital Commitments		
Aggregate capital expenditure contracted for at balance date and not provided for:		
Not later than one year	5,616	675
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	**5,616**	**675**

18. Contingent Liabilities and Contingent Assets

As at 30 June 2022, NSW Treasury has not identified any contingent liabilities, nor contingent assets (2021: Nil).

19. Budget Review

Net Result

The actual net result for FY2021-22 was a loss of $67.6 million compared to a budget gain of $8.3 million. The key factors that contributed to the variance of $75.9 million include:

- higher revenue from the sale of goods and services by $51.6 million primarily relating to recoveries from other states and territories for hotel quarantining costs
- lower employee related expenses of $39.2 million of which $27.7 million will be carried forward to the 2022-23 financial year as a result of underspends, including $20.0 million on Tax Reform
- lower total operating expenses of $285.3 million as a result of lower COVID-19 accommodation and security expenses and underspends in major commercial projects
- lower appropriation of $396.3 million
- higher grants and subsidies expenses of $163.0 million mainly attributable to $138.2 million grants and subsidies expenditure of Office of Energy and Climate Change (OECC) that transferred into Treasury following the administrative restructure during the year, offset by higher grant revenue of $78.0 million mainly relating to contributions from electricity distributors.
- other gains recorded of $15.6 million, primarily the result of $14.4 million due to the derecognition of the lease arrangements with Property NSW.

Assets and Liabilities

The net assets position was higher than budget by $318.7 million. Key factors that contributed to the variance include:

- current assets exceeded the budget by $375.2 million primarily as a result of additional cash reserves of the Climate Change Fund of $324.9 million which is restricted for use under the *Energy and Utilities Administration Act 1987* and the recoupment of quarantining costs from other states and territories of $46.1 million that is recognised now when received. Non-current assets are under budget by $39.9 million primarily due to the de-recognition of the right of use asset for the occupancy agreements NSW Treasury now has with Property NSW
- current liabilities over budget by $68.0 million primarily due to the various payables of $84.5 million relating to energy reform projects
- non-current liabilities under budget by $51.4 million mainly due to the de-recognition of lease liabilities as NSW Treasury’s occupancy agreement is no longer recognised as a lease under accounting standard AASB 16.

Cash Flow

The overall net cash flow for the period was $454.8 million higher than budget as a result of the following:

- net cash transfers in of $313.9 million primarily due to the administrative transfer of the Climate Change Fund into Treasury
- opening cash balance was favourable by $181.9 million due to a better result than expected last year
- lower net cash flows from operating activities of $38.3 million significantly due to higher grants paid and reduced appropriation revenue drawn down, partially offset by lower quarantine accommodation costs and higher receipts mainly for recoupments from other states for quarantine costs.

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

	Notes	2022 $'000	Restated 2021 $'000
Net cash used on operating activities		**(12,550)**	**(24,925)**
Depreciation and amortisation expense	2(c)	(13,018)	(16,925)
Losses on disposal of plant and equipment	5	(1,011)	(708)
Foreign exchange gains / (losses)		-	(202)
Losses on subleasing ROU assets		-	(78)
Reversal of/ (Impairment losses) on ROU assets	5	486	(2,136)
Gain on reversal of COVID-19 grant provision	14	753	11,507
Gain on derecognition of right of use asset	5	14,385	-
Increase / (decrease) in receivables		(33,582)	40,046
Decrease / (increase) in provisions		(10,357)	103,717
Decrease / (increase) in payables and other liabilities		(12,768)	(24,400)
Net result		**(67,662)**	**85,896**

21. Trust Funds

The administration of retail bonds trust account has been transferred to the Department of Customer Service (DCS) as a result of the administrative restructure on 1 April 2022.

Retail Lease Security Bonds are lodged with the Secretary in accordance with section 16C of the *Retail Leases Act 1994*. The balances are Treasury's administered balances and disclosed in Note 22.C.1 Administered assets-cash and cash equivalents and in Note 22.D.8 retail lease bonds payable.

	Westpac	TCorp			
	Trust Account $'000	**IM Cash Fund (Interest) $'000**	**IM Cash Fund (Cash) $'000**	**IM Medium Term Growth Fund $'000**	**Total $'000**
Balance at 1 July 2021	26,213	2,006	75,735	135,166	239,120
Add:					
Bonds Lodgements	33,426	-	-	-	33,426
Transfers between Accounts	-	504	(504)	-	-
Less:					
Bonds Released	(24,373)	-	-	-	(24,373)
Unrealised losses	-	-	(42)	(2,480)	(2,522)
Transfer to Unclaimed Monies	(230)	-	-	-	(230)
Lodgements to Fair Trading	(90)	-	-	-	(90)
Transfer to Treasury	-	(2,510)	-	-	(2,510)
Transfer to DCS	(34,946)	-	(75,189)	(132,686)	(242,821)
Balance at 30 June 2022	**-**	**-**	**-**	**-**	**-**

21. Trust Funds (continued)

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

A memorandum of understanding (MoU) was signed by Department of Customer Service and NSW Treasury for the Rental Bond Board to provide the administration of the Retail Bonds on a fee for service arrangement. As such, effective 4 December 2021 the administration function of the retail bonds was transferred to the Rental Bond Board.

22. 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 outcomes outlined in Note 1 and to its core responsibility of management of State finances.

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

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

A reconciliation of net assets including information on funds flows is disclosed at Note 22.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.

22. Administered Items (continued)

22.A - Administered revenue

	Note	2022 $'000	2021 $'000
Administered revenue			
Grants and subsidies	A.1, A.5		
Commonwealth general purpose		23,296,650	18,891,877
Commonwealth specific purpose payments		3,955,881	3,795,979
Commonwealth national partnership payments		6,985,538	3,616,347
Commonwealth other		-	6,059
Interest		145,877	118,883
Fair value (losses)/gains	A.2	(2,564,888)	1,774,911
Dividends	A.3	381,252	849,718
Distributions	A.3	1,667,829	1,452,108
Fines, regulatory fees and other	A.4	383,910	303,948
Total administered revenue		**34,252,049**	**30,809,830**

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 22.A.5. The related contract liabilities and obligations arising under the contracts with the Commonwealth are disclosed at Note 22.D.3 and Note 22.D.10.

A.2 - Fair value movements on the State's investments in managed funds (TCorpIM Funds) and derivative contracts. The fair value losses in 2022 were mainly driven by unfavourable 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 relates to government guarantee fees. Most taxes, fines and regulatory fees are collected and administered by Revenue NSW, which is a division of the Department of Customer Service.

A.5 - Grants and subsidies revenue recognition approach

Note A.5 - Grants and subsidies revenue recognition approaches

	2022 $'000	2021 $'000
Grants and subsidies with sufficiently specific performance obligations (AASB 15)	98,934	65,007
Grants and subsidies relating to the acquisition or construction of recoginsable non-financial assets (AASB 1058)	1,651,589	1,756,401
Grants and subsidies without sufficiently specific performance obligations (AASB 1058)	32,487,546	24,488,854
Total grants and subsidies	**34,238,069**	**26,310,262**

22. Administered Items (continued)

22.B - Administered expenses

	Note	2022 $'000	2021 $'000
Administered expenses			
Employee – long service leave	B.1	(336,247)	483,611
Superannuation – defined benefit plans	B.2		
Superannuation Interest cost		857,767	583,483
Actuarial (gains)/losses		(15,854,173)	(6,638,238)
Actual return on Fund assets less interest income		823,218	(4,289,668)
Current service cost		289,717	356,576
Interest	B.3		
Interest on borrowings		1,994,513	1,818,844
Unwinding of discounts on provisions		27,132	16,204
Net losses on settlement of borrowings	B.4	209,249	-
Other operating expense			
GST administration costs	B.5	188,507	197,258
Covid-19 disaster payments	B.7	212,798	1,268
Other		(204,509)	(92,737)
Grants and subsidies	B.6	417,116	471,095
Total administered expenses		**(11,374,912)**	**(7,092,304)**

B.1 - Costs associated with the Crown's assumption of General Government Sector agencies' long service leave obligations. The current year long service leave costs are a benefit assumed by the Crown as a result of actuarial gains mainly arising from the movement in the 10-year Commonwealth bond rate at 30 June 2022.

B.2 - Costs associated with the Crown's assumption of defined benefit superannuation funding responsibility. The actuarial gains in the financial year are mainly due to the movement in the 10-year Commonwealth bond rate at 30 June 2022.

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 $7.7 billion of its Borrowings during the year and incurred early retirement break costs.

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

B.6 - Grant payments to Local Governments and Private Trading Enterprises.

B.7- The State's reimbursement to the Commonwealth for the Covid-19 disaster payments and pandemic leave disaster payments.

22. Administered Items (continued)

22.C - Administered assets

	Note	2022 $'000	2021 $'000
Administered assets			
Cash and cash equivalents	C.1, C.7	5,130,945	3,688,894
Receivables	C.2		
Dividends and contributions		435,705	511,947
Government guarantee fees		320,414	291,214
Other		10,547	1,120,988
Investments, loans and placements			
Financial assets at fair value	C.3	26,621,504	28,857,835
Other financial assets	C.4	1,500,000	-
Advances paid	C.5	1,081,846	1,176,768
Derivatives	C.6	67,082	3,450
Total administered assets		**35,168,043**	**35,651,096**

C.1 - Cash and cash equivalents comprise of cash at bank and restricted cash held in Special Deposit Accounts (SDAs) and the Retail Tenancy Trust Funds (refer to Note 21). From 1 April 2022, the Retail Tenancy Trust Funds are no longer administered by Treasury as a result of the administered restructure.

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

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

	2022 $'000	2021 $'000
Restart NSW Fund	8,846,457	12,027,950
Social and Affordable Housing NSW Fund	1,513,778	1,659,044
NSW Generations (Debt Retirement) Fund	14,709,458	15,170,841
Snowy Hydro Legacy Fund	1,551,811	-
Total	**26,621,504**	**28,857,835**

C.4 - Other financial assets consist of term deposits at amortised cost. These term deposits have a maturity longer than 3 months and are held with TCorp.

C.5 - Treasury manages advances made by the Crown to government agencies. The advances have a face value of $1,315 million as at 30 June 2022 (2021 $1,424 million) and stated interest rate of 0.0 – 6.0 per cent and mature in 1 - 20 years.

C.6 - 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.

22. Administered Items (continued)

22.C - Administered assets (continued)

C.7 - The table below discloses transactions and balances of each SDA included in cash and cash equivalents. For the Confiscated Proceeds Account, a corresponding administered liability is recognised (refer to Note 22.D.9).

	2021-22				2020-21			
	Opening balance $'000	Receipts $'000	Payments $'000	Closing balance $'000	Opening balance $'000	Receipts $'000	Payments $'000	Closing balance $'000
NSW Policyholders Protection Fund	104,345	53,209	-	**157,554**	104,345	-	-	**104,345**
Crown Long Service Leave Pool	25,621	8,888	(3,320)	**31,189**	20,422	7,789	(2,590)	**25,621**
Structured Finance Activities	522	-	(37)	**485**	599	1	(78)	**522**
Confiscated Proceeds Account	101,596	62,562	(53,894)	**110,264**	93,411	30,597	(22,412)	**101,596**
Restart NSW Fund	403,292	2,951,153	(2,954,616)	**399,829**	1,203,705	2,965,391	(3,765,804)	**403,292**
Electricity Network Residual Liabilities Fund	198,064	351	-	**198,415**	197,779	285	-	**198,064**
Social and Affordable Housing NSW Fund	13,417	60,148	(61,271)	**12,294**	9,938	36,849	(33,370)	**13,417**
ERIC-A Fund	477	701	(854)	**324**	584	701	(808)	**477**
ERIC -E Fund	1,994	24,597	(23,422)	**3,169**	710	37,271	(35,987)	**1,994**
Snowy Hydro Legacy Fund	2,226,331	115,000	(1,804,784)	**536,547**	63,318	2,221,432	(58,419)	**2,226,331**
NSW Generations (Debt Retirement) Fund	2,866	11,021,322	(7,660,775)	**3,363,413**	17,442	2,029,574	(2,044,150)	**2,866**
NSW Generations (Community Services and Facilities) Fund	33,253	368	(1,357)	**32,264**	37,553	334	(4,634)	**33,253**

22. Administered Items (continued)

22.D - Administered Liabilities

	Note	2022 $'000	2021 $'000
Administered liabilities			
Bank overdraft	D.1, D.11	19,650,397	14,936,386
Payables	D.2	586,688	548,841
Contract liabilities	D.3	11,552	12,129
Borrowings	D.2		
Borrowings from TCorp		92,745,137	74,599,776
Borrowings from Commonwealth		505,860	537,789
Derivatives	D.4	5,821	209,518
Employee provisions	D.5	9,619,703	10,742,029
Superannuation Provision	D.6, D.12		
Plan assets		(33,955,065)	(38,055,883)
Present value of obligation		77,388,688	95,277,385
Other Provisions	D.7		
State's share of University superannuation		1,027,333	1,257,869
State's contribution to Commonwealth redress scheme		317,700	356,200
Land remediation, restorations and other claims		93,973	169,750
Other Liabilities			
Retail lease bonds payable	D.8	-	222,398
Confiscated proceeds	D.9, C.7	110,264	101,596
Obligations related to Commonwealth grants	D.10	532,421	439,353
Other		31,538	38,809
Total administered liabilities		**168,672,010**	**161,393,945**

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

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

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

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

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

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

D.8 - Retail lease bonds payable comprise of amounts payable out of the Retail Lease Security Bonds Trust Account once the withdrawal of retail lease bond application is approved by the Treasury (refer to Note 21). From 1 April 2022, the Retail lease bonds are no longer administered by Treasury as a result of the administered restructure.

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

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

22. Administered Items (continued)

D.11 – 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.

	2022 $'000	2021 $'000
Opening bank balance	**(14,936,386)**	**(10,049,405)**
Receipts		
Retained taxes, fees and fines	40,174,992	35,987,668
Commonwealth grants	34,332,714	26,443,094
Financial distributions	621,257	1,700,923
Mining royalities	3,337,718	1,401,854
Other	270,779	199,769
	78,737,460	**65,733,308**
Payments		
Appropriations paid to:		
Principal departments and special offices [1]	(100,799,624)	(78,553,745)
NSW Treasury for administered items	(9,821,150)	(11,057,000)
	(110,620,774)	**(89,610,745)**
Other cash transfers		
Proceeds from borrowings	26,723,961	18,667,786
Interest receipts	149,589	106,872
Advance repayments	240,148	94,412
Other	55,605	121,386
	27,169,303	**18,990,456**
Closing bank balance	**(19,650,397)**	**(14,936,386)**

[1]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 Special Deposit Accounts (SDA's). These amounts represent a cumulative spending authority and are available for immediate use for the purposes of the respective SDA's but have not been transferred to the bank accounts established for SDA's.

Appropriated amounts hypothecated to certain Special Deposit Accounts

Authority	Special Deposit Accounts	2022 $'000	2021 $'000
NSW Generation Fund Act 2018	NSW Generations (Debt Retirement) Fund	4,582,033	84,810
Digital Restart Fund Act 2020	Digital Restart Fund	102,000	-
Transport Administration Act 1988	Transport for NSW Fund	6,341,881	5,861,293
		11,025,914	**5,946,103**

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22. Administered Items (continued)

D.12 - Superannuation provision

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

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

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 applies (for reporting purposes) and AASB 1056 (for funding purposes) to employee benefits as at the reporting date.

Regulatory framework

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

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

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

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

22. Administered Items (continued)

D.12 - Superannuation provision (continued)

An actuarial investigation of the Pooled Fund schemes is performed every three years. The last actuarial investigation was performed as at 30 June 2021. The next actuarial investigation will be performed as at 30 June 2024.

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

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

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

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

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

An actuarial investigation is not required for the JPS by legislation. However, an actuarial investigation is performed approximately every three years with the last actuarial investigation was performed as at 1 January 2021.

22. Administered Items (continued)

D.12 - Superannuation provision (continued)

Reconciliation of the defined benefit obligation	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**PSS $'000**	**JPS $'000**	**PCSS $'000**	**2022 Total $'000**	**2021 Total $'000**
Value at beginning of the year	14,976,404	2,211,394	58,001,652	17,775,926	1,473,909	838,100	95,277,385	103,903,115
Transfers in/(out) through equity and other	187,631	1,866	128,611	-	92	-	318,200	387,977
Current service cost	137,446	43,428	28,543	-	78,100	2,200	289,717	356,576
Interest cost	216,516	31,781	852,307	262,977	21,699	12,300	1,397,580	885,545
Contributions from participants	93,800	-	13,109	4,183	-	300	111,392	126,436
Actuarial (gains)/losses arising from:								
Changes in demographic assumptions	-	-	-	-	-	-	-	(412,179)
Changes in financial assumptions	(1,216,541)	(137,975)	(10,392,113)	(4,256,118)	(330,000)	(232,700)	(16,565,447)	(4,832,593)
Liability experience	(60,980)	(13,492)	632,376	93,259	62,712	(2,600)	711,275	(1,393,466)
Benefits paid	(1,268,164)	(215,457)	(2,415,244)	(516,491)	(51,512)	(26,400)	(4,493,268)	(4,148,296)
Taxes, premiums & expenses paid	12,819	3,650	261,432	64,453	-	(500)	341,854	404,270
Value at end of the year	**13,078,931**	**1,925,195**	**47,110,673**	**13,428,189**	**1,255,000**	**590,700**	**77,388,688**	**95,277,385**
Reconciliation of the fair value of fund assets								
Value at beginning of the year	10,085,486	1,503,895	20,869,484	5,226,610	(92)	370,500	38,055,883	36,770,200
Transfers in/(out) through equity and other	58,698	8,531	85,807	-	92	-	153,128	202,487
Interest income	143,245	21,182	295,342	74,744	-	5,300	539,813	302,062
Actual return on Fund assets less interest income	(195,491)	(28,844)	(451,762)	(117,620)	-	(29,501)	(823,218)	4,289,668
Employer contributions	12,365	1,829	2,595	780	51,512	400	69,481	109,056
Contributions from participants	93,800	-	13,109	4,183	-	300	111,392	126,436
Benefits paid	(1,268,164)	(215,457)	(2,415,244)	(516,491)	(51,512)	(26,400)	(4,493,268)	(4,148,296)
Taxes, premiums & expenses paid	12,819	3,650	261,432	64,453	-	(500)	341,854	404,270
Value at end of the year	**8,942,758**	**1,294,786**	**18,660,763**	**4,736,659**	**-**	**320,099**	**33,955,065**	**38,055,883**
Total net defined benefit liability	**4,136,173**	**630,409**	**28,449,910**	**8,691,530**	**1,255,000**	**270,601**	**43,433,623**	**57,221,502**

Member numbers	**SASS**	**SANCS**	**SSS**	**PSS**	**JPS**	**PCSS**	**2022 Total**	**2021 Total**
Contributors	10,758	11,898	732	408	137	11	23,944	27,535
Deferred benefits	8,411	8,877	418	65	-	3	17,774	18,513
Pensioners	3,933	-	46,572	6,749	229	253	57,736	57,817
Pensions fully commuted	-	-	12,604	-	-	-	12,604	13,225

22. Administered Items (continued)

D.12 - Superannuation provision (continued)

The weighted average duration of defined benefit obligations is 11 years for the Pooled Fund, 14 years for JPS and 13 years for PCSS.

Key actuarial assumptions

	30 June 2022			30 June 2021		
	Pooled Fund %	PCSS %	JPS %	Pooled Fund %	PCSS %	JPS %
Discount rate	3.69	3.69	3.69	1.5	1.5	1.5
Salary increase rate (excluding promotional increases)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter	2.00% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter	2.74 for 2021-26; 3.20 thereafter	0 for 21/22, 2.74 for 2022-26; 3.2 thereater	2.74 for 2021-26; 3.2 thereater
Rate of CPI increase	4.00% for 21/22; 5.50% for 22/23; 3.00% for 23/24 and 24/25; 2.75% for 25/26 and 26/27; 2.50% pa thereafter	N/A	N/A	1.50 for 2020/21; 1.75 for 2021-23; 2.25 for 2023-26; 2.50 for 2026/27; 2.75 for 2027/28, 3.00 for 2028/29; 2.75 for 2029/30; 2.50 thereafter	N/A	N/A
Pensioner mortality	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	The pensioner mortality assumptions are those to be used for the 2021 actuarial investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report when available from the Trustee's website. The report will show the pension mortality rates for each age.	as per 2020 triennial actuarial valuation	as per 2021 triennial actuarial valuation

Key economic assumptions

	30 June 2022			30 June 2021		
Weighted-average assumptions	Pooled Fund %	PCSS %	JPS %	Pooled Fund %	PCSS %	JPS %
Expected rate of return on Fund assets backing current pension liabilities	7.0	6.2	6.2	6.5	6.2	6.1
Expected rate of return on Fund assets backing other liabilities	6.2	N/A	N/A	5.7	N/A	N/A
Expected salary increase rate (excluding promotional salary increases)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26 and 3.2% pa thereafter	2.00% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter	2.74 for 2021-26; 3.2 thereafter	0 for 2021/22, 2.74 for 2022-26; 3.2 thereater	2.74 for 2021-26; 3.2 thereater
Expected rate of CPI increase	4.8% for 21/22 and 2.5% pa thereafter	N/A		2.00	N/A	N/A

22. Administered Items (continued)

22.E – Reconciliation of net assets

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

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

	Note	2022 $'000	2021 $'000
Opening net administered assets		**(125,742,849)**	**(115,445,677)**
Increases/(decrease) in net assets			
Administered revenue	A	34,252,049	30,809,830
Transfers of State revenues collected by other agencies	E.1	43,543,186	37,288,571
Transfers of asset sale proceeds	E.2	7,937	5,146
Contributions from general government agencies	E.3	19,595	128,796
Administered expenses	B	11,374,912	7,092,304
Appropriations	E.4	(100,799,624)	(78,553,745)
Grants to agencies from SDAs and other	E.5	(2,385,588)	(3,211,856)
Grants to agencies for State contingencies	E.5	-	(1,150)
Grants to NSW Self Insurance Corporation	E.6	(1,895,483)	(3,742)
Grants to fund agency redundancies	E.7	(85,579)	(113,006)
Grants to First Home Owners Grant Scheme		(52,463)	(76,340)
Grants to Builders Grant Scheme		(211,250)	(189,685)
Equity transfers			
Capital injections into government owned businesses	F	(2,366,723)	(3,377,645)
Other equity transfers in/out with government agencies	E.8, F	10,789,016	(91,849)
Other		48,897	(2,801)
Net increase/(decrease) in net administered assets		**(7,761,118)**	**(10,297,172)**
Closing net administered assets		**(133,503,967)**	**(125,742,849)**

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 General Government Sector 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 a net asset level holding policy authorised by Government.

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

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

22. Administered Items (continued)

22.F – Equity transfers

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

All other equity transfers are recognised at fair value.

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

2022	$'000
Capital injection into Roads Retained Interest Pty Limited	(63,387)
Capital injection into Transport Asset Holding Entity of New South Wales	(2,303,293)
Capital injection into Hunter Water Corporation	(43)
Distributions from Roads Retained Interest Pty Ltd	684,099
Net superannuation liabilities transferred in	(171,923)
Transfers from sale of government businesses	10,288,530
Other administrative restructure	(11,690)
	8,422,293
2021	
Capital injection into Roads Retained Interest Pty Limited	(217,784)
Capital injection into Transport Asset Holding Entity of New South Wales	(2,407,204)
Capital injection into Sydney Water Corporation	(750,000)
Capital injection into Hunter Water Corporation	(2,657)
Net superannuation liabilities transferred in	(185,490)
Distributions from Roads Retained Interest Pty Ltd	95,000
Other net assets/(liabilities) transferred from administrative restructure	(1,359)
	(3,469,494)

23. 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.

49% Sale of WestConnex

General warranties - the State has potential liabilities under warranties and indemnities provided to the purchasers in relation to performance of certain obligations until March 2023.

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

Contracts with private sector parties

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

List of contracts

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

These guarantees are considered unlikely to ever be exercised.

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

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

State-owned Corporations

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

SOCs covered in this indemnity

Ausgrid	Endeavour Energy	Essential Energy
Delta Electricity	Eraring Energy	Macquarie Generation

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

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

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

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

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

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

Sale of Delta Electricity's Western Assets

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

Sale of Colongra Power Station

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

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

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

Sale of Macquarie Generation

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

Sale of Vales Point power station

- *Defined benefit superannuation guarantee* - The State has provided a guarantee to the SAS Trustee Corporation to make good any reserve shortfall in relation to the transferring defined benefits employees if the private sector employer becomes insolvent.
- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Vales Point power station to minimum legal standards. The State 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.

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

- *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.

NSW Treasury Corporation (TCorp)

Guarantees issued by TCorp

The State guaranteed the securities, borrowings and derivative liabilities issued by TCorp with a market value of $124.2 billion (2021: $116.8 billion) under the *Government Sector Finance Act* 2018.

The State has also guaranteed TCorp's loan facility to NSW Local councils in connection with the "Fit For The Future" reform program. As at the reporting date these loans were valued at $977.7 million (2021: $942.1 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 $53.9 million (2021: $54.8 million).

24. 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.

	2022 $'000	2021 $'000
Payments		
Non-government schools - recurrent	(5,162,676)	(4,313,744)
Local government - financial assistance	(767,490)	(564,084)
Local government - roads	(310,607)	(228,403)
	(6,240,773)	**(5,106,231)**
Receipts		
Non-government schools - recurrent	5,162,676	4,313,744
Local government - financial assistance	767,490	564,084
Local government - roads	310,607	228,403
	6,240,773	**5,106,231**

25. Financial Instruments

Treasury's principal financial instruments are cash deposits held within the NSW Treasury Banking System (TBS), short term receivables and payables and other financial assets. These instruments expose Treasury primarily to interest rate risk on cash balances held within the NSW TBS and credit risk on short term receivables or other financial assets. Treasury does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Secretary has overall responsibility for the establishment and oversight of risk management and agrees and reviews policies for managing risk.

(a) Financial instrument categories

	Note	Category	Carrying Amount 2022 $'000	Carrying Amount Restated 2021 $'000
Financial assets				
Cash and cash equivalents	6	N/A	480,472	192,731
Receivables [(i)]	7	Amortised cost	17,664	40,597
Financial liabilities				
Payables [(ii)]	12	Financial liabilities measured at amortised cost	105,315	77,725
Borrowings	13	Financial liabilities measured at amortised cost	-	70,954

(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 2022 and 30 June 2021 was determined using a combination of factors including history of payments, receivables written off and debtor management. The review excluded statutory receivables and prepayments, as these are not within the scope of AASB 7.

25. 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 2022.

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

	Current	< 30 days	30 - 60 days	61 - 90 days	>91 days	Total
30 June 2022 ($'000)						
Expected credit loss rate	n/a	0%	0%	0%	0%	0%
Total gross carrying amount	16,616	258	321	7	97	17,299
Expected credit loss	-	-	-	-	-	-

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

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.

(c) Liquidity risk

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11-12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Interest is awarded for late payment. No interest for late payment was paid during the year (2021: $Nil).

25. Financial instruments (continued)

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

Maturity Analysis	$'000 Interest Rate Exposure		Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount	<1 yr	1 - 5 yrs	>5 yrs
2022					
Financial liabilities					
Payables	-	105,315	105,315	-	-
Borrowings					
Lease Liabilities	-	-	-	-	-
Restated 2021					
Financial liabilities					
Payables	-	77,725	77,725	-	-
Borrowings					
Lease Liabilities	2.39%	70,954	7,037	29,091	34,826

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Treasury's exposure to market risk is through:

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk and foreign currency risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which Treasury operates and the time frame for the assessment (i.e., until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2021. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A reasonably possible change of +1.5/ -0.5 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.

25. Financial instruments (continued)

Interest rate risk		-0.50%		+1.5%	
	Carrying amount $'000	Net Result $'000	Equity $'000	Net Result $'000	Equity $'000
2022					
Financial assets					
Cash and cash equivalents	480,472	(2,402)	(2,402)	7,207	7,207
Total Increase / (decrease)		**(2,402)**	**(2,402)**	**7,207**	**7,207**
2021					
Financial assets					
Cash and cash equivalents	192,731	(482)	(482)	964	964
Total Increase / (decrease)		**(482)**	**(482)**	**964**	**964**

Foreign currency risk

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

(e) Fair value

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

26. 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 Chief Financial and Operating Officer.

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 NSW Treasury .

	2022 $'000	2021 $'000
Short-term employee benefits:		
Salaries	3,104	12,658
Other monetary allowances	40	8
Non-monetary benefits	-	4
Other long-term benefits	136	-
Termination benefits	447	844
Total remuneration	**3,727**	**13,514**

During the year, the entity incurred $231,797 (2021: $Nil) in respect of the key management personnel services that are provided by other government entities including the DPE and the Department of Industry, Science, Energy and Resources.

26. Related Party Disclosures (continued)

The total remuneration of KMPs has decreased due to the number of KMPs moving from 49 to 8 people. The reduction is following a review and now only direct reports of the accountable authority are reported which harmonises with other clusters.

(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 leased from Property NSW, insurance arrangements with the NSW Self Insurance Corporation, Department of Customer Service for ICT and Corporate shared services, Department of Regional NSW for COVID-19 cash stimulus for the quarantining of incoming passengers.

27. Correction of Prior Period Errors

During the year it was determined that the accrual of hotel quarantining expense as at 30 June 2021 was overstated by $36 million. This was due to an incorrect report relied upon by management at the time of calculating the estimated accrual.

As this error was made in the prior period, the Statement of Comprehensive Income as at 30 June 2021 was restated as follows:

	30 June 2021 Original balance $'000	30 June 2021 Correction of prior period error $'000	30 June 2021 Restated balance $'000
Expenses			
Operating expenses	692,881	(36,080)	656,801
Total expenses excluding losses	**1,127,033**	**(36,080)**	**1,090,953**
Operating result	**41,433**	**36,080**	**77,513**
Net result from continuing operations	**49,816**	**36,080**	**85,896**
TOTAL COMPREHENSIVE INCOME	**49,816**	**36,080**	**85,896**

27. Prior Period Error Correction (continued)

The Statement of Financial Position for the year ended 30 June 2021 was restated as follows:

	30 June 2021 Original balance $'000	30 June 2021 Correction of prior period error $'000	30 June 2021 Restated balance $'000
Current Assets			
Receivables	57,072	(3,608)	53,464
Total current assets	249,803	(3,608)	246,195
Total assets	**349,655**	**(3,608)**	**346,047**
Current liabilities			
Payables	117,933	(39,688)	78,245
Total current liabilities	150,996	(39,688)	111,308
Total liabilities	217,979	(39,688)	178,291
Net assets / (liabilities)	**131,676**	**36,080**	**167,756**
Equity			
Accumulated funds	131,676	36,080	167,756
Total equity	**131,676**	**36,080**	**167,756**

28. Events after the Reporting Period

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

End of the Financial Statements

INDEPENDENT AUDITOR'S REPORT

Energy Corporation of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Energy Corporation of New South Wales (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Summary of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

The Secretary’s Responsibilities for the Financial Statements

The Secretary of NSW Treasury (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:

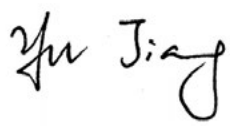
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor’s Report including my opinion.

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. 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 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.



Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Energy Corporation of New South Wales

Financial Statements

for the year ended 30 June 2022

Energy Corporation of New South Wales

Statement by the Accountable Authority

For the year ended 30 June 2022

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state on behalf of Energy Corporation of New South Wales ("the Corporation") that these financial statements:

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

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

Signed..

Dr. Paul Grimes PSM
Secretary
NSW Treasury
Date: 27 October 2022

Energy Corporation of NSW
Statement of comprehensive income for the year ended 30 June 2022

	Notes	Actual 2022 $000	Actual 2021 $000
Operating expenses excluding losses			
Personnel services expenses	2(a)	4,475	-
Operating expenses	2(b)	8,331	-
Depreciation and amortisation	2(c)	78	-
Grants and subsidies	2(d)	6,387	-
Finance costs	2(e)	2	-
Total expenses excluding losses		**19,273**	**-**
Revenue			
Grants and contributions	3(a)	40,026	-
Acceptance by the Crown of employee benefits and other liabilities	3(b)	153	-
Total revenue		**40,179**	**-**
Operating result		**20,906**	**-**
Other Gains / (losses)	**4**	10	-
Net result		**20,916**	**-**
Total comprehensive income		**20,916**	**-**

This Statement reflects the operational period of 5 November 2021 to 30 June 2022.

The accompanying notes form part of these financial statements.

Energy Corporation of NSW
Statement of financial position as at 30 June 2022

	Notes	Actual 2022 $000	Actual 2021 $000
ASSETS			
Current assets			
Cash and cash equivalents	5	-	-
Receivables	6	19,755	-
Total current assets		**19,755**	**-**
Non-current assets			
Property plant and equipment	7		
- Plant and equipment		235	-
- Infrastructure systems		21,149	-
Total property plant and equipment		**21,384**	**-**
Intangible assets	9	237	-
Total intangible assets		**237**	**-**
Total non-current assets		**21,621**	**-**
Total assets		**41,376**	**-**
LIABILITIES			
Current liabilities			
Payables	11	19,766	-
Provisions	12	642	-
Total current liabilities		**20,408**	**-**
Non-current liabilities			
Payables	11	48	-
Provisions	12	4	-
Total non-current liabilities		**52**	**-**
Total liabilities		**20,460**	**-**
Net assets		**20,916**	**-**
EQUITY			
Accumulated funds		20,916	-
Total equity		**20,916**	**-**

The accompanying notes form part of these financial statements.

Energy Corporation of NSW
Statement of changes in equity for the year ended 30 June 2022

	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2021	-	-
Net result for the year	20,916	20,916
Balance as at 30 June 2022	**20,916**	**20,916**
Balance at 1 July 2020	-	-
Net result for the year	-	-
Balance at 30 June 2021	-	-

Energy Corporation of NSW
Statement of cash flows for the year ended 30 June 2022

		Actual 2022 $000	Actual 2021 $000
Cash flows from operating activities			
Payments			
Personnel services		(3,580)	-
Grants and subsidies		(6,387)	-
Finance costs		(2)	-
Payments to suppliers		(7,977)	-
Total payments		**(17,946)**	-
Receipts			
Grants and contributions		39,637	-
Total receipts		**39,637**	-
Net cash flows from operating activities	13	**21,691**	-
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(21,420)	-
Purchases of intangibles	9	(241)	-
Net cash flows from investing activities		**(21,661)**	-
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(30)	-
Net cash flows from financing activities		**(30)**	-
Net increase/(decrease) in cash		-	-
Opening cash and cash equivalents		-	-
Closing cash and cash equivalents	5	-	-

A bank account was established late in the financial year. All transactions for the year were processed through the Department of Planning and Environment (Department) including reimbursement of expenses incurred received from NSW Treasury.

The Statement reflects the operational period of 5 November 2021 to 30 June 2022.

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

Energy Corporation of NSW (the Corporation) is a separate reporting entity constituted *under Energy and Utilities Administration Act 1987* and has been given additional responsibilities under the *Electricity Infrastructure Investment Act 2020*. The Corporation became operational on 5 November 2021 with the commencement of *Renewable Energy Zone (Central-West Orana) Order 2021*. This Order appointed the Corporation as infrastructure planner for the Central-West Orana renewable energy zone upon its commencement.

The principal objective of the Corporation is to lead design, delivery and coordination of NSW Renewable Energy Zones (REZs) and other electricity infrastructure (such as pumped hydro and broader network solutions) in a way that benefits consumers, investors and regional communities. It does this as the Infrastructure Planner as defined in *Electricity Infrastructure Investment Act 2020* and the functions under *the Energy and Utilities Administration Act 1987*.

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

Under the Administrative Arrangements (Administrative Changes – Miscellaneous) Order (No 2) 2022, effective from 1 April 2022, the persons employed in the Department of Planning and Environment (Department) who are principally involved in the administration of legislation allocated, or providing support, to the Minister for Energy were transferred to the NSW Treasury.

The Energy and Utilities Administration Act 1987 section 9 precludes the Corporation from employing staff. The Corporation utilised staff from the Department and NSW Treasury to undertake its core tasks and activities. Personnel services were provided by the Department to 31 March 2022 and by NSW Treasury for the period of 1 April to 30 June 2022.

These financial statements for the year ended 30 June 2022 have been authorised for issue by the Secretary NSW Treasury on the date the accompanying statement by the accountable authority was signed.

(b) Basis of preparation

The Corporation's financial statements are general purpose financial statements which have been prepared on an accrual basis in accordance with:

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

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

Property, 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 the Corporation's presentation and functional currency.

(c) Statement of compliance

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

1. Summary of significant accounting policies (continued)

(d) Accounting for the goods and services tax (GST)

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

- the amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST receivable from or payable to the Australian Taxation Office (via the Department) is included as part of the receivables or payables respectively.

(e) Comparative information

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

The Corporation has been dormant and hence no financial transactions were recorded in prior years.

(f) Insurance

A range of insurances are carried by the Department through the Treasury Managed Fund. During the year to 30 June 2022, this coverage extended to the operations of the Corporation. Insurance cover is reviewed annually to ensure adequacy.

(g) Covid-19 and economic conditions

Covid-19 has not resulted in any material impact on the Corporation's operations. The Corporation is continually assessing the impact of Covid-19 and uncertainty in the market due to changes in economic conditions, such as the supply chain impacts, changes in inflation and interest rates, on the operating performance and its financial assets and liabilities.

(h) Going concern

The financial statements have been prepared on a going concern basis.

The Corporation receives financial support from NSW Treasury from both the Consolidated and Climate Change Funds. From the 2025/26 financial year it is expected that NSW Treasury funding will be gradually reduced with income from external parties.

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

i) Effective for the first time in 2021-22 financial year

The following amendments and interpretations apply for the first time in 2021-22 but do not have an impact on the financial statements of the Corporation.

- *AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures*
- *AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- *AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*
- *AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*
- *AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*

1. Summary of significant accounting policies (continued)

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

i) Effective for the first time in 2021-22 financial year (continued)

- *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- *AASB 2022-2 Amendments to Australian Accounting Standards – Extending Transition Relief under AASB 1 (effective for annual periods ending on or after 30 June 2022)*
- *AASB 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities (effective for annual periods ending on or after 30 June 2022)*

ii) Issued but not yet effective

NSW public sector entities do not early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Australian Accounting standards have not been applied and are not yet effective (NSW Treasury mandate TPG 22-07):

- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (effective from 1 January 2022)
- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (effective from 1 January 2022)*
- *AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective from 1 January 2022)*
- *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (effective 1 January 2023)*
- *AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)*
- *AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards (effective 1 January 2023)*
- *AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information (effective from 1 January 2023)*
- *AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15 (effective from 1 July 2023)*

The Corporation has assessed any potential impact on the financial statements due to these new accounting standards or interpretations and have found that there will be no financial impact when implemented. However, when AASB 2021-2 is adopted there will be a disclosure amendment due to the change in the presentation of accounting policies as "material accounting policies" instead of "significant accounting policies".

(j) Superannuation on annual leave loading

The Corporation 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.

2. Expenses excluding losses

Recognition and measurement of key expense items are discussed separately below.

a) Personnel services expenses include the following:

	2022 $000	2021 $000
Salaries and wages (including annual and sick leave)	3,679	-
Superannuation - defined contribution plans	354	-
Long service leave	179	-
Payroll tax	224	-
Workers compensation insurance	39	-
	4,475	-

Recognition and measurement

Personnel services

The *Energy and Utilities Administration Act 1987 section 9* precludes the Corporation from employing staff. Staff are provided under a personnel service agreement with the Department and NSW Treasury (refer to note 1(a)). The costs of salaries, wages, superannuation, annual leave, long service leave and for sick leave are disclosed as personnel service expenses.

b) Other operating expenses include the following:

	2022 $000	2021 $000
Audit fees	55	-
Contingent labour	972	-
Consultancy	408	-
Rental expense	41	-
Contractors	6,223	-
Corporate services	350	-
Legal fees	172	-
Other operating expenses	95	-
Professional membership	15	-
	8,331	-

Recognition and measurement

Lease expense

The Corporation recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at $10,000 or under when new.
- Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

Corporate services

The Department charged a fee for administration and operational assistance for the period 1 April to 30 June 2022.

2. Expenses excluding losses (continued)

(c) Depreciation and amortisation expense	2022 $000	2021 $000
Depreciation		
Plant and equipment	36	-
Right-of-use asset	38	-
	74	**-**
Amortisation		
Intangibles	4	-
	4	**-**
	78	**-**

Refer to Note 7, 8 and 9 for recognition and measurement policies on depreciation and amortisation.

(d) Grants and subsidies	2022 $000	2021 $000
Grants paid	6,387	-
	6,387	**-**

Recognition and measurement

Grants and subsidies are generally comprised of contributions to non-government organisations. These are expensed when the Corporation transfers control of the relevant assets. The Corporation is deemed to have transferred control when the grant is paid or is payable.

(e) Finance costs	2022 $000	2021 $000
Interest expense from lease liabilities	2	-
	2	-

Recognition and measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to not-for-profit NSW general government sector entities.

3. Revenues

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 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

(a) Grants and contributions

	2022 $000	2021 $000
Grants without sufficiently specific performance obligations		
Grants - NSW Treasury	5,530	-
Capital grants - NSW Treasury	19,793	-
Grants - Department	14,703	-
	40,026	**-**

Recognition and measurement

Revenue from grants with sufficiently specific performance obligations is recognised as when the Corporation satisfies a performance obligation by transferring the promised goods.

Income from grants without sufficiently specific performance obligations is recognised when the Corporation obtains control over the granted assets (e.g. cash).

The Department has provided funds for the purchase of assets, personnel services and operating expenses. This grant is recognised in the statement of comprehensive income as grants when expenses were incurred by the Corporation to 31 March 2022.

NSW Treasury has provided funds to the Department, to cover funding for the Corporation's purchase of assets, personnel services and operating expenses from 1 April to 30 June 2022.

(b) Acceptance by the Crown of employee benefits and other liabilities

The following liabilities and/or expenses have been assumed by the Crown or other Government agencies:

	2022 $000	2021 $000
Long service leave provision	145	-
Annual leave	8	-
	153	**-**

3. Revenues (continued)

(c) Deemed appropriation

Section 4.7 of *the Government Sector Finance Act 2018* defines deemed appropriation money as government money that the Corporation (a GSF agency) receives or recovers (including from the Commonwealth or another entity) of a kind prescribed by the regulations that:

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

Under Section 35 of the *Energy and Utilities Administration Act 1987*, all moneys received by the Corporation and all funds paid out by the Corporation to meet expenses incurred in connection with the functions of the Act flow through the special deposits account called Energy Administration Account.

The Corporation therefore does not have any deemed appropriation.

4. Other gains/(losses)

	2022 $000	2021 $000
Derecognition of right-of-use assets and lease liabilities with PNSW*	10	-
	10	**-**

* The net gains/(losses) are recognised from the derecognition of the right-of-use asset and lease liability with Property NSW (PNSW) as at 30 June 2022. Please refer to note 8 for further details on the derecognition.

5. Current assets – cash and cash equivalents

	2022 $000	2021 $000
Cash at bank and on hand	-	-
	-	**-**
Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:		
Cash and cash equivalents (per statement of financial position)	-	-
Closing cash and cash equivalents (per statement of cash flows)	-	-

Refer to note 14 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Current assets – receivables

	2022 $000	2021 $000
Receivable - NSW Treasury	11,527	-
Receivable - Department	6,436	-
Receivable - Department (GST receivable)	1,776	-
Prepayments	16	-
	19,755	-

Details regarding credit risk of trade debtors that are neither past due nor impaired are disclosed in note 14.

Recognition and measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. The Corporation has no trade receivables at 30 June 2022.

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

7. Non-current assets – property, plant and equipment

	Plant and Equipment $'000	Work in Progress Infrastructure $'000	Total $'000
At 1 July 2021 - fair value			
Gross carrying amount	-	-	-
Accumulated depreciation and impairment	-	-	-
Net carrying amount	-	-	-
Period ended 30 June 2022			
Net carrying amount at the start of the year	-	-	-
Purchase of assets	271	21,149	21,420
Depreciation expense	(36)	-	(36)
Net carrying amount	**235**	**21,149**	**21,384**
As at 30 June 2022 - fair value			
Gross carrying amount	271	21,149	21,420
Accumulated depreciation and impairment	(36)	-	(36)
Net carrying amount	**235**	**21,149**	**21,384**

7. Non-current assets - property, plant and equipment (continued)

Recognition and measurement

Acquisition of property, plant and equipment
Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. deferred payment amount is effectively discounted over the period of credit.

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

Capitalisation thresholds
Property, plant and equipment and intangible assets costing $5,000 and above individually (or forming part of a network costing more than $5,000) are capitalised.

Depreciation of property, plant and equipment
Depreciation is provided for on a straight-line basis for all depreciable assets to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

Depreciation is calculated on a straight-line basis over the estimated useful life of assets. At 30 June all infrastructure was under construction and no depreciation has been expensed for this class of asset.

Details of depreciation rates initially applied for major asset categories are as follows:

	Useful lives
Plant and equipment	20%

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Right-of-Use- Assets acquired by leases

At 30 June 2022, the Corporation did not have any leases that require recognition of a right-of-use-asset.

Revaluation of property, plant, and equipment
Physical non-current assets are valued in accordance with the *'Valuation of Physical Non-Current Assets at Fair Value'* Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction *'Valuation of Physical Non-Current Assets at Fair Value'* (TD 21-05). TPP 21-09 and TD 21-05 adopts fair value in accordance with AASB *13 Fair Value Measurement* (AASB 13) and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on the use or where there is a feasible higher restricted alternative use.

7. Non-current assets - property, plant and equipment (continued)

Revaluation of property, plant, and equipment (continued)

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer note 10 for further information regarding fair value.

The Corporation re-values each class of property, plant and equipment with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. At 30 June 2022, all infrastructure assets were under construction and no comprehensive valuation required.

Non-specialised assets, such as plant and equipment and infrastructure work in progress, with short useful lives, are measured at depreciated historical cost or cost, which for these assets approximates fair value, the Corporation has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Impairment of property, land and equipment
As a not-for-profit, 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.

The Corporation 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, the Corporation 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.

8. Leases

The Corporation leases office accommodation space. Lease contracts are typically made for fixed periods of 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Corporation does not lease any motor vehicles or plant and equipment.

During financial year ended 30 June 2022, the Corporation has accepted changes in the office accommodation arrangements with Property NSW (PNSW). The main change is the introduction of the "substitution right" clause, that gives PNSW a right to relocate the Corporation during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, these agreements are not accounted for as a lease within the scope of AASB 16. The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clauses. The net impact of the derecognition is recognised in "Other Gains/(Losses)" (refer to Note 4). From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

The Corporation continues to be responsible to make good, and to control the fit-out during the remaining occupancy period, as the Corporation receives the economic benefits through using the fit-out, or through expected compensation from PNSW, if PNSW exercises its right to relocate the Corporation.

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Corporation has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability.

8. Leases (continued)

The following table presents right-of use assets that do not meet the definition of investment property.

Right-of-use assets under leases

	2022 $'000	2021 $'000
Balance at 1 July	-	-
Additions	364	-
Depreciation expense	(38)	-
Derecognition of right-of-use-asset	(326)	-
Balance at 30 June	**-**	**-**

Lease liabilities

	2022 $'000	2021 $'000
Balance at 1 July	-	-
Additions	364	-
Interest expense	2	-
Payments	(30)	-
Derecognition of lease liabilities	(336)	-
Balance at 30 June	**-**	**-**

The following amounts were recognised in the statement of comprehensive income during the year in respect of leases where the Corporation is the lessee:

	2022 $'000	2021 $'000
Depreciation expense of right-of-use assets	38	-
Interest expense on lease liabilities	2	-
Gains arising from derecognising the right-of-use assets and lease liabilities with Property NSW	(10)	-
Total amount recognised in the statement of comprehensive income	**30**	**-**

Recognition and measurement

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

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

(i) Right-of-use assets

The Corporation recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease

8. Leases (continued)

(i) Right-of-use assets (continued)

incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the lease term (Term of lease: 5 years) and the estimated useful lives of the assets.

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

Impairment of right-of-use assets:

The right-of-use assets are also subject to impairment. The Corporation 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, the Corporation estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result. As at 30 June 2022, there was no additional impairment (2021: Nil) assessed by the Corporation for its right of use assets in 'other net gains/(losses)' in the statement of comprehensive income. Refer note 4.

(ii) Lease liabilities

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

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

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

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

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

9. Non-current assets - intangibles

Total Intangibles

	Intangibles $'000	Total $'000
At 1 July 2021 - fair value		
Gross carrying amount	-	-
Accumulated amortisation and impairment	-	-
Net carrying amount	-	-
Year ended 30 June 2022		
Net carrying amount at the start of the year	-	-
Additions	241	241
Amortisation	(4)	(4)
Net carrying amount	**237**	**237**
As at 30 June 2022 - fair value		
Gross carrying amount	241	241
Accumulated amortisation and impairment	(4)	(4)
Net carrying amount	**237**	**237**

Recognition and measurement

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the Corporation 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.

Following initial recognition intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible software 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.

The useful lives of intangible assets are assessed to be finite. The Corporation's software intangible assets are amortised using the straight-line method over a period of five years.

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.

10. Fair value measurement of non-financial assets

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 an asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.
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, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets / liabilities that the Corporation 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).

The fair value hierarchy for plant and equipment and infrastructure work in progress are considered to be level 2.

10. Fair value measurement of non-financial assets (continued)

There were no transfers between levels during the year.

For valuation basis refer note 7.

11. Current/non-current liabilities – payables

Current	2022 $000	2021 $000
Trade creditors	3,855	-
Accruals	15,801	-
Accrued salaries, wages and on-costs	97	-
Other payable	13	-
	19,766	**-**

Non-current	2022 $000	2021 $000
Other payable	48	-
	48	**-**

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 14.

Recognition and Measurement
Payables represent liabilities for goods and services provided to the Corporation 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 in net result when the liabilities are derecognised as well as through the amortisation process.

12. Current/non-current liabilities – provisions

Current	**2022 $000**	**2021 $000**
Personnel services liabilities		
Annual leave	574	-
Long service leave	26	-
Payroll tax	42	-
	642	**-**

Non-current	**2022 $000**	**2021 $000**
Personnel services liabilities		
Long service leave	3	-
Payroll tax	1	-
	4	**-**
Aggregate personnel services		
Accrued salaries, wages and on-costs	97	-
Provisions - current	642	-
Provisions - non-current	4	-
	743	**-**

Recognition and measurement

Salaries and wages, annual leave, sick leave and on-costs
Liabilities for personnel services are stated as liabilities to the personnel service provider, the NSW Treasury. Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled wholly within 12 months after the end of the year in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at the undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*. The present value is based on the actuarial advice obtained by Treasury, which confirmed that using nominal annual leave plus annual leave on the nominal liability (calculated using 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. All recreational leave is classified as a current liability as the Corporation 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.

Long service leave and superannuation
The Corporation's liabilities for long service leave and defined benefit superannuation are assumed by the Crown as through the NSW Treasury. The Corporation accounts for the liability as having been extinguished; resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown of employee benefits and other liabilities".

Long service leave is measured at 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

12. Current/non-current liabilities – provisions (continued)

Long service leave and superannuation (continued)

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

Consequential on costs:
Consequential costs to employment 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.

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

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of comprehensive income as follows:

	2022 $000	2021 $000
Net cash used on operating activities	21,691	-
Depreciation and amortisation	(78)	-
Increase/(decrease) in receivables	19,755	-
Decrease/(increase) in payables	(19,816)	-
Decrease/(increase) in provisions	(646)	-
Other gains/(losses)	10	-
Net result	**20,916**	**-**

14. Financial instruments

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance the Corporation's operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation's main risks arising from financial instruments are outlined below, together with the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks. Currently the Corporation complies with the policies established by both the Department and NSW Treasury, these are reviewed by the Corporation and the Energy Corporation of NSW Advisory Committee on a continuous basis.

14. Financial instruments (continued)

(a) Financial instrument categories

			Carrying Amount	
			2022	2021
Class:	**Note**	**Category**	**$000**	**$000**
Financial Assets				
Cash and cash equivalents	5	Amortised cost	-	-
Receivables[1]	6	Amortised cost	17,963	-
Financial Liabilities				
Payables[2]	11	Financial liabilities measured at amortised cost	19,814	-

Notes

1 Receivables excludes statutory receivables and prepayments, not within scope of AASB 7

2 Payables excludes statutory payables and unearned revenue, not within scope of AASB 7.

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' 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.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Corporations' continuing involvement in the asset. In that case, the entity 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 entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

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 entity 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.

14. Financial instruments (continued)

(c) Financial risks

(i) Credit risk

Credit risk arises when there is the possibility of the Corporation 's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. 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 Corporation, including cash, receivables and deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees. Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

The Corporation considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

Cash and cash equivalents

A bank account was established in late 2021-22 financial year. Cash comprises cash on hand and bank balances within the NSW Treasury Banking System (nil at 30 June 2022).

Accounting policy for impairment of trade receivable and other financial assets

Receivables - trade receivable

Collectability of trade receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables 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 contractual payments for a period of greater than 180 days past due.

The Corporation's trade debtor balance as at 30 June 2022 is nil (30 June 2021: Nil) and no loss allowance for trade debtor was determined as at 30 June 2022 (30 June 2021: Nil).

(ii) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior year, there were no defaults or breaches of loans payable. No assets have been pledged as collateral. The Corporation '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 TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, 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. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid

14. Financial instruments (continued)

(c) Financial risks (continued)

(ii) Liquidity risk (continued)

automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Chief Executive Officer (or a person appointed by the Head of a Corporation) may automatically pay the supplier simple interest. There was no interest paid during the year (2021: nil).

Maturity analysis and interest rate exposure of financial liabilities is nil at 30 June 2022 (2021: nil)

(iii) 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 Corporation's exposure to market risk is very limited as it has no borrowings and all its deposits are at call. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation 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 exposure in existence at the year end. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A reasonably possible change of +/- 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.

The Corporation does not have exposure to interest rate risk on financial instruments at 30 June 2022 (2021: Nil).

15. Commitments

	2022 $000	2021 $000
(a) Capital Commitments		
Aggregate capital expenditure for the acquisition of non-current assets contracted for at balance date and not provided for:		
Within one year	21,936	-
Total (including GST)	**21,936**	**-**

16. Contingent liabilities and contingent assets

The Corporation is unaware of the existence of any contingent assets or liabilities as at balance date (2021: nil).

17. Related party disclosure

During the year, the Corporation expensed $1,471,963 (2021 $Nil) in respect of the key management personnel services that are provided by separate management entities, the Department and NSW Treasury.

During the year, the Corporation did not enter into transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, the Corporation entered into transactions with other entities that are controlled / jointly controlled / significantly influenced by NSW Government. These transactions (incurred in the normal course of business) in aggregate are a significant portion of the Corporation's revenue and expenses, and the nature of these significant transactions are detailed below:

Entity	Nature of Transaction
Department Planning and Environment	Provision of administrative, secretarial support, operational assistance and personnel services. Refer note 2a and note 3(a).
Crown Solicitors Office	Provision of professional legal services and legal advice. refer note 2(b).
NSW Treasury	Provision of administrative, secretarial support, operational assistance and personnel services. Refer note 2a and note 3(a). Provision of grant income to cover operational expenses and purchase of property, plant and equipment. Refer note 3(a).
Property NSW	Provision of leased premise. Refer note 2(b) and note 8.

18. Events after reporting date

There are no events subsequent to the balance date that affect the financial information disclosed in these financial statements.

End of financial statements

8 Appendices

Outcome and performance management

The outcomes, outcome indicators and outcome programs for which the cluster was responsible for the year are detailed on page 12 of this annual report. Page 10 also sets out the changes that were made to these performance areas following the machinery-of-government changes in April 2022.

Details of the revenue and expenditure for the financial year for Treasury, including administered activities on behalf of the State, were provided in October 2022.

Details of the performance for 2021-22 against the 17 indicators above can be found in Chapter 10 of Budget Paper 2 published on 21 June 2022 (specifically pages 10-4 to 10-12).

Human resources statistics

On 30 June 2022, Treasury had 1,065.98 full-time equivalent (FTE) staff. This equates to a headcount of 1,099 staff.

Treasury function	2019-20	2020-21	2021-22
Economic Strategy & Productivity	132.5	188.29	123.77
Policy & Budget	158.26	146.51	175.71
Commercial & Procurement	170.71	187.74	174.80
Corporate Services	168.6	213.03	167.54
Office of General Counsel			18.60
Office of the Secretary			7.00
EnergyCo	Joined Treasury through machinery-of-government April 2022		33.51
ECCS	Joined Treasury through machinery-of-government April 2022		365.05
FTE	**783.89**	**735.57**	**1065.98**

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

Age group	2019-20	2020-21	2021-22
20-24	23	26	32
25-29	129	125	147
30-34	152	141	220
35-39	148	137	203
40-44	119	104	172
45-49	90	91	125
50-54	67	50	80
55-59	56	51	71
60+	31	30	49

Non-executive full-time and part-time staff by classification and grade	Full-time equivalent	Actual staff number
Grade 1/2	20.60	21
Grade 3/4	64.37	66
Grade 5/6	86.60	88
Grade 7/8	181.07	188
Grade 9/10	285.55	296
Grade 11/12	287.31	296
Other	1.57	2

Note: the Clerk-equivalent pay grade was used for some OECC staff.

Senior executive grades and remuneration

Senior executives (headcount)	2019-20		2020-21		2021-22	
	Female	**Male**	**Female**	**Male**	**Female**	**Male**
Executive Band 4	-	1	-	1	-	1
Executive Band 3	2	3	2	3	3	4
Executive Band 2	13	11	13	9	11	12
Executive Band 1	34	57	32	51	45	59
Other	-	1	-	1	-	-
Total	**45**	**73**	**47**	**65**	**66**	**76**
Combined total	118		112		142	

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

Executive level / average remuneration	2019-20	2020-21	2021-22
Executive Band 4	$599,000	$599,000	$614,000
Executive Band 3	$445,275	$452,947	$470,935
Executive Band 2	$314,230	$321,263	$333,896
Executive Band 1	$234,661	$237,150	$242,910

For the reporting period 2021-22, the monetary value and value of employment benefits paid to contracted senior executives represented 28.52 per cent of Treasury's salary-related expenses. In the previous year (2020-21), this figure was 27.66 per cent.

Trends in the workforce diversity groups

Staff profile / respondents	2019-20	2020-21	2021-22
Full-time equivalent	783.89	735.57	1065.98
Responses to question on ethnicity	595	513	852
Responses to question on language	572	506	840
Responses to question on disability	610	513	850
Responses to question on identifying as First Nations	595	521	884

Workforce diversity group	Benchmark	2020	2021	2022
Women	50%	55.60%	55.40%	57.00%
Aboriginal and/or Torres Strait Islander People	3.30%	0.90%	1.30%	1.10%
People whose First Language Spoken as a Child was not English	23.20%	28.40%	29.70%	27.60%
People with Disability	5.60%	3.20%	3.90%	2.50%
People with Disability Requiring Work-Related Adjustment	N/A	1.50%	1.50%	1.10%

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

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

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

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

Workforce diversity group	Benchmark	2020	2021	2022
Women	100	96	95	95
Aboriginal and/or Torres Strait Islander People	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	94	94	97
People with Disability	100	101	103	104
People with Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

Note: Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 2: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

Proactive work, health and safety risk management

We have rolled out Treasury wide Respectful Workplace Behaviours training via online and facilitated sessions to create an awareness of how to work safely and respectfully with each other.

We held bi-montlhy WHS Committee meetings to discuss and facilitate WHS consultation and communication throughout the organisation and we were encouraged by only 3 incidents reported in this financial year (including OECC for the 1st April – 30th June period).

Our Chief People Officer's People Leader email has been utilised for the regular WHS check-ins and divisional meetings were held ensuring commitment to health and safety remains a priority.

We have worked through a focussed Winter plan / workforce planning sessions to reduce fatigue and workload pressures due to the COVID-19 and flu peak.

We have run a pulse survey to compliment the PMES results and monitor staff engagement and wellbeing.

We participated in the SafeWork interdepartmental working group and WHS audit peer review, enabling a mentally healthy workplace environment, and identifying areas of concern regarding musculoskeletal risks.

NSW Procurement Board 2021-22 Annual Report

Legislation

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

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

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

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

The Board's objectives and functions

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

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

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

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

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

The Board is subject to the direction and control of the Minister for Finance and Employee Relations.

The Board's major achievements in 2021-22 include:

- updating the Procurement Policy Framework, the overarching governance and policy document for NSW government agencies
- implementing the Aboriginal Procurement Policy and setting cluster-specific targets for procurement spend and goods and services contracts with Aboriginal businesses
- supporting five Meet the Buyer events held across regional NSW to provide opportunities for Aboriginal businesses to network with NSW government buyers and suppliers
- facilitating NSW government support for SMEs in communities impacted by the February and March 2022 floods in NSW
- issuing training and guidance for NSW government buyers on reasonable steps to ensure that goods and services procured by and for NSW government agencies are not the product of modern slavery, to support the NSW Modern Slavery Act 2018 which came into effect on 1 January 2022
- releasing an online procurement skills booster training program for NSW government employees and eligible buyers to build their strategic procurement capabilities
- providing NSW government procurement data to the Commonwealth Department of Foreign Affairs and Trade to meet Australia's reporting commitment under the World Trade Organization Agreement on Government Procurement
- facilitating Fiscal Repair savings through the whole-of-government procurement savings programs
- continuing to support NSW government agencies to undertake Emergency Procurement activities to meet the ongoing demands of the COVID-19 pandemic.

Procurement Policy Framework

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

Aboriginal Procurement Policy

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

- sets targets on a cluster basis of 1 per cent addressable procurement spend to be directed to Aboriginal businesses
- supports the target of awarding 3 per cent of total goods and services contracts to Aboriginal businesses, excluding construction
- requires a minimum 1.5 per cent Aboriginal participation across high-value contracts (more than $7.5 million).

Targets are set at a whole-of-government level and are reviewed annually.

Cluster progress against the APP targets for the 2021-22 financial year demonstrated that NSW government agencies are continuing to increase procurement spend with Aboriginal businesses in NSW.

Members and Deputies

The following NSW government officers were members of the Board in 2021-22:

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 and Environment

Secretary, Department of Premier and Cabinet

Secretary, Department of Regional NSW

Secretary, NSW Health

Secretary, Transport for NSW

During 2021-22 all Secretaries were represented by delegates appointed by the Minister for Finance and Employee Relations.

Meetings

The Board held four scheduled meetings in 2021-22:

1. 8 September 2021
2. 24 November 2021
3. 23 February 2022
4. 15 June 2022

In addition, in 2021-22 eight matters were considered out-of-session by email and there were no out-of-session meetings.

The Board met for a half day strategic planning session on 28 April 2022.

Agency Accreditation Program Status

A. Goods and Services Procurement

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

At June 2022 there were 17 accredited entities (clusters and agencies), including a combined Level 2 accreditation for the NSW Treasury cluster and its sub-entity NSW Procurement.

All accredited agencies except for the Department of Education completed their annual self-reporting for FY20/21.

In FY20/21 two accredited agencies, Sydney Cricket and Sports Grounds Trust and the Department of Education submitted Trigger Event Action Plans to the Procurement Leadership Group to address changes in their organisations that could impact their abilities to meet their accreditation responsibilities. On 15 June 2022 an update on progress was provided on both Trigger Event Action Plans. Sydney Cricket and Sports Grounds Trust is on track to complete the final component of the Action Plan in October 2022. Department of Education is well advanced with the Action Plan, although delayed through complexity of the process and advised the Board it will report back findings during FY22/23.

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.

Public Works manages the Construction Procurement Accreditation and Assurance Programs on behalf of the NSW Procurement 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

The Accreditation Program for Construction Procurement addresses the specific capabilities and risks of construction procurement. Accredited agencies have greater autonomy to procure construction services than unaccredited agencies. Accredited agencies also provide assurance services for unaccredited agencies planning construction procurements valued over $1.3 million.

As at 30 June 2022, 15 agencies hold current full construction procurement accreditation.

In addition, NSW Telco Authority has formally signalled to the Board their intent to pursue accreditation through the submission of a Statement of Intent. The Department of Parliamentary Services and Western City and Aerotropolis Authority have indicated interest in applying for construction accreditation.

In accordance with continuous improvement responsibilities, Public Works conducted a review of the Program in FY 21/22 against the set objectives. A number of areas of concern and process gaps were identified. Public Works obtained detailed feedback from the CLG and key stakeholder groups. At the February 2022 Board meeting, the Board approved the commencement of the proposed updates to the Program. It is proposed that the updates to the Program will occur prior to the end of the next reporting period.

Assurance Process for Construction Procurement

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

Administration

The Board's administrative support and its costs for 2021-22 were met by the Treasury and the clusters represented on the Board.

Statutory reporting requirements

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

- The Minister gave the Board the following direction on 14 March 2022:

The NSW Procurement Board to extend Procurement Board Direction 2021-01 Support for flood affected communities to cover procurements required to conduct repairs, rebuilding, remediation and enhancement works, or to supply associated goods or services, arising out of, in relation to or following to the floods occurring in NSW in February and March 2022.

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, the Construction Leadership Group, and the International Procurement Agreements Steering Committee (IPASC). Whole-of-government Category Management Working Groups have been established under the PLG.

Procurement Leadership Group (PLG)

The PLG is the primary advisory group of the 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 2022 the PLG's members included the Chief Procurement Officers or equivalents. There were also members from Infrastructure NSW, and ICT/Digital Sourcing at the Department of Customer Service.

The PLG met 13 times between 1 July 2021 and 30 June 2022.

Monthly meetings:

- 29 July
- 26 August
- 23 September
- 28 October
- 25 November
- 17 February
- 24 March
- 21 April
- 26 May
- 23 June

Stand-alone sessions:

- 13 April – Transport Procurement Reform Update
- 29 April – Sustainable Procurement
- 6 June – APP Targets and Reporting

Construction Leadership Group (CLG)

The CLG is collaborating across government to deliver the NSW Government Action Plan: A 10-Point Commitment to the construction sector. CLG members include key NSW government agencies engaged in the delivery of the large long-term pipeline of infrastructure investment for NSW.

Since publishing the 10 Point Commitment in 2018, the CLG has implemented initiatives across State infrastructure projects to support the long-term sustainability of the sector. Key initiatives for 2021-22 include:

- Transparency and visibility of upcoming procurements via publication of the NSW Major Infrastructure Project Pipeline
- Reforms to procurement processes for large, complex infrastructure projects, which are set out in the Premier's Memorandum on Procurement for Large, Complex Infrastructure Projects and its guiding Framework. Example practices include de-risking projects through early works and early market engagement, dividing large, complex infrastructure projects into smaller packages to increase potential participation by a wider variety of firms, recognising elements of works that cannot be readily priced in lump sums, and reducing the cost of tendering
- Work done in partnership with industry to ensure a safe re opening of the construction sector following the COVID 19 construction pause in 2021 and support for settlement of claims through consistent commercial guidelines
- Information on Infrastructure Projects Guide, which ensures project announcements do not anchor costs, milestones and design ahead of appropriately detailed planning and design being completed
- Commercial Principles for Infrastructure Projects, which were developed in consultation with industry to provide a consistent, reasonable and equitable approach to developing contractual terms for capital projects
- Bringing together industry participants to progress construction industry culture, diversity and well-being initiatives, including partnering with industry to meet Infrastructure Skills and Legacy Program targets and piloting the 5-day work week on the Concord Hospital project.

International Procurement Agreements Steering Committee

The International Procurement Agreements Steering Committee (IPASC) is the primary advisor to the Board on procurement requirements relevant to international procurement agreements. The IPASC did not meet in 2021-22.

Procurement Board Directions

The Act gives the Board the authority to issue directions to agencies. During 2021-22 the Board issued four directions covering:

- Support for flood affected communities (updated)
- Approved procurement arrangements for government agencies
- Engagement of professional services suppliers
- Mandated use of the ICT Purchasing Framework for contracts for ICT goods and services
- Procurement Board directions, including withdrawn directions, are available on buy.nsw.

Procurement Complaints

Under the Act the Board considers complaints it receives directly about government procurements in NSW, including tendering and contracts. Agencies have a responsibility to resolve complaints concerning their procurement actions. Complaints unresolved at the end of this process can be referred to the 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 three complaints during 2021-22. All complaints have been resolved by the relevant agency.

PUBLIC WORKS AND PROCUREMENT ACT 1912

TO: NSW PROCUREMENT BOARD

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

The NSW Procurement Board to extend *Procurement Board Direction 2021-01 Support for flood affected communities* to cover procurements required to conduct repairs, rebuilding, remediation and enhancement works, or to supply associated goods or services, arising out of, in relation to or following to the floods occurring in NSW in February and March 2022.

Dated at Sydney this 14th day of March 2022

Damien Francis Tudehope
Minister for Finance and Employee Relations, New South Wales

Multicultural plan

Though NSW Treasury prides itself on culturally inclusive practices, we are yet to formalise a plan with *Multicultural NSW* under the Multicultural NSW Act 2000. For the coming year, Treasury will be developing and implementing a cluster-wide Multicultural Plan.

Risk Management and Related Activities

Risk management and fraud and corruption prevention

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

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

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

Compliance

The NSW Treasury Compliance Management Framework is in the process of being reviewed to reflect the uplift in compliance activities in the past financial year. Notably, assurance activities are now evidence and testing based and there has also been enhancements to incident reporting and staff training and awareness.

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

Other compliance activities include incident monitoring, collation of SES private interest declarations and SES compliance attestations. Staff declarations for any gifts and benefits given/received and conflicts of interests were continually reviewed throughout the year. Thematic analysis of these activities were reported to the ARC on a quarterly basis.

Audit

NSW Treasury has a three-year internal audit plan which is reviewed annually by the ARC. Recommendations raised from internal and external audit assurance activities were continually monitored and progress was reported on quarterly to the ARC.

Business Continuity Planning

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

The Influenza Pandemic Plan and other BCP-related policies and documentation, including the divisional BCPs, were reviewed to ensure they remain current. BCP scenario testing was also conducted during the year to test our processes and protocols in such an event. The results of these activities were presented to the ARC.

Government Information (Public Access)

Review of proactive release program

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

In the 2021-22 reporting period, Treasury proactively released information and tools including:

- McDougall review into icare
- Tourism support package
- Review of the Point of Consumption Tax
- NGF Annual Report
- Innovation Districts Challenges
- COVID-19 Tech Vouchers
- Productivity Commission papers: Infrastructure Contributions Review, Green Paper, White Paper
- CBD Revitalisation Fund
- 24 Hour Economy
- PPE manufacturing grants
- 2021-22 NSW Intergenerational Report
- Annual Budget (two) and Half Year Review Budget
- Innovation Productivity Commission Report
- Annual Report

- Aboriginal Procurement Strategy
- International Student Awards
- Global NSW website revamp
- Summer Summit
- COVID-19 (2020) Health and Economic Stimulus package
- Federal Financial Relations Review Final Report
- Jobs Plus
- Export Assistance Grants
- NSW Going Global Export Program
- Small Business Month
- Property Tax Reform
- India Australia Community and Business Awards
- Node of the SmartSat Cooperative Research Centre (CRC),
- NSW Independent Brewers Action Plan

Number of access applications received

During the reporting period, Treasury received 51 formal access applications under the GIPA Act, including withdrawn applications.

Statistical information about access applications

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

Table A: Number of applications by type of applicant 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
Media	2	1	1	1	0	0	0	0
Members of Parliament	4	6	2	3	1	0	0	1
Private Sector Business	1	1	0	0	1	0	0	0
Not–for–profit organisations or community groups	0	0	0	0	1	0	0	0
Members of the public (application by legal	0	0	0	0	0	0	0	1
Government information contravention	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)	2	3	4	12	0	1	0	2

***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 B: Number of applications by type of application and outcome

Type of application	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	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	9	11	7	18	1	1	0	4
Applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (Section 41 of the Act)	0
Application is for excluded information of the agency (Section 43 of the Act)	0
People whose First Language Spoken as a Child was not English	0
People with Disability	0
People with Disability Requiring Work-Related Adjustment	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

Type of consideration	Number of times consideration used**
Overriding secrecy laws	0
Cabinet information	16
Executive Council information	0
Contempt	
Legal professional privilege	0
Excluded information	1
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Information about authorised transaction Schedule 1, Clause 14	1

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

Table E: Other public interest considerations against disclosure

Matters listed in table to Section 14 of the Act	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	5
Business interests of agencies and other persons	5
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timelines

Matters listed in table to Section 14 of the Act	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	40
Decided after 35 days (by agreement with applicant)	11
Not decided within time (deemed refusal)	0
Total	**51**

Table G: 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		0	0
Internal review following recommendation under Section 93 of the Act		4	4
Review by NCAT (formerly ADT)		0	0
Total		**4**	**4**

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

Type of application	Number of applications for review
Application by access applicants	4
Applications by persons to whom information the subject of access application relates (see Section 54 of the Act)	0

Table I: 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–initiation transfers	11
Agency–initiatied transfers	3

Public interest disclosures

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

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

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

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

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

During the 2021-2022 NSW Treasury has further expanded the number of PID Disclosure Officers. In preparation for the new PID Act 2022, NSW Treasury has mandated that all officers at grade 5/6 and above are now authorised to receive PID reports. To support these changes, NSW Treasury is in the process of rolling out PID Training to all nominated disclosure officers.

The PID Act Section 31 requires each public authority to prepare an annual report on its obligations under the Act. In accordance with Section 4 of the Public Interest Disclosures Regulation 2011, the following information is provided on public interest disclosures for the period 1 July 2021 to 30 June 2022:

Section 4 of the Public Interest Disclosures Regulation 2011	2021-22
Number of public officials who made public interest disclosures to NSW Treasury	0
Number of public interest disclosures received by NSW Treasury	0
Of public interest disclosures received, how many were primarily about:	
Corrupt conduct	0
Maladministration	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of public interest disclosures (received since 1 Jan 2012) that have been finalised in this reporting period	0

Protecting privacy and personal information

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

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

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

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

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

No Internal Privacy Reviews were conducted for the financial year 2021-22.

Funds granted to non-government community organisations

During the 2021-22 financial year, NSW Treasury administered grants to the following:

Grant details	Description	Amount $
Airline Industry	NSW government provided funding to an airline provider securing 2,500 new full-time jobs over the next five years. The agreement also confirmed the construction of a new flight training centre in NSW and a commitment to deliver improved Indigenous and diversity employment outcomes.	25,000,000
Regional Community Energy Fund (RCEF)	The Regional Community Energy Fund provides grants to community energy projects that create innovative and/or dispatchable renewable energy and benefit the local community. Funding recipient will share their learnings, supporting other regional communities to take control of their energy future. During the year, Byron Bay Solar Farm Holdings Pty Ltd received $2,000,000 for Byron Bay Solar Farm and Battery Storage Facility project and ITP Development Pty Ltd received $2,250,000 for the Orange Community Renewable Energy Park project.	4,250,000
Low Income Household - Energy Hardship Assist & Social Housing Upgrades	A Climate Change Fund program to help low-income households in social housing to reduce their energy bills. The program provides funding by supporting half of the cost of capital upgrades for community housing providers to improve energy efficiency (Social Housing Upgrades), reduce energy hardship for vulnerable households (Energy Hardship Assist), and improve tenant comfort, health and well-being, in partnership with NSW Health, energy company and community housing providers.	2,348,162
Carbon Abatement - Kooragang Island Decarbonisation Project	NSW Government contribution of Net Zero Industry and Innovation Program - Kooragang Island Decarbonisation Project with total funding of $13,060,000 up to 30 June 2023. This program will install tertiary abatement systems (EnviNOx) at three nitric acid plants located at Orica's Kooragang Island facility in NSW.	2,220,200
Small Business Events	Funding for Small Business Month activity that provided grants up to $3,500 for 154 eligible chambers of commerce, industry associations and not-for-profit organisations based in NSW to hold COVID-safe events with a small business focus. The theme of "Rebuild, Recharge, Renew" reflects NSW Government focused to help small business to recover and build a brighter, stonger future post COVID-19.	480,246

Grant details	Description	Amount $
Solar for Low Income Households	Solar for Low Income Households program assists homeowners on low income to reduce the electricity bills by installing free 3 kilowatt solar systems on their homes. To be eligible for the program, homeowners must meet specific requirements, including holding a valid Pensioner Concession Card or Department of Veterans' Affairs Gold Card and currently receive the Low Income Household Rebate, agree not to receive the Low Income Household Rebate for 10 years, own your own house, does not have a solar system already and resides in eligible 12 Sydney LGAs or 5 NSW Regions.	336,958
Research - Council Centre of Excellence in Population Ageing Research	NSW Government is committed to supporting the Research Council Centre of Excellence in Population Ageing Research (CEPAR) which was established under the University of NSW. The research work done by this body is relevant to Treasury to promote better resource management and advise government on economic, infrastructure and financial matters.	50,000
Electric Vehicle Infrastructure -Demonstration Project	NSW Government contribution for a demonstration project of upgrading electrical systems to provide electric vehicle charging facilities for all 104 parking spaces within The Richmont (residensial and commercial) building in the Sydney suburb of Pyrmont.	49,287
Low Income Household - Empowering Homes Program	A pilot project for Hunter region's homeowners with an annual household income up to $180,000, to access interest-free solar battery loans. The program provides interest-free loans of up to $14,000 for a solar battery system or up to $9,000 for the addition of a battery to an existing solar system. The program is a pilot for up to 12 months and will then be rolled out statewide to provide the solar battery loan offer to up to 300,000 NSW homeowners.	46,009
Increasing Resilience to Climate Change (IRCC) Community Grant	The IRCC community grants is a program to support communities to reduce risks from climate change. Grants between $10,000 and $30,000 were provided to community groups, traditional owner corporations and not for profit organisations. Funded projects either build the capacity of communities or regions to better plan for, coordinate and deliver actions, or implement practical actions that will support communities and regions to adapt to current or future climate change impacts. The combined value of the grants is $615,659 with 23 approved projects implemented over 18 months and completed by end of financial year 2021–22.	28,378
Total funds granted to Non-Government Community Organisation		**$34,809,240**

Accounts payable performance 2021-22

NSW Treasury outsources various services including financial services. During 2021-22, InfoSys (GovConnectNSW) provided services including the payment processing of tax invoices after they had been certified and approved for payment by delegated Treasury officers.

During 2021-22 there were no instances where penalty interest was paid for the late payment of invoices to small business owners (as per Treasury Circular TC 11/12 *Payment of Accounts*).

Small Business Supplier payments are curently set at 5 days and factors affecting the payment performance include errors in the tax invoice information and verification of invoice receipt. Analysis of payment terms at 10 days would have resulted in small business supplier payments being 87% compliant on average across the 2022 financial year.

Aged analysis at the end of each quarter*

Quarter	Current (within due date) $'000	Less than 30 days overdue $'000	Between 30 and 60 days overdue $'000	Between 61 and 90 days overdue $'000	More than 90 days overdue $'000
All suppliers					
September 2021	2,192	179	695	51	8
December 2021	90	263	1,501	504	—
March 2022	18	—	—	—	2
June 2022	1,090	55,406	22,815	157	719
All suppliers					
September 2021	316	49	—	—	7
December 2021	6	134	1,498	504	—
March 2022	10	—	—	—	—
June 2022	4	37	22	98	61

*Aged invoices for inter-government transactions are included in this data, with aged payment discussed and agreed upon between agencies.

Accounts due or paid within each quarter

Measure	Sep-21	Dec-21	Mar-22	Jun-22
All suppliers				
Number of accounts due for payment	683	838	866	6,629
Number of accounts paid on time	636	785	814	6,200
Actual percentage of accounts paid on time (based on number of accounts)	93%	94%	94%	94%
Dollar amount of accounts due for payment	72,237,977	109,946,398	27,192,772	190,617,074
Dollar amount of accounts paid on time	69,606,189	108,322,844	25,567,297	111,394,887
Actual percentage of accounts paid on time (based on $)	96%	99%	94%	58%
Number of payments for interest on overdue accounts	—	—	—	—
Interest paid on overdue accounts	—	—	—	—
Small business suppliers				
Number of accounts due for payment	20	24	33	47
Number of accounts paid on time	12	15	26	33
Actual percentage of accounts paid within 5 days (based on number of accounts)	60%	63%	79%	70%
Dollar amount of accounts due for payment	1,519,004	1,181,095	1,389,581	686,528
Dollar amount of accounts paid on time	1,284,519	780,518	1,292,414	416,249
Actual percentage of accounts paid within 5 days (based on $)	85%	66%	93%	61%
Number of payments for interest on overdue accounts	—	—	—	—
Interest paid on overdue accounts	—	—	—	—

Included in the data above is the information relating to the Office of Energy and Climate Change (OECC) following the Machinery of Government change on 1 April.

Note 1: For June 22, accounts paid on time (based on number of accounts) Traditional Treasury was 95%, OECC was 93%

Note 2: For June 22, accounts paid on time (based on dollars) Traditional Treasury was 100%, OECC was 20%

Note 3: For June 22, small business suppliers paid on time (based on number of accounts) Traditional Treasury was 84%, OECC was 11%

Note 4: For June 22, small business suppliers paid on time (based on dollars) Traditional Treasury was 85%, OECC was 4%

Expenditure on consultants

Costing $50,000 or more

Consultant	Project Description	Amount (excl GST) $
Finance and Accounting/Tax		
ROYAL BANK OF CANADA	Joint financial adviser for the WestConnex transaction	5,900,000
CITIGROUP GLOBAL MARKETS AUSTRALIA	Joint financial adviser for the WestConnex transaction	5,900,000
KPMG AUSTRALIA PTY LTD	Project management, communications and systems implementation functions in support of NSW Treasury tax reform projects	1,427,683
PRICEWATERHOUSECOOPERS SECURITIES	Accounting & tax adviser for the WestConnex transaction	878,000
KPMG AUSTRALIA PTY LTD	Accounting advice and related strategic advice in relation to Transport Asset Holding Entity	722,957
NEWGATE AUSTRALIA	Communications support for NSW Treasury tax reform projects	313,803
ERNST & YOUNG	Accounting and tax advice on the NSW Lotteries duty scoping study	263,039
ASHURST AUSTRALIA	Legal advisory services and document preparation for refinancing of the Reliance Rail debt	118,219
O'CONNOR, ANTHONY	Expert strategic advice and support for negotiations and other matters on the renewal of the whole-of-government Travel Management Services contract	94,995
ENERGETICS PTY LTD	Strategic advice on electricity procurement-retail supply of electricity (large and small sites) with capacity services contract	82,656

Consultant	Project Description	Amount (excl GST) $
Economic Services		
KPMG AUSTRALIA PTY LTD	Support to the Treasury COVID-19 Taskforce, including on the development of COVID-19 international insights, and accounting advice related to the formulation of application guidance for COVID-19 business support grants	944,242
ERNST & YOUNG	Expansion of economic and fiscal modelling capabilities to support NSW Treasury tax reform projects	365,000
ACCENTURE AUSTRALIA LTD	Economic modelling and analysis services provided in support of the Women's Economic Opportunities Review	235,000
PRICEWATERHOUSECOOPERS SECURITIES	Traffic adviser for the Toll Road Pricing and Relief Reform Review	217,420
CENTRE FOR INTERNATIONAL ECONOMICS	Economic evaluation of the benefits of COVID-19 regulatory relaxations	194,006
KPMG AUSTRALIA PTY LTD	Evaluation of COVID-19 small business grants	187,660
PRICEWATERHOUSECOOPERS SECURITIES	Economics adviser for the WestConnex transaction	185,213
KPMG AUSTRALIA PTY LTD	Program management support services and critical advice on the Tax Reform Roadmap	184,843
CENTRE FOR INTERNATIONAL ECONOMICS	Economic evaluation of the net benefits of the NSW Rice Marketing arrangements	181,044
ALEX HENLEY LLJIN	Road transport consultant for the Toll Road Pricing and Relief Reform Review	173,000
APPLIED ECONOMICS PTY LTD	Expert economic advice to augment Treasury's capacity for the rapid assessment of proposals for the NSW Budget	97,500
BIS OXFORD ECONOMICS PTY LTD	Econometric advisory services in relation to the NSW Lotteries duty scoping study	95,907
NSW INDEPENDENT PRICING AND REGULATORY TRIBUNAL	Review of NSW's competitive neutrality policy and processes	90,000
KPMG AUSTRALIA PTY LTD	Cost modelling and analysis for paid parental leave and superannuation options for the Women's Economic Opportunities Review	86,100
ACCENTURE AUSTRALIA LTD	Advisory services including strategic business case and cost benefit analysis for a NSW Female Founders venture capital fund	80,700
MICHAEL WILSON CONSULTING INC	Advice on the application of the Washington State Institute for Public Policy (WSIPP) benefit-cost model in the NSW context regarding family preservation programs	78,996

Consultant	Project Description	Amount (excl GST) $
CENTRE FOR INTERNATIONAL ECONOMICS	Advisory services for the development of a revenue forecasting model for reformed State infrastructure contributions	53,000
Information Technology		
DELOITTE TOUCHE TOHMATSU	Advisory services on data warehouse options, technology, governance,and outcomes budgeting use	133,500
Organisational Review		
ERNST & YOUNG	Review of the Stronger Communities procurement operating model and development of a Future State operating model and implementation roadmap	732,975
WSP AUSTRALIA PTY LIMITED	Advisory services provided to review and analyse current state Whole of Government Facilities Management delivery and spend	210,012
STEPHEN THOMAS SEDGWICK	Independent assessment of NSW Treasury's processes for the preparation of the 2021 State Financial Statements	106,801
Governance and Policy		
MONASH UNIVERSITY	Establishment and support the new board of the Net Zero Emissions Policy forum	248,807
KING & WOOD MALLESONS	Adhoc advice on trade law for the renewable energy sector board	184,358
ERNST & YOUNG	Design and implementation of a scheme governance framework	146,880
ASTROLABE GROUP PTY LIMITED	Stakeholder consultation on the new Automatic Mutual Recognition scheme	134,740
ARC BLUE CONSULTING	Services and advice in relation to sustainable procurement policy	95,153
DELOITTE TOUCHE TOHMATSU	Comparative research of Treasuries across multiple countries and jurisdictions to compare functional and operating models, scope of responsibilities and capabilities.	82,950
NOUS GROUP PTY LTD	Program management support services for baselining work on program changes and providing critical advice on NSW Electricity roadmap	59,500

Consultant	Project Description	Amount (excl GST) $
ARUP PTY LT	Report on Design and Place State Environmental Planning Policies (SEPP)-National Construction Code (NCC) Compliance Pathway	55,905
Management Services		
L.E.K. CONSULTING AUSTRALIA PTY LTD	Strategy adviser for the Toll Road Pricing and Relief Reform Review	1,156,406
JACOBS GROUP (AUSTRALIA) PTY LTD	Technical adviser for the WestConnex transaction	241,028
PORTLAND GROUP P/L	Design and build the strategy and baseline for the whole of government Procurement Savings project	160,849
ENVIRONMENTAL RESOURCES MANAGEMENT	Environmental adviser for the WestConnex transaction	89,338
ARMAC SIXTY-FOUR PTY LTD & OTHERS	Advice in the development of the Financial Capacity Framework for major infrastructure projects	273,146
Legal Services		
ALLENS LINKLATERS	Legal adviser for the WestConnex transaction	1,417,599
Consultants costing less than $50,000		
FINANCE AND ACCOUNTING/TAX	9 projects	205,374
ECONOMIC SERVICES	20 projects	369,203
ORGANISATIONAL REVIEW	2 projects	32,435
GOVERNANCE AND POLICY	5 projects	21,642
MANAGEMENT SERVICES	6 projects	65,397
Total Expenditure on Consultants		**25,374,979**

Overseas visits

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

Treasurer's Directions and Treasury Circulars 2021-22

Reference number	Name of Instrument	Date Issued / Updated	Year Issued
TC16-12	TC16-12 Related party disclosures	1/07/2021	2016
TC18-05	TC18-05 AASB 16 Leases - Transition Elections	1/07/2021	2018
TC18-10	TC18-10 Accounting for Superannuation	1/07/2021	2018
TC19-07	TC19-07 AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities Transition Elections	1/07/2021	2019
TC20-02	TC20-02 AASB 16 Leases - subsequent measurement of ROUA	1/07/2021	2020
TC20-03	TC20-03 Accounting Policy - Transition Requirements for AASB 1059 Service Concession Arrangements Grantor	1/07/2021	2020
TC20-04	TC20-04 Accounting Policy - Accounting for Public Sector Operators in a Service Concession Arrangements - 27 July 2020	1/07/2021	2020
TC21-11	TC21-11 Timetable for Agency Asset Valuation	10/12/2021	2021
TC22-01	TC22-01 - Statutory Act of Grace Payments	31/01/2022	2022
TPP20-08	TPP20-08 Internal Audit and Risk Management Policy for the General Government Sector	1/01/2022	2020
TPP21-06	TPP21-06 Accounting Policy - Lessor classification of long-term land leases	1/06/2021	2021
TPP21-07	TPP21-07 Distinguishing For-profit from Not-for-profit Entities updated 30 June 2021	1/06/2021	2021
TPP21-08	TPP21-08 Accounting Policy - Contributions by owners made to wholly-owned Public Sector Entities	1/06/2021	2021
TPP21-09	TPP21-09 Accounting Policy - Valuation of Physical Non-Current Assets at Fair Value	1/06/2021	2021
TPP21-14	TPP21-14 NSW Government Financial Risk Management Policy	31/01/2022	2022
TPP22-08	TPP22-08 Small Business Definition	28/02/2022	2022

Reference number	Name of Instrument	Date Issued / Updated	Year Issued
TPG21-10	TPG21-10 Capital Structure and Financial Distribution Policy for Government Businesses	10/12/2021	2021
TPG21-11	TPG21-11 Parameter and Technical Adjustments and New Policy Proposals (Measures)	22/12/2021	2021
TPG22-02	TPG22-02 Ownership and Portfolio Expectation Policy	3/02/2022	2022
TPG22-03	TPG22-03 Establishing and Monitoring the Performance of NSW Government residual entities	18/02/2022	2022
TPG22-05	TPG22-05 Carry Forwards Policy	2/03/2022	2022
TPG22-06	TPG22-06 Financial Reporting Code for NSW General Government Sector Entities	8/03/2022	2022
TPG22-07	TPG22-07 Mandates of options and major policy decisions under Australian Accounting Standards	8/03/2022	2022
TPG22-11	TPG22-11 Agency Direction for the 2021-22 Mandatory Early Close	8/04/2022	2022
TPG22-12	TPG 22-12 NSW Gateway Policy	28/03/2022	2022
TPG22-16	TPG22-16 Agency Direction for the 2021-22 Mandatory Annual Returns to Treasury	20/06/2022	2022
TPG22-17	Agency guidelines for the 2021-22 mandatory annual returns to Treasury for NSW public sector entities that are not included in TD21-02	20/06/2022	2022
TPG22-20	TPG22-20 Government Guarantee Fee Policy for Government Businesses	28/06/2022	2022

As of 30 June 2022, Treasury had 116 active policies, 75 were issued within the last 5 years.

Treasury continues to find innovative ways to provide a streamlined and consistent approach in communicating its policy requirements. For example, from 1 January 2022, the format of non-legislative instruments, including Treasury Policy Papers, Treasury Circulars and guidance material were transitioned into 'one instrument' - the Treasury Policy and Guidelines (TPG). Having one instrument allows the sector to clearly and easily identify the purpose of the information and understand what (if any) mandatory obligations the instrument imposes on them.

Treasurer's legislation – changes during 2021-22 / financial and annual reporting legislation

New Changes

- Appropriation (Parliament) Act 2022 No 31
- Coal and Oil Shale Mine Workers (Superannuation) Act 1941 No 45 (except Part 4A, the Minister for Finance)
- 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
- Gaming Machine Tax Act 2001 No 72, jointly with the Minister for Finance and the Minister for Hospitality and Racing (except parts, the Minister for Hospitality and Racing)
- Government Sector Audit Act 1983 No 152
- Government Sector Finance Act 2018 No 55
- Land and Property Information NSW (Authorised Transaction) Act 2016 No 46
- NSW Lotteries (Authorised Transaction) Act 2009 No 60
- Ports Assets (Authorised Transactions) Act 2012 No 101
- State Owned Corporations Act 1989 No 134, section 37B
- Superannuation Administration Corporation (Pillar) (Authorised Transaction) Act 2016 No 19
- Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010 No 8 (except parts, the Minister for Homes)

1. Government Sector Finance Act 2018 ('GSF Act')	• GSF Act provisions on agency and State financial reporting and related regulations commenced on 1 July 2021. • Transitional arrangements for agency annual reporting implemented in the Government Sector Finance Amendment (Transitional) Regulation 2021 to ensure the scope of entities required to prepare annual reports under the current Annual Reporting Acts remains unchanged until the annual reporting provisions in the GSF Act are commenced from 1 July 2023. • Government Sector Finance Amendment (Reporting GSF Agency Exclusions) Regulation 2021 prescribes the kinds of GSF agencies to be excluded from the definition of reporting GSF agency and therefore exempt from the preparation of financial reports.
2. Government Sector Audit Act 1983 ('GSA Act')	• Public Finance and Audit Act 1983 renamed as the GSA Act 1983 on 1 July 2021. • Government Sector Audit Regulation 2021 commenced on 1 July 2021 prescribes entities for particular audits (Division 4 of Part 3 of the GSA Act).

Crown Related Entities Annual Reports

Alpha Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2022

Alpha Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2022

STATEMENT BY ACCOUNTABLE AUTHORITY

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

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

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

Paul Grimes PSM
Secretary

21 October 2022

Alpha Distribution Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	Budget 2022 $000	Actual 2022 $000	Actual 2021 $000
Expenses excluding losses				
Operating expenses	4	9,424	9,050	9,140
Total expenses excluding losses		**9,424**	**9,050**	**9,140**
Revenue				
Investment revenue	5(a)	10,843	10,643	10,200
Contract service revenue	5(b)	9,305	9,165	9,176
Total Revenue		**20,148**	**19,808**	**19,376**
Gains/(losses) on disposal	6	-	(13,276)	(394)
Net result		**10,724**	**(2,518)**	**9,842**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent periods:				
Superannuation actuarial gains/(losses)	12(ii)	6,854	6,181	19,489
Total other comprehensive income		**6,854**	**6,181**	**19,489**
Total comprehensive income		**17,578**	**3,663**	**29,331**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2022

	Notes	Budget 2022 $000	Actual 2022 $000	Actual 2021 $000
Assets				
Current assets				
Cash and cash equivalents	7	27,261	27,361	26,966
Receivables	8	23	23	25
Total current assets		**27,284**	**27,384**	**26,991**
Non-current assets				
Other financial assets	9	177,910	164,019	166,699
Total non-current assets		**177,910**	**164,019**	**166,699**
Total assets		**205,194**	**191,403**	**193,690**
Liabilities				
Current liabilities				
Payables	10	38	46	50
Contract liabilities	13	242	245	238
Total current liabilities		**280**	**291**	**288**
Non-current liabilities				
Provisions	11	17,721	9,276	15,229
Total non-current liabilities		**17,721**	**9,276**	**15,229**
Total liabilities		**18,001**	**9,567**	**15,517**
Net assets		**187,193**	**181,836**	**178,173**
Equity				
Accumulated funds		187,193	181,836	178,173
Total equity		**187,193**	**181,836**	**178,173**

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 2022

	Accumulated funds $000	Total $000
Balance at 1 July 2021	**178,173**	**178,173**
Net result for the year	(2,518)	(2,518)
Other comprehensive income		
Superannuation actuarial gains/(losses)	6,181	6,181
Total other comprehensive income	**6,181**	**6,181**
Total comprehensive income for the year	**3,663**	**3,663**
Balance at 30 June 2022	**181,836**	**181,836**
Balance at 1 July 2020	**148,842**	**148,842**
Net result for the year	9,842	9,842
Other comprehensive income		
Superannuation actuarial gains/(losses)	19,489	19,489
Total other comprehensive income	**19,489**	**19,489**
Total comprehensive income for the year	**29,331**	**29,331**
Balance at 30 June 2021	**178,173**	**178,173**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2022

	Notes	Budget 2022 $000	Actual 2022 $000	Actual 2021 $000
Cash flows from operating activities				
Payments				
Employee related		-	-	(200)
Suppliers for goods and services		(10,013)	(1,199)	(1,114)
Total Payments		**(10,013)**	**(1,199)**	**(1,314)**
Receipts				
Sale of goods and services		10,321	1,548	1,454
Interest received		27	46	39
Total Receipts		**10,348**	**1,594**	**1,493**
Net cash flows from operating activities	17	**335**	**395**	**179**
Net cash flows from investing activities		**-**	**-**	**-**
Net cash flows from financing activities		**-**	**-**	**-**
Net increase in cash and cash equivalents		**335**	**395**	**179**
Opening cash and cash equivalents		26,926	26,966	26,787
Closing cash and cash equivalents	7	**27,261**	**27,361**	**26,966**

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 2022

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Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2022

1. INFORMATION ON THE ALPHA DISTRIBUTION MINISTERIAL HOLDING CORPORATION

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

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

The ADMHC is a NSW Government entity and is controlled by the State of New South Wales, which is the ultimate parent. The ADMHC has been a not-for-profit entity from 1 December 2016 (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 has acquired 16.8 per cent interest in Ausgrid from Australian Super and become investor of the Ausgrid network and party to the Long-Term Ausgrid network lease.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

Use of judgements, estimates and assumptions

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

Electricity network land lease classification – ADMHC as lessor

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

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

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

Valuation of lease receivable – unguaranteed residual value

The ADMHC carries its lease receivable which mainly 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.

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Superannuation liabilities

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

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

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

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

COVID-19

Management has considered the impact of COVID-19 on the ADMHC's revenue and receivables, including the impact on estimate and judgements used in the valuation of lease receivable. Management has concluded that COVID-19 has not had a material impact on the ADMHC's operations and preparation of the financial statements for the year ended 30 June 2022.

Going concern

The ADMHC's financial statements have been prepared on a going concern basis. It is expected that the Corporation has adequate cash holding and cash inflows to continue operations for the foreseeable future. If required, the State will provide the necessary financial support to ADMHC to meet its debts as and when they become due and payable through the annual State Budget and the Appropriation Bill when required. Section 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.

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

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.

As mandated by NSW Treasury Policy and Guidelines TPG22-07 *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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative information

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

Revenue

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

Contract service revenue

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

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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*.

Expense

Expenses are recognised when incurred.

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

Assets

Cash and cash equivalents

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

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.

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In accordance with TPP 21-06 *Lessor classification of long-term land leases*, a prepaid lease classified as a finance lease under this policy will effectively be accounted for as a sale. At the inception of the lease, the lessor will derecognise the land and recognise the associated gain or loss on disposal.

Subsequently, finance income is based on a pattern reflecting a constant periodic rate of return on the ADMHC's net investment in the finance lease. The estimated unguaranteed residual values used in computing the gross investment in the lease are subject to an impairment test which takes into consideration factors such as the volatility of land values, the rate of technological change and competitive conditions. Under the lease agreement, the lessee is permitted to sell land (which forms part of the leased assets) when deemed surplus to the network requirements. Following the sale, the net present value of the relevant land is derecognised from the finance lease receivable in accordance with AASB 16 *Leases* paragraph 90. 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 is primarily derecognised when:

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

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

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

Liabilities

Payables

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

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

Unearned revenue

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.

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

Following the sale of the discontinued operations and the ADMHC's conversion to be a General Government Entity, the ADMHC is no longer subject to the National Tax Equivalent Regime. As an entity wholly owned by the NSW Government, the ADMHC is exempt from all forms of taxation except the Goods and Services Tax. Fringe Benefit Tax is not relevant as the Corporation has no staff.

Accounting for the Goods and Services Tax

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

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

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in the Note 16.

4. OPERATING EXPENSES

	2022 $'000	2021 $'000
Superannuation - defined benefit expense	228	299
Lease outgoing expenditures	8,584	8,606
Administrative charge	182	181
Audit fees - audit of financial statements	56	54
Total	**9,050**	**9,140**

5. REVENUE

(a) Investment revenue		
Interest income	46	41
Finance income on the net investment in the lease (i)	10,597	10,159
	10,643	**10,200**
(b) Contract service revenue		
Lease outgoing recoupment (ii)	8,584	8,606
Contract service income (iii)	581	570
	9,165	**9,176**
Total revenue	**19,808**	**19,376**

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

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

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

6. GAINS/(LOSSES) ON DISPOSAL

	2022 $'000	2021 $'000
Loss on disposal of assets for which finance lease is entered into as a lessor	(13,276)	(394)
	(13,276)	**(394)**

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

7. CASH AND CASH EQUIVALENTS

Cash at bank	27,361	26,966
Total	**27,361**	**26,966**

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

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

Closing cash and cash equivalents (per Statement of Cash Flows)	27,361	26,966

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

8. RECEIVABLES

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

The net amount of GST recoverable from the ATO is included within GST receivable. Details regarding credit risk, liquidity risk and market risk, including the financial assets that are either past due or impaired, are disclosed in Note 18.

9. OTHER FINANCIAL ASSETS

	2022	2021
	$'000	$'000
Non-current		
Finance lease receivable [(i)]	164,019	166,699
Total	**164,019**	**166,699**

[(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 $57.5 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 $10.6 million (2021: $10.2 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:

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 isn't 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	57,510,291	62,233,475
Less: unearned finance income	57,346,272	62,066,776
Net investment in finance leases	**164,019**	**166,699**

Reconciliation of unguaranteed residual amounts (undiscounted)

Opening balance	62,233,475	62,380,668
Less disposal - partial surrender of the lease	(4,723,184)	(147,193)
Closing balance	**57,510,291**	**62,233,475**

10. PAYABLES

	2022	2021
Current	**$'000**	**$'000**
Accruals	46	50
Total	**46**	**50**

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))	9,276	15,229
Total	**9,276**	**15,229**

On completion of the lease transaction on 30 November 2016, all defined benefit superannuation provisions and employee's right, 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. Assets and Liability values of the ADMHC's Energy Industries Superannuation Scheme Defined Benefit Funds are provided by the Fund's Actuary, Mercer Consulting (Australia) Pty Ltd.

Significant events

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

Nature of benefits

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

Regulatory framework

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

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

12. UNFUNDED SUPERANNUATION (continued)

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

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans. The Scheme has received an exemption from annual actuarial valuations and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2021. The next actuarial valuation is due to be performed as at 30 June 2024.

Governance

Energy Industries Superannuation Scheme Pty Limited is the Superannuation Scheme Trustee. The Scheme's Trustee is responsible for the governance of the Scheme. The Trustee has a legal obligation to act solely in the best interests of the Scheme beneficiaries. The Trustee has the following roles:

- Administration of the Scheme and payment to the beneficiaries from Scheme assets when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets;
- Compliance with other applicable regulations, and
- Compliance with the Trust Deed.

Risks

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

- Investment risk - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- Longevity risk - The risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

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

	2022	2021
Member Numbers		
Contributors	-	-
Deferred benefits	1	1
Pensioners	113	116

12. UNFUNDED SUPERANNUATION (continued)

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

	2022 $'000	2021 $'000
Net interest	228	299
Total net expense	**228**	**299**

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

	2022	2021
Actuarial gains/(losses) on liabilities	12,086	8,926
Actuarial gains/(losses) on assets	(5,905)	10,563
Total actuarial gains/(losses)	**6,181**	**19,489**

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

	2022	2021
Net asset/(liability) at the beginning of the year	(15,229)	(34,419)
Net interest income/(expense) on the net defined benefit asset/(liability)	(228)	(299)
Return on plan assets, excluding amounts included in interest expense/(income)	(5,905)	10,563
Actuarial gains/(losses) arising from changes in demographic assumptions	(9,775)	-
Actuarial gains/(losses) arising from changes in financial assumptions	21,416	4,597
Actuarial gains/(losses) arising from liability experience	445	4,329
Net assset/(liability) at the end of the year	**(9,276)**	**(15,229)**

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

	2022	2021
Present value of defined benefit obligations at the beginning of the year	(98,087)	(110,427)
Interest income/(expense)	(1,438)	(941)
Actuarial gains/(losses) arising from changes in demographic assumptions	(9,775)	-
Actuarial gains/(losses) arising from changes in financial assumptions	21,416	4,597
Actuarial gains/(losses) arising from liability experience	445	4,329
Benefits paid	4,154	4,133
Taxes, premiums and expenses paid	242	222
Present value of defined benefit obligations at the end of the year	**(83,043)**	**(98,087)**

12. UNFUNDED SUPERANNUATION (continued)

(v) Reconciliation of the fair value of fund assets

	2022 $'000	2021 $'000
Fair value at the beginning of the year	82,858	76,008
Interest income/(expense)	1,210	642
Actual return on fund assets less interest income	(5,905)	10,563
Benefits paid	(4,154)	(4,133)
Taxes, premiums and expenses paid	(242)	(222)
Fair value at the end of the year	**73,767**	**82,858**

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 14 years (2021: 13 years).

Fair value of fund assets

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

Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,766,548	2,012,197
Level 3 - Unobservable inputs	-	-
Total	**1,766,548**	**2,012,197**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi-government and corporate bonds and unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

12. UNFUNDED SUPERANNUATION (continued)

Some Pool B assets are invested in accordance with member investment choices. For Pool B assets invested in the Energy Investment Fund but not subject to investment choice, the Trustee makes the relevant investment asset allocation decision. The percentage invested in each asset class at the end of the reporting period is:

Asset Category	30 June 2022	30 June 2021
Alternatives	15%	8%
International equities	20%	29%
Australian equities	14%	18%
Infrastructure	12%	11%
Property	17%	13%
Private equity	3%	1%
Cash	9%	9%
Fixed income	10%	11%
Total	**100%**	**100%**

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

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

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

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2022

12. UNFUNDED SUPERANNUATION (continued)

Significant actuarial assumptions at the end of the reporting period

	2022	2021
Discount rate	3.69% p.a.	1.50% pa
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	4.00% for 2022/23, 5.50% for 2023/24, 3.00% for 2024/25 and 2025/26, 2.75% for 2026/27 and 2027/28 then 2.50% p.a.	1.50% for 2020/2021; 1.75% for 2021/22 and 2022/23; 2.25% for 2023/24, 2024/25 and 2025/26; 2.50% for 2026/27; 2.75% for 2027/28, 3.00% for 2028/29; 2.75% for 2029/30; 2.50% pa thereafter
Pensioner mortality	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 report which is available from the Trustee website). The pension mortality rates are based on experience of the Australian public sector.	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2018 (the rates are disclosed in the triennial report available from the Trustee website). The pension mortality rates are based on experience of the NSW public sector.

Sensitivity analysis

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

As at 30 June 2022

	Base case	**Scenario A - 1% discount rate**	**Scenario B +1% discount rate**
Discount rate	3.69% p.a.	2.69% pa	4.69% pa
Rate of CPI increase	as above	as above	as above
Defined benefit obligation ($'000)	83,043	94,852	73,243
	Base case	**Scenario C +0.5% rate of CPI**	**Scenario D -0.5% rate of CPI**
Discount rate	3.69% p.a.	3.69% p.a.	3.69% p.a.
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation ($'000)	83,043	88,828	77,704
	Base case	**Scenario E Lower pensioner mortality rates***	**Scenario F Higher pensioner mortality rates****
Defined benefit obligation ($'000)	83,043	84,205	82,111

* 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, while retaining all other assumptions.

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 2021

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

* Assumes the short-term pensioner mortality improvement factors for years 2018-2024 also apply for years after 2024.
** Assumes the long-term pensioner mortality improvement factors for years post 2024 also apply for years 2018 to 2024.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, while retaining all other assumptions.

Asset/Liability matching strategies

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

Funding arrangements for employer contributions

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2021. Contribution rates are set after discussions between the employer and the trustee. Funding positions are reviewed annually, and funding arrangements may be adjusted as required.

Net surplus

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

	2022 $'000	2021 $'000
Net market value of Fund assets	73,767	82,858
Accrued benefits	(65,507)	(62,160)
Net surplus	**8,260**	**20,698**

12. UNFUNDED SUPERANNUATION (continued)

Please note that the above AASB 1056 *Superannuation Entities* results are based on the economic assumptions to be used for the 30 June 2022 actuarial valuation. 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:

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	2022	2021
Expected rate of return on Fund assets backing current pension liabilities	5.3%	5.0%
Expected rate of return on Fund assets backing other liabilities	5.3%	5.0%
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.2% pa	1.9% pa

Expected contributions

As at 30 June 2022

	$'000
Expected employer contributions to be paid in the period 1 July 2022 to 30 June 2023	-

As at 30 June 2021

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

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 14 years (2021: 13 years).

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 environment due to Covid-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 *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 EISS's assets in current financial conditions, sensitivities to this assumption for the AASB 1056 results in the table below (results for 2021 shown for comparative purposes).

2022	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets	5.3% pa	4.8% pa	5.8% pa
Rate of CPI increase	2.2% pa	2.2% pa	2.2% pa
Accrued Benefits ($000)	65,507	68,946	62,339
2021	**Base case**	**Scenario A -0.5% discount rate**	**Scenario B +0.5% discount rate**
Expected rate of return on Fund assets	5.0% pa	4.5% pa	5.5% pa
Rate of CPI increase	1.9% pa	1.9% pa	1.9% pa
Accrued Benefits ($000)	62,160	65,323	59,285

13. CONTRACT LIABILITIES

	2022 $'000	2021 $'000
Current contract liabilities		
Unearned revenue	245	238
Total	**245**	**238**
Contract liabilities reconciliation		
Opening balance	238	237
Contract service invoiced/received	588	571
Revenue recognised upon performance obligation fulfilled	(581)	(570)
Closing balance	**245**	**238**
Revenue recognised that was included in the contract liability balance at the beginning of the year	238	237
Revenue recognised from performance obligation satisfied in pevious periods	-	-
Transaction price allocated to the remaining performance obligations from the contract with customers	245	238

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 2022-23 financial year.

14. COMMITMENTS

The ADMHC does not have capital expenditure commitments as at the reporting date (2021: nil).

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A claim has been 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) were vested in ADMHC, where ADMHC assumes the lease obligation as a lessee. The Ausgrid Head Lease provided the ADMHC with a reimbursement right 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.

The ADMHC does not have any other contingent assets and contingent liabilities to report as at the reporting date (2021: 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 2022 ADMHC made a net operating loss of $2.5 million which was $13.2 million behind the budget due to loss incurred on land disposals in 2022, mainly resulting from the compulsory land acquisition land in the Sydney CBD for the construction of Sydney Metro. It is one-off in nature and not expected to be repeated in future periods.

Both operating expenses of $9.1 million and total revenue of $19.8 million were $0.3 million below the budget, due to lower lease outgoing expenses and recoupment, which net-off.

Other comprehensive income of $6.2 million is $0.7 million lower than budget, due to combination of a change in financial and demographic assumptions and variance in investment returns. The $6.2 million actuarial gains on superannuation liabilities are driven by the following:

- Actuarial gains on superannuation liabilities of $21.4 million driven by and an increase in the discount rate to 3.7 per cent (2021: 1.5 per cent) and increment on inflation assumptions.
- Actuarial gains on superannuation liabilities of $0.5 million driven by improvement on liability experience.
- Actuarial loss on superannuation liabilities of $9.8 million driven by a change in demographic assumption.
- Investment loss of $5.9 million on fund assets.

Assets and Liabilities

Net assets for the year were $181.8 million, $5.4 million lower than the budget.

Total assets were $191.4 million and $13.8 million below the budget mainly due to the unanticipated land disposal in 2022 noted above.

There has been a reduction in the total liabilities of $8.4 million compared to budget, mainly attributable to a decrease in the superannuation liabilities in 2022 contributed to by an increase in the discount rate and inflation assumptions. This was partially offset by the impact from the change in demographic assumption and investment loss noted above.

Cash flows

The actual net cash flows from operating activities resulted in an inflow of $0.4 million, in line with budgeted net operating cash flows.

Cash and cash equivalents held at reporting date was $27.4 million at par with budget.

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

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash Flows from Operating Activities to Net Result

	2022 $'000	2021 $'000
Net cash flow from operating activities	395	179
Adjustments for non-cash items		
Gains/(losses) on disposal of assets	(13,276)	(394)
Superannuation actuarial (gains)/losses	(6,181)	(19,489)
Finance lease income	10,597	10,159
Net changes in assets and liabilities during the financial year		
(Decrease)/increase in receivables	(2)	2
Decrease/(increase) in payables	4	(4)
Decrease in provisions	5,953	19,390
(Increase) in contract liabilities	(8)	(1)
Net result	**(2,518)**	**9,842**

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

	Notes	Category	2022 $'000	2021 $'000
Financial Assets				
Cash and cash equivalents	7	N/A	27,361	26,966
Receivables	8	Amortised cost	-	2
Financial Liabilities				
Payables	10	Financial liabilities measured at amortised cost	46	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.

18. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Overview

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

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

As at 30 June 2022, 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 +1.5 /- 0.5 per cent is used (FY2021: +0.5 / -0.25 per cent).

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

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.

2022		-0.5%		+1.5%	
	Carrying amount	Net result	Equity	Net result	Equity
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	27,361	(137)	(137)	410	410
2021		**-0.25%**		**+0.5%**	
	Carrying amount	**Net result**	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	26,966	(67)	(67)	135	135

Liquidity risk

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

Liabilities are recognised for amounts due to be paid in the future for goods or services received. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in TC11-12 *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.

			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate %	Nominal amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'000
2022								
Payables	-	46	-	-	46	46	-	-
Total financial liabilities	**-**	**46**	**-**	**-**	**46**	**46**	**-**	**-**
2021								
Payables	-	50	-	-	50	50	-	-
Total financial liabilities	**-**	**50**	**-**	**-**	**50**	**50**	**-**	**-**

19. RELATED PARTIES

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

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

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

(c) Transactions with related parties

Transactions with KMP
The ADMHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions.The KMP 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 $200,099 inclusive of GST (2021: $198,894) 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 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of Treasury is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Accountable Authority.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

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. The description forms part of my auditor's report.

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

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2022

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2022

STATEMENT BY ACCOUNTABLE AUTHORITY

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

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

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

Paul Grimes PSM
Secretary

21 October 2022

Electricity Assets Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Expenses				
Operating expenses	3	439	3,786	2,969
Grants and subsidies	4	11,000	6,700	5,500
Finance costs	10	130	(7)	73
Total expenses		**11,569**	**10,479**	**8,542**
Revenue				
Investment revenue	5	128	231	229
Contract revenue	6	273	285	293
Other revenue	6	-	1,924	628
Total revenue		**401**	**2,440**	**1,150**
Net result		**(11,168)**	**(8,039)**	**(7,392)**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**(11,168)**	**(8,039)**	**(7,392)**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
ASSETS				
Current assets				
Cash and cash equivalents	7	127,884	134,215	143,061
Receivables	8	714	441	775
Total current assets		**128,598**	**134,656**	**143,836**
Non-current assets				
Receivables	8	2,596	3,276	3,064
Total non-current assets		**2,596**	**3,276**	**3,064**
Total assets		**131,194**	**137,932**	**146,900**
LIABILITIES				
Current liabilities				
Payables	9	64	83	158
Provision for outstanding claims	10	4,010	5,151	4,504
Total current liabilities		**4,074**	**5,234**	**4,662**
Non-current liabilities				
Provision for outstanding claims	10	42,964	46,868	48,369
Total non-current liabilities		**42,964**	**46,868**	**48,369**
Total liabilities		**47,038**	**52,102**	**53,031**
Net assets		**84,156**	**85,830**	**93,869**
Equity				
Accumulated funds		84,156	85,830	93,869
Total equity		**84,156**	**85,830**	**93,869**

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 2022

	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2021	**93,869**	**93,869**
Net result for the year	(8,039)	(8,039)
Other comprehensive income	-	-
Total comprehensive income for the year	**(8,039)**	**(8,039)**
Balance at 30 June 2022	**85,830**	**85,830**
Balance at 1 July 2020	**101,261**	**101,261**
Net result for the year	(7,392)	(7,392)
Other comprehensive income	-	-
Total comprehensive income for the year	**(7,392)**	**(7,392)**
Balance at 30 June 2021	**93,869**	**93,869**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Cash flows from operating activities				
Payments				
Claim payments	10	(3,899)	(4,000)	(6,012)
Grants and subsidies	4	(11,000)	(6,700)	(5,500)
Other		(1,316)	(1,216)	(1,242)
Total payments		**(16,215)**	**(11,916)**	**(12,754)**
Receipts				
Interest received	5	128	231	229
Other		978	2,839	1,521
Total receipts		**1,106**	**3,070**	**1,750**
Net cash flows used in operating activities	11	**(15,109)**	**(8,846)**	**(11,004)**
Net cash flows from investing activities		**-**	**-**	**-**
Net cash flows from financing activities		**-**	**-**	**-**
Net (decrease)/increase in cash		**(15,109)**	**(8,846)**	**(11,004)**
Opening cash and cash equivalents		142,993	143,061	154,065
Closing cash and cash equivalents	7	**127,884**	**134,215**	**143,061**

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 2022

NOTES INDEX	PAGE

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

1. ELECTRICITY ASSETS MINISTERIAL HOLDING CORPORATION INFORMATION

The Electricity Assets Ministerial Holding Corporation (EAMHC) was established on 5 June 2012 by the *Electricity Generator Assets (Authorised Transactions) Act 2012* (the Act). The Act authorises and provides for the transfer of the State's electricity generator assets to the private sector and between public sector agencies.

The Act also establishes the EAMHC to hold electricity generator assets acquired by it or transferred to it by or under this Act or any other Act, and to carry on any activities or business that relate to any electricity generator assets held by it, including demanding, collecting and receiving charges, levies, rates and fees, and such other functions for the purposes of an authorised transaction as may be prescribed by the regulations. The EAMHC may, for the purposes of an authorised transaction, acquire certain land by agreement or by compulsory process in accordance with the *Land Acquisition (Just Terms Compensation) Act 1991*.

On 31 July 2013, the Treasurer authorised the transfer of specific assets, rights and liabilities relating to the pre-existing dust disease and non-dust disease liabilities from Eraring Energy, Delta Electricity and Macquarie Generation to the EAMHC. The EAMHC appointed Insurance and Care NSW (icare) to undertake the claims management functions. From 2015, the residual assets, rights and liabilities of the Green State Power, Macquarie Generation and Delta Electricity Vales Point power station were vested in the EAMHC through various vesting orders. On 21 November 2016, the State dissolved Delta Electricity, established a general government sector transaction company in the name of Generator Property Management Pty Ltd (GPM) to carry out the demolition and remediation work of the Delta Electricity Munmorah power station. The residual assets, rights and liabilities of Delta Electricity were vested to the EAMHC and GPM. *Electricity Generator Assets (Authorised Transactions) Regulation 2016* provide the EAMHC with additional functions under the Act to provide funding to the GPM and carry out residual entity business transactions.

The EAMHC is a NSW Government entity and is controlled by the State of New South Wales, which is the ultimate parent. The EAMHC is a not-for-profit entity (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 EAMHC is consolidated as part of the NSW Total State Sector Accounts.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of judgements, estimates and assumptions

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

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

Provision for outstanding claims

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

The expected future payments are estimated on the basis of the ultimate cost of the settling of claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Superimposed inflation 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* state 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, which include Australian Accounting Interpretations.

Changes in accounting policy, 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 EAMHC.

As mandated by NSW Treasury Policy and Guidelines TPG22-07 *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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE

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

Contract revenue

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

Petroleum exploration royalty

Macquarie Generation's rights, title and interests in relation to the petroleum exploration licence issued under the *Petroleum (Onshore) Act 1991* was vested in the EAMHC on 30 January 2015. Under the royalty deeds, the EAMHC is entitled to receive a cash payment based on the volume of resources extracted under the petroleum exploration licenses from AGL Upstream Investments Pty Limited.

The Gas Supply Agreement is an irrevocable contract with the customer (AGL). The rights to extract the gas were transferred to AGL in 1998 by Pacific Power (Macquarie Generation's predecessor) and subsequently vested in EAMHC in 2015.

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

Other revenue

Recovery revenue

Recovery revenue is insurance recoveries in respect of the claims paid. It is recognised as revenue when it is virtually certain that recovery will be made. Claim recovery revenue also includes actuarial revisions to the outstanding claim recoveries receivable.

Other revenue

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

Investment revenue

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

EXPENSES

Expenses are recognised when incurred.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating expenses

Claims expenses

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

Management Fees

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

Other expenses

Other expenses are recognised as they accrue.

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

Grants and subsidies

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

Finance costs

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

ASSETS

Cash and cash equivalents

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

Receivables

Trade and other receivables

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

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 2022, the lifetime ECL is $Nil (2021 - $ Nil) based on the historical pattern, accordingly no credit losses allowance is required at reporting date.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claim recoveries receivable

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

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

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire or if the EAMHC 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 EAMHC has transferred substantially all the risks and rewards of the asset; or
- the EAMHC has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

LIABILITIES

Payables

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

Provisions for outstanding claims

Provisions are recognised when:

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

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

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

Income tax

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

Accounting for the Goods and Services Tax

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

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

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

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in the Note 14.

3. OPERATING EXPENSES

	Notes	2022 $'000	2021 $'000
Claims expenses			
Adjustment to existing outstanding claims[1]	10	3,154	2,234
		3,154	**2,234**
Management fees			
Management fees		129	167
		129	**167**
Other operating expenses			
Actuarial expenses		97	112
Audit fees - audit of financial statements		64	63
Data Warehouse		94	101
Contractors		-	50
Consultants		-	35
Administrative charge		182	181
Storage costs		26	26
Other		40	-
		503	**568**
Total operating expenses		**3,786**	**2,969**

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

4. GRANTS AND SUBSIDIES

	2022 $'000	2021 $'000
Grants and subsidies		
Grants to GPM	6,700	5,500
	6,700	**5,500**

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

5. INVESTMENT REVENUE

	2022 $'000	2021 $'000
Bank interest	231	229
	231	**229**

6. CONTRACT AND OTHER REVENUE

	2022 $'000	2021 $'000
Contract revenue		
Petroleum exploration royalty	285	293
	285	**293**
Other revenue		
Recovery revenue	827	616
Insurance settlement[1]	1,097	-
Other	-	12
	1,924	**628**

[1.] The insurance settlement received was in respect of a fire incident at Green State Power site due to a supplier negligence conduct.

7. CASH AND CASH EQUIVALENTS

Cash at bank	134,215	143,061
	134,215	**143,061**

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)	134,215	143,061
Closing cash and cash equivalents (per Statement of Cash Flows)	134,215	143,061

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

8. RECEIVABLES

Expected future recoveries (discounted)	3,642	3,319
Petroleum exploration royalty	22	24
GST receivables	53	485
Other	-	11
	3,717	**3,839**
Current	441	775
Non-current	3,276	3,064
	3,717	**3,839**

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

	2022 $'000	2021 $'000
Claims payable	23	58
Other	60	100
	83	**158**

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

10. PROVISIONS FOR OUTSTANDING CLAIMS

	Dust Disease $'000	Non Dust Disease $'000	2022 Total $'000	2021 Total $'000
Opening balance	45,323	7,550	52,873	56,578
Payments	(3,555)	(446)	(4,001)	(6,012)
Actuarial (gain)/loss	11,810	(667)	11,143	4,099
Change in the discount rate	(7,211)	(778)	(7,989)	(1,865)
Unwinding of discounts	(6)	(1)	(7)	73
Closing balance	**46,361**	**5,658**	**52,019**	**52,873**
Current	4,477	674	5,151	4,504
Non-current	41,884	4,984	46,868	48,369
	46,361	**5,658**	**52,019**	**52,873**

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be between 7.17 to 8.9 years (2021: 7.17 – 9.9 years) for dust disease liabilities and 6.58 years (2021: 7.17 years) for non-dust disease liabilities.

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

	Dust Disease		Non Dust Disease	
	2022 %	2021 %	2022 %	2021 %
Not later than one year				
Inflation rate	3.15 - 3.79	1.06 - 1.12	3.15 - 4.35	1.10 - 1.49
Discount rate	1.52 - 2.90	(0.06) - 0.04	2.38	(0.01)
Superimposed inflation	1.50 - 2.00	1.50 - 2.00	-	-
Later than one year				
Inflation rate	2.50 - 3.49	1.13 - 3.00	2.00 - 2.96	1.19 - 2.50
Discount rate	3.10 - 4.17	(0.05) - 4.00	3.34 - 4.16	0.06 - 4.00
Superimposed inflation	1.50 - 2.00	1.50 - 2.00	-	-

Sensitivity Analysis

The outstanding claims liabilities are the best estimate derived from actuarial assumptions regarding future experience. Sensitivity analysis can be used to measure the change in the outstanding claims estimate that would result from a change in the assumptions. Sensitivity analysis of the key valuation

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

assumption changes for the Dust Disease and Non-dust Disease liabilities and their impact are shown in the following tables:

(a) Dust disease as at 30 June 2022

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		42,788		
Discount rate	+1%	39,557	-3,231	-7.6%
	-1%	46,529	3,741	8.7%
Inflation rate	+1%	46,497	3,709	8.7%
	-1%	39,519	-3,269	-7.6%
Superimposed inflation rate	+1%	46,509	3,721	8.7%
	-1%	39,509	-3,279	-7.7%
Seed Reports[2]	+1 claim	47,443	4,655	10.9%
	-1 claim	38,132	-4,656	-10.9%
Incidence Curves[3]	+15% IBNR claims	48,531	5,743	13.4%
	-15% IBNR claims	37,045	-5,743	-13.4%
Average Claim Size	+10%	46,616	3,828	8.9%
	-10%	38,959	-3,829	-8.9%

(b) Dust disease as at 30 June 2021

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

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

10. PROVISION FOR OUTSTANDING CLAIMS (continued)

(c) Non-dust disease as at 30 June 2022

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		5,590		
Discount rate	+1%	5,254	-336	-6.0%
	-1%	5,965	375	6.7%
Inflation rate	+1%	5,966	376	6.7%
	-1%	5,248	-342	-6.1%
Reactivation[2]	+20%	5,809	219	3.9%
	-20%	5,371	-219	-3.9%
Life expectancy[3]	+5	7,139	1,549	27.7%
	-5	3,921	-1,669	-29.9%
IBNR seed reports	+100%	6,217	627	11.2%
	-50%	5,277	-313	-5.6%

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

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

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

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

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

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

	2022 $'000	2021 $'000
Net cash flows from operating activities	**(8,846)**	**(11,004)**
Adjustments for:		
Decrease in provisions	854	3,705
Decrease / (increase) in payables	75	(97)
(Decrease) / increase in receivables	(122)	4
Net result	**(8,039)**	**(7,392)**

12. FINANCIAL INSTRUMENTS

The EAMHC's principal financial instruments are cash deposits held with financial institutions as part of the NSW Treasury Banking System, receivables and payables. These instruments expose the EAMHC to interest rate risk on cash balances held, liquidity risk and credit risk. These financial instruments arise from the EAMHC's operations and are required to finance those operations. The EAMHC does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

Management has overall responsibility for the establishment and oversight of risk management, and reviews and sets policies for managing each of these risks. Risk management policies are in place to establish frameworks and processes that identify and analyse the risks faced by the EAMHC, to set risk limits and controls, and to monitor risks.

The main purpose of these financial instruments is to derive income and investment gains which are used to fund the pre-existing dust disease and workers' compensation liabilities.

Note 2 details the key accounting policies and methods which include the recognition criteria, the basis of measurement and the income and expenses recognition for each class of financial instrument.

Financial instrument categories

	Note	Categories (AASB 9)	Carrying amount 2022 $'000	 2021 $'000
Financial assets				
Cash and cash equivalents	7	N/A	134,215	143,061
Receivables[1]	8	Amortised cost	22	35
Financial liabilities				
Payables[2]	9	Financial liabilities measured at amortised cost	83	158

1. Excludes statutory receivables of $0.05 million (2021: $0.49 million) and expected recoveries receivable of $3.6 million (2021: $3.3 million) which are not within the scope of AASB7 *'Financial Instruments'.*
2. Excludes statutory payables of Nil (2021: Nil) which are not within the scope of AASB7 *'Financial Instruments'.*

12. FINANCIAL INSTRUMENTS (continued)

(a) Market risks

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The EAMHC's exposure to market risk are primarily through the interest rate risk on its cash balances holding and credit risk on short term receivables.

The effects on the EAMHC's operating result due to possible changes in risk variables are outlined in the information below. For interest rate risk and other price risk, a likely change in each risk variable has been determined after taking into account the economic environment in which the EAMHC operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis is performed on the same basis as for 2021. 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 +1.5% to -0.5% (2021: +0.5% to -0.25%) 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	-0.5%		+1.5%	
	amount $'000	Net result $'000	Equity $'000	Net result $'000	Equity $'000
2022					
Cash and cash equivalents	134,215	(671)	(671)	2,013	2,013
	Carrying	-0.25%		+0.5%	
	amount $'000	Net result $'000	Equity $'000	Net result $'000	Equity $'000
2021					
Cash and cash equivalents	143,061	(358)	(358)	715	715

Currency risk

The EAMHC has no exposure to foreign currency risk.

(b) Credit risk

The EAMHC's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at balance date.

Cash and cash equivalents

Cash comprises cash balances with financial institutions. Interest is earned on daily bank balances.

12. FINANCIAL INSTRUMENTS (continued)

Receivables

Receivables include trade debtors.

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

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

The EAMHC does not receive any collateral for receivables.

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

(c) Liquidity risk

Liquidity risk is the risk that the EAMHC will be unable to meet payment obligations when they fall due.

During the current and prior years, there were no defaults on payables. No assets have been pledged as collateral. The EAMHC's exposure to liquidity risk is deemed insignificant based on prior period data and the current assessment of risk.

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

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

			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate %	Nominal amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'000
2022								
Payables	-	83	-	-	83	83	-	-
Total financial liabilities	**-**	**83**	**-**	**-**	**83**	**83**	**-**	**-**
2021								
Payables	-	158	-	-	158	158	-	-
Total financial liabilities	**-**	**158**	**-**	**-**	**158**	**158**	**-**	**-**

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

(d) Fair value measurement

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

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2022

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The EAMHC was set up to facilitate the transfer of the State's electricity generator assets to the private sector. On 15 November 2012, the New South Wales Government issued an announcement outlining its plan to dispose of the New South Wales electricity generators. In preparation for the sale, the Treasurer issued various vesting orders which transferred specific assets, rights and liabilities from Eraring Energy, Delta Electricity, Green State Power and Macquarie Generation to the EAMHC. The assets, rights and liabilities vested in the EAMHC have exposures to various contingent assets and contingent liabilities.

Contingent Assets

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

Sale of Macquarie Generation

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

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

Sale of Green State Power

Under the Sale and Purchase Agreement and vesting order effective from 8 December 2014, the EAMHC is liable for all present and future Workers Compensation and dust diseases claims by any employee, former employee of Green State Power (GSP) or by any other Workers Compensation claimant in relation to their employment with or service provided to GSP prior to the sale. It is not reasonably possible to estimate the liabilities for future claims at the reporting date. However, in the event any claim arises, the EAMHC is able to recoup the cost of claims from a third-party insurer as the liabilities were insured by GSP and the insurance entitlement was also transferred to the EAMHC prior to the sale.

Contingent Liabilities

The EAMHC has exposures to the following contingent liabilities as at reporting date. It is not reasonably possible to estimate the liabilities at the reporting date.

Directors' indemnity deeds

Eraring Energy entered into directors' indemnity deeds with its directors and officers which indemnified the directors and officers from public liabilities and negligence claims. The deeds have been transferred to the EAMHC which expose the EAMHC to potential future claims.

Sale of Green State Power

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

The EAMHC is also liable for liabilities associated with any formal dispute resolution proceeding and the termination of employees to which Green State Power is a party. There are no known claims at 30 June 2022.

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 2022.

14. BUDGET REVIEW

Net result

The EAMHC's net result is a loss of $8.0 million and is $3.1 million favourable compared to budget is due to recurrent funding provided to GPM budgeted higher for 2022 financial year.

Total expenses were $1.1 million lower than budget mainly due to the following:

- The overall claim costs were $3.4 million higher than budget largely attributable to the change in actuarial assumptions associated with higher inflation and increase in average claim size. The increments were partially offset as increase in discount rate reduces the outstanding claim costs.
- Recurrent funding to GPM for Munmorah power station demolition works were $4.3 million below the budget estimate.
- Finance cost was $0.1 million lower than budget due to change in discount rate which was unwound on the outstanding claims liabilities.

Total revenue was $2.4 million which was $2.0 million higher than budget due to one-off insurance settlement of $1.1 million and $0.8 million higher claim recovery income received in 2022.

Assets and Liabilities

Total assets for the year were $137.9 million which is $6.7 million higher than budget, contributed by:

- Higher cash balance of $6.3 million due to $4.3 million lower grant funding provided to GPM and $2 million extra insurance and claim recovery income received.
- Claim recovery receivables is also higher than budget mainly attributable to increase in inflation assumptions. 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.

14. BUDGET REVIEW (continued)

Total liabilities were $52.1 million and were $5.1 million higher than budget due to $5.0 million increase in outstanding claims, which was largely driven by an increase in inflation and claims estimate.

Cash flows

The actual net cash flows used in operating activities were $8.8 million, $6.3 million lower than budget.

Cash payments were $11.9 million and were $4.3 million lower than budget largely due to $4.3 million lower recurrent grant payments to GPM made. Cash receipts were $3.1 million and were higher than budget by $2.0 million contributed by one-off insurance settlement of $1.1 million and $0.5 million higher claim recovery received in 2022.

Closing cash and cash equivalents were $134.2 million, $6.3 million higher than budget of $127.9 million.

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

15. RELATED PARTY DISCLOSURES

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

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

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

(c) Transactions with related parties

Transactions with KMP

The EAMHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP are required to complete annual declarations in relation to the related party transactions. All KMPs have declared that neither they, nor their close family members, have made any transactions with the Company during the reporting period.

15. RELATED PARTY DISCLOSURES (continued)

Transactions with other government related entities

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

Finance officers of the NSW Treasury provide administrative services, including the preparation of the EAMHC financial statements. The cost of these services for the year was $200,099 inclusive of GST (2021: $198,894) and is shown as an administrative charge in Note 3.

The EAMHC has provided $6.7 million (2021: $5.5 million) cash funding to GPM to cover operational, demolition and remediation costs in 2022. 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 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Secretary 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. The description forms part of my auditor’s report.

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

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY


UTS

Epsilon Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2022

Epsilon Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2022

STATEMENT BY THE ACCOUNTABLE AUTHORITY

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

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

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

Paul Grimes PSM

Secretary

21 October 2022

Epsilon Distribution Ministerial Holding Corporation

Statement of Comprehensive Income
as at 30 June 2022

	Notes	Budget 2022 $000	Actual 2022 $000	Actual 2021 $000
Expenses excluding losses				
Operating expenses	4	2,581	2,734	2,936
Finance costs		-	-	1
Total expenses excluding losses		**2,581**	**2,734**	**2,937**
Revenue				
Investment revenue	5(a)	2,036	1,990	1,919
Contract service revenue	5(b)	2,711	2,957	3,084
Total Revenue		**4,747**	**4,947**	**5,003**
Gains/(losses) on disposal	6	-	(1,741)	(85)
Net result		**2,166**	**472**	**1,981**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent periods				
Superannuation actuarial gains/(losses)	15(ii)	(5,025)	3,181	13,772
Total other comprehensive income		**(5,025)**	3,181	**13,772**
Total comprehensive income		**(2,859)**	**3,653**	**15,753**

The accompanying notes form part of these financial statements.

Epsilon Distribution Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2022

	Notes	Budget 2022 $000	Actual 2022 $000	Actual 2021 $000
Assets				
Current assets				
Cash and cash equivalents	7	10,331	10,397	10,025
Receivables	8	-	-	1
Total current assets		**10,331**	**10,397**	**10,026**
Non-current assets				
Other financial assets	9	33,051	31,217	30,985
Total non-current assets		**33,051**	**31,217**	**30,985**
Total assets		**43,382**	**41,614**	**41,011**
Liabilities				
Current liabilities				
Payables	10	79	84	86
Contract liabilities	11	558	571	547
Total current liabilities		**637**	**655**	**633**
Non-current liabilities				
Provisions	12	5,531	4,281	7,353
Total non-current liabilities		**5,531**	**4,281**	**7,353**
Total liabilities		**6,168**	**4,936**	**7,986**
Net assets		**37,214**	**36,678**	**33,025**
Equity				
Accumulated funds		37,214	36,678	33,025
Total equity		**37,214**	**36,678**	**33,025**

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 2022

	Notes	Accumulated funds $000	Total $000
Balance at 1 July 2021		**33,025**	**33,025**
Net result for the year		472	472
Other comprehensive income			
Superannuation actuarial gains/(losses)	15(ii)	3,181	3,181
Total other comprehensive income		3,181	3,181
Total comprehensive income for the year		**3,653**	**3,653**
Balance at 30 June 2022		**36,678**	**36,678**
Balance at 1 July 2020		**17,272**	**17,272**
Net result for the year		1,981	1,981
Other comprehensive income			
Superannuation actuarial gains/(losses)	15(ii)	13,772	13,772
Total other comprehensive income		**13,772**	**13,772**
Total comprehensive income for the year		**15,753**	**15,753**
Balance at 30 June 2021		**33,025**	**33,025**

The accompanying notes form part of these financial statements.

Epsilon Distribution Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2022

	Notes	Budget 2022 $000	Actual 2022 $000	Actual 2021 $000
Cash flows from operating activities				
Payments				
Suppliers for goods and services		(2,397)	(499)	(480)
Total Payments		**(2,397)**	**(499)**	**(480)**
Receipts				
Sale of goods and services		2,721	854	816
Interest received		8	17	15
Total Receipts		**2,729**	**871**	**831**
Net cash flows from operating activities	14	**332**	**372**	**351**
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		**332**	**372**	**351**
Opening cash and cash equivalents		9,999	10,025	9,674
Closing cash and cash equivalents	7	**10,331**	**10,397**	**10,025**

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 2022

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Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2022

1. INFORMATION ON THE EPSILON DISTRIBUTION MINISTERIAL HOLDING CORPORATION

The Epsilon Distribution Ministerial Holding Corporation (referred to as the "EDMHC") is the continuing entity of the Endeavour Energy State Owned Corporation (SOC). Endeavour Energy's electricity network assets are the subject of a long-term lease transaction, authorised under the *Electricity Network Assets (Authorised Transactions) Act 2015* ("the Act"). Immediately after transaction completion, Endeavour Energy was converted into the EDMHC under Schedule 7 of the Act. The EDMHC is the same legal entity as the Endeavour Energy SOC.

The key functions of the EDMHC are:

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

The EDMHC is a NSW Government entity and is controlled by the State of New South Wales, which is the ultimate parent. The EDMHC has been a not-for-profit entity from 14 June 2017 (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 EDMHC is consolidated as part of the NSW Total State Sector Accounts.

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

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

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

On completion date, Endeavour Energy SOC was converted into EDMHC, a general government sector entity, for nil consideration via a number of statutory vesting orders under the enabling legislation.

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

Use of judgements, estimates and assumptions

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

Electricity network land lease classification – EDMHC as lessor

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

Estimates and assumptions - the key assumptions concerning estimation uncertainty at the reporting date, which present a significant risk of potentially causing a material adjustment to the carrying amounts of assets are described below.

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

Valuation of lease receivable – unguaranteed residual value

The EDMHC carries its lease receivable which mainly 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 2022

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Superannuation liabilities

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

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

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

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

COVID-19

Management has considered the impact of COVID-19 on the EDMHC's revenue and receivables, including the impact on estimates and judgements used in the valuation of the lease receivable. Management has concluded that COVID-19 has not had a material impact on the EDMHC's operations and preparation of the financial statements for the year ended 30 June 2022.

Going concern

The EDMHC's financial statements have been prepared on a going concern basis. It is expected that the EDMHC has adequate cash holding and cash inflows to continue operations for the foreseeable future. If required, the State will provide the necessary financial support to EDMHC to meet its debts as and when they become due and payable through the annual State Budget and the Appropriation Bill when required. Section 6.21 (2) and (5) of the GSF Act states that the Treasurer may provide funding to or repays 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.

Changes in accounting policy, 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 the Corporation.

As mandated by NSW Treasury Policy and Guidelines TPG22-07 *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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

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

Contract service revenue

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

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

Investment revenue

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

Finance Income

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

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2022

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Expenses are recognised when incurred.

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

Assets

Cash and cash equivalents

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

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.

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 90. 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 is primarily derecognised when:

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

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

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

Liabilities

Payables

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

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

Contract liabilities

Unearned revenue

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 schemes current and past service costs and net interest cost reflecting the passage of time on the net defined benefit liabilities or assets are recognised as profit 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 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

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. As an entity wholly owned by the NSW Government, the EDMHC is exempt from all forms of taxation except for the Goods and Services Tax. Fringe Benefit Tax is not relevant as the Corporation has no staff.

Accounting for the Goods and Services Tax

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

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; and
- receivables and payables which are recognised as including GST.

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

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

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in the Note 18.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

4. OPERATING EXPENSES

	2022 $000	2021 $000
Superannuation - defined benefits expense	110	182
Lease outgoing expenditure	2,382	2,515
Administrative charge	182	181
Audit fees - audit of financial statements	60	58
Total	**2,734**	**2,936**

5. REVENUE

	2022 $000	2021 $000
(a) Investment revenue		
Interest income	17	15
Finance income on the net investment in the lease[1]	1,973	1,904
	1,990	**1,919**
(b) Contract service revenue		
Lease outgoing recoupment[2]	2,382	2,515
Contract service income[3]	575	569
	2,957	**3,084**
Total revenue	**4,947**	**5,003**

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

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

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

6. GAINS/(LOSSES) ON DISPOSAL

	2022 $000	2021 $000
Loss on disposal of assets for which finance leases are entered into as a lessor	(1,741)	(85)
Total	**(1,741)**	**(85)**

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

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

7. CASH AND CASH EQUIVALENTS

	2022 $000	2021 $000
Cash at bank	10,397	10,025
Total	**10,397**	**10,025**

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

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

Cash and cash equivalents (per Statement of Financial Position)	10,397	10,025
Closing cash and cash equivalents (per Statement of Cash Flows)	10,397	10,025

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

8. RECEIVABLES

Current		
Other receivables	-	1
Total	**-**	**1**

9. OTHER FINANCIAL ASSETS

Non-current		
Finance lease receivable (i)	31,217	30,985
Total	**31,217**	**30,985**

(i) Long-term lease of network assets

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.

Finance lease accounting requires the EDMHC as the lessor to recognise a finance lease receivable equal to the net investment in the lease, which is the discounted gross investment in the lease comprising the minimum lease payments and unguaranteed residual value. As the lease payments were received upfront, the net investment in the lease corresponds to the present value of the assets that will revert to the lessor on expiry of the lease.

The residual value at the expiry of the lease is estimated at $12.0 billion ($12.7 billion at inception), using an annual indexation of 3.61 per cent. The present value at inception of the lease was $24.0 million, discounted at nominal pre-tax discount rate of 6.54 per cent. Finance income of $2.0 million (2021: $1.9 million) was recognised in the year (refer to Note 5(a)).

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

9. OTHER FINANCIAL ASSETS (continued)

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

The lease contains three clauses:

1. any improvements made by the lessee to the existing land, or acquisition of additional land for network use is treated as transactions by the EDMHC. However, the State does not benefit from these improvements during the term of the lease as all risks and rewards are with the lessee, and
2. acquisitions or the lease of additional land by the lessee are subject to an option which allows the EDMHC to acquire or lease the additional land. As an option to buy non-financial items that will not be settled net in cash, the option has been classified as an executory contract which will only be accounted for on exercise.
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 isn't factored into the current calculation as exercise is not certain at this stage.

Reconciliation of net investment in lease	**2022 $000**	**2021 $000**
Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	11,962,820	12,649,961
Less: unearned finance income	(11,931,603)	(12,618,976)
Net investment in finance leases	**31,217**	**30,985**

Reconciliation of unguaranteed residual amounts (undiscounted)

Opening balance	12,649,961	12,685,994
Less disposal - partial surrender of the lease	(687,141)	(36,033)
Closing balance	**11,962,820**	**12,649,961**

10. PAYABLES

Current		
Accruals	48	54
GST payable	36	32
Total	**84**	**86**

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.

11. CONTRACT LIABILITIES

Current contract liabilities		
Unearned revenue	571	547
Total	**571**	**547**

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

11. CONTRACT LIABILITIES (continued)

	2022 $'000	2021 $'000
Contract liabilities reconciliation		
Opening balance	547	542
Contract service invoiced/received	599	574
Revenue recognised upon performance obligation fulfilled	(575)	(569)
Closing balance	**571**	**547**
Revenue recognised that was included in the contract liability balance at the beginning of the year	547	542
Revenue recognised from performance obligation satisfied in pevious periods	-	-
Transaction price allocated to the remaining performance obligations from the contract with customers	571	547

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 FY2022-23.

12. PROVISIONS

	2022	2021
Non-Current		
Superannuation Liability	4,281	7,353
Total	**4,281**	**7,353**

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.

	Note	Categories	Carrying Amount 2022 $000	Carrying Amount 2021 $000
Financial assets				
Cash and cash equivalents	7	N/A	10,397	10,025
Receivables[1]	8	Amortised cost	-	1
Financial liabilities				
Payables	10	Financial liabilities measured at amortised cost	48	54

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

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 2022, the EDMHC has exposure to the following risks:

- Credit risk
- Market rate risk
- Liquidity risk

Credit risk

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

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

Cash

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

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.

Market rate risk

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

The effect on the EDMHC's net result and equity due to a reasonably possible change in risk variable is outlined below. A reasonably possible change of -0.5 per cent and +1.5 per cent were used (FY2021: +0.5 / -0.25 per cent). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

13. FINANCIAL INSTRUMENTS (continued)

Exposure to interest rate risk is limited to cash at bank.

2022	Carrying amount $'000	Net result $'000	-0.5% Equity $'000	Net result $'000	+1.5% Equity $'000
Cash and cash equivalents	10,397	(52)	(52)	156	156
2021	**Carrying amount $'000**	**Net result $'000**	**-0.25% Equity $'000**	**Net result $'000**	**+0.5% Equity $'000**
Cash and cash equivalents	10,025	(25)	(25)	50	50

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.

			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate %	Nominal amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'000
2022								
Payables	-	48	-	-	48	48	-	-
Total financial liabilities	**-**	**48**	**-**	**-**	**48**	**48**	**-**	**-**
2021								
Payables	-	54	-	-	54	54	-	-
Total financial liabilities	**-**	**54**	**-**	**-**	**54**	**54**	**-**	**-**

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:

	2022 $000	2021 $000
Net cash flows from operating activities	372	351
Adjustments for non-cash items		
Superannuation actuarial (gains)/losses	(3,181)	(13,772)
Finance lease income	1,973	1,904
Finance costs - unwinding of discount	-	(1)
Gains/(losses) on disposal of assets	(1,741)	(85)
Net changes in assets and liabilities during the financial year		
(Decrease) / increase in receivables	(1)	1
Increase / (decrease) in other current financial assets	-	(88)
Decrease / (increase) in payables	2	(2)
Decrease in provisions	3,072	13,590
(Increase) in contract liabilities	(24)	(5)
Decrease in lease liabilities	-	88
Net result	**472**	**1,981**

15. SUPERANNUATION – DEFINED BENEFITS PLAN

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

Significant events

On completion of the 99-year lease transaction, all current employees and their respective defined benefit plans were transferred to Endeavour Energy Management Pty Limited. The defined benefit plan that remains with the EDMHC relates to retired employees. There were no fund amendments, curtailments or settlements during the year.

Nature of the benefits provided by the Fund

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

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

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Regulatory Framework

The Scheme was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees of certain Energy Industries bodies in NSW. The Scheme is regulated primarily by the *Superannuation Industry (Supervision) Act 1993* (Cth) ("the SIS legislation"), but is also subject to regulation under the *Superannuation Administration Act 1996* (NSW).

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

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

The Scheme has received an exemption from annual actuarial valuation and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2021. The next actuarial valuation is due to be performed as at 30 June 2024.

Governance

Energy Industries Superannuation Scheme Pty Limited is the Superannuation Scheme Trustee. The Scheme's Trustee is responsible for the governance of the Scheme. The Trustee has a legal obligation to act solely in the best interests of the Scheme beneficiaries. The Trustee has the following roles:

- Administration of the Scheme and payment to the beneficiaries from Scheme assets when required in accordance with the Scheme rules
- Management and investment of the Scheme assets
- Compliance with other applicable regulations
- Compliance with the Trust Deed.

Risk exposure

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

- **Investment risk** - the risk that investment returns will be lower than assumed and the employer will need to increase contributions to offset the shortfall.
- **Longevity risk** - the risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- **Pension indexation risk** - the risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- **Legislative risk** - the risk that legislative changes could be made, increasing the cost of providing defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Member numbers	2022	2021
Contributions	-	-
Deferred benefits	2	2
Pensioners	91	91

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

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

	2022 $000	2021 $000
Net interest	110	182
Total net expense	**110**	**182**

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

Actuarial gains/(losses) on liabilities	7,651	5,785
Actuarial gains/(losses) on assets	(4,470)	7,987
Total actuarial gains/(losses)	**3,181**	**13,772**

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

Net asset/(liability) at the beginning of the period	**(7,353)**	**(20,943)**
Net interest income/(expense) on the net defined benefit asset/(liability)	(110)	(182)
Return on plan assets, excluding amounts included in interest income	(4,470)	7,987
Actuarial gains/(losses) arising from changes in demographic assumptions	(7,328)	-
Actuarial gains(losses) arising from liability experience	168	2,683
Actuarial gains(losses) arising from changes in financial assumptions	14,812	3,102
Net Asset/(Liability) at the end of the period	**(4,281)**	**(7,353)**

(iv) Reconciliation of the defined benefit obligation

Present value of defined benefit obligations at the beginning of the period	**(70,072)**	**(78,421)**
Benefits paid	3,154	3,065
Taxes, premiums and expenses paid	183	168
Interest income/(expense)	(1,026)	(669)
Actuarial gains/(losses) arising from changes in demographic assumptions	(7,328)	-
Actuarial gains/(losses) arising from changes in financial assumptions	14,812	3,102
Actuarial gains/(losses) arising from liability experience	168	2,683
Present value of defined benefit obligations at the end of the period	**(60,109)**	**(70,072)**

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

(v) Reconciliation of the fair value of fund assets

	2022 $000	2021 $000
Fair value at the beginning of the period	**62,719**	**57,478**
Benefits paid	(3,154)	(3,065)
Taxes, premiums and expenses paid	(183)	(168)
Interest income/(expense)	916	486
Actual return on fund assets less interest income	(4,470)	7,988
Fair value at the end of the period	**55,828**	**62,719**

Fair value of fund assets

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

Energy Investment Fund

Fair value of fund assets - Energy Investment Fund		
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,766,548	2,012,197
Level 3 - Unobservable inputs	-	-
Total	**1,766,548**	**2,012,197**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi-government and corporate bonds and unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

Some Pool B assets are invested in accordance with member investment choices. For Pool B assets invested in the Energy Investment Fund but not subject to member investment choice, the Trustee makes the investment choice. The percentage invested in each asset class at the reporting date is:

Asset Category	**2022** **%**	**2021** **%**
Australian Equities	14	18
International Equities	20	29
Property	17	13
Private Equity	3	1
Infrastructure	12	11
Alternatives	14	8
Fixed Income	11	11
Cash	9	9
Total	**100**	**100**

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

	2022	**2021**
Discount rate	3.69% p.a.	1.50% pa
Expected salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI increase	4.00% for 2022/23, 5.50% for 2023/24, 3.00% for 2024/25 and 2025/26, 2.75% for 2026/27 and 2027/28 then 2.50% p.a.	1.50% for 2020/2021; 1.75% for 2021/22 and 2022/23; 2.25% for 2023/24, 2024/25 and 2025/26; 2.50% for 2026/27; 2.75% for 2027/28, 3.00% for 2028/29; 2.75% for 2029/30; 2.50% pa thereafter
Pensioner mortality	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 report which is available from the Trustee website). The pension mortality rates are based on experience of the Australian public sector.	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2018 (the rates are disclosed in the triennial report available from the Trustee website). The pension mortality rates are based on experience of the NSW public sector.

Sensitivity analysis

The EDMHC's total defined benefit obligation as at 30 June 2022 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.

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

30 June 2022

	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	3.69% p.a.	2.69% pa	4.69% pa
Rate of CPI increase	as above	as above	as above
Defined benefit obligation ($000)	60,109	68,406	53,527
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	3.69% p.a.	3.69% p.a.	3.69% p.a.
Rate of CPI increase	as above	as above + 0.5% pa	as above - 0.5% pa
Defined benefit obligation ($000)	60,109	64,189	56,333
	Base Case	**Scenario E Lower pensioner mortality rates***	**Scenario F Higher pensioner mortality rates****
Defined benefit obligation ($000)	60,109	60,913	59,422

* 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, while retaining all other assumptions.

30 June 2021

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

* Assumes short-term pensioner mortality improvement factors for the years 2018 to 2024 also apply for the years after 2024.
** Assumes long-term pensioner mortality improvement factors for the years post 2024 also apply for the years 2018 to 2024.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, while retaining all other assumptions.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Asset – liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2021. 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*

	2022 $000	2021 $000
Accrued benefits	(47,946)	(45,339)
Net market value of Fund assets	55,828	62,719
Net surplus	**7,882**	**17,380**

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

Contribution Recommendations

Division B - multiple of member contributions	N/A	N/A
Division C - % member salary	N/A	N/A
Division D - multiple of member contributions	N/A	N/A
Additional lump sum $p.a.	Nil	Nil

Economic Assumptions

The economic assumptions adopted by the Fund's Actuary in determining the employer contribution recommendations are set out in the following table. These assumptions differ from the economic assumptions used to determine the superannuation net asset/ (liability) in the Statement of Financial Position.

Expected rate of return on fund assets backing current pension liabilities	5.3% p.a.	5.0% p.a.
Expected rate of return on fund assets backing other liabilities	5.3% p.a.	5.0% p.a.
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.2% p.a.	1.9% p.a.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2022

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Expected contributions

As at 30 June 2022

	$'000
Expected employer contributions to be paid in the period 1 July 2022 to 30 June 2023	-

As at 30 June 2021

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

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13 years (2021: 12 years).

Nature of asset/liability

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

Sensitivity analysis

In light of the current environment due to Covid-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 *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 EISS's assets in current financial conditions, sensitivities to this assumption for the AASB 1056 results in the table below (results for 2021 shown for comparative purposes).

2022	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)	5.3%	4.8%	5.8%
Rate of CPI increase	2.2% pa	2.2% pa	2.2% pa
Accrued Benefits ($000)	47,946	50,387	45,693
2021	**Base case**	**Scenario A -0.5% discount rate**	**Scenario B +0.5% discount rate**
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Rate of CPI increase	1.9% pa	1.9% pa	1.9% pa
Accrued Benefits ($000)	45,339	47,587	43,261

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2022

16. COMMITMENTS

The EDMHC does not have capital expenditure commitments as at the reporting date (2021: 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 (2021: 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 2022, EDMHC made a net profit of $0.5 million which was $1.7 million behind the budget due to loss incurred upon the unexpected land disposal in 2022 relating to the relocation of Endeavour Energy head office at Huntingwood. It is one-off in nature and not expect to be repeated in future periods.

Both operating expenses of $2.7 million and total revenue of $4.9 million were $0.2 million above the budget, due to higher lease outgoing expenses and recoupment, which net-off.

Other comprehensive income of $3.2 million is $8.2 million higher than budget, due to combination of a change in financial and demographic assumptions and variance in investment returns. The $3.2 million actuarial gains on superannuation liabilities are driven by the following:

- Actuarial gains on superannuation liabilities of $14.8 million driven by and an increase in the discount rate to 3.7 per cent (2021: 1.5 per cent) and increment on inflation assumptions.
- Actuarial gains on superannuation liabilities of $0.2 million driven by improvement on liability experience.
- Actuarial loss on superannuation liabilities of $7.3 million driven by a change in demographic assumption.
- Investment loss of $4.5 million on fund assets.

Assets and Liabilities

Net assets for the year were $36.7 million, $0.5 million lower than the budget.

Total assets were $41.6 million and $1.8 million below the budget mainly due the unanticipated land disposal in 2022 noted above.

There has been a reduction in the total liabilities of $1.2 million compared to budget, mainly attributable to a decrease in the superannuation liabilities in 2022 contributed by increase in the discount rate and inflation assumptions. This was partially offset by the impact from the change in demographic assumption and investment loss noted above.

Cash flows

The actual net cash flows from operating activities resulted in an inflow of $0.4 million, in line with budgeted net operating cash flows. Cash held at reporting date was $10.4 million at par with the budget.

18. BUDGET REVIEW (continued)

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

19. RELATED PARTIES

(a) Ultimate parent

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

(b) Key management personnel remuneration

The EDMHC defines key management personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the EDMHC. NSW Government is the ultimate controlling party of the EDMHC, therefore the Treasurer, NSW Treasury Secretary, and certain NSW Treasury Deputy Secretaries and Executive Directors are considered as KMP. The NSW Cabinet are considered related parties of the 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 $200,099 inclusive of GST (2021: $198,894) and is shown as an administrative charge 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 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation’s annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor’s Report thereon. The Secretary of Treasury is responsible for the other information. At the date of this Independent Auditor’s Report, the other information I have received comprise the Statement by the Accountable Authority.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

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. The description forms part of my auditor’s report.

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

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2022

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2022

STATEMENT BY ACCOUNTABLE AUTHORITY

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

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

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

Paul Grimes PSM
Secretary

21 October 2022

Electricity Transmission Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Expenses excluding losses				
Employee related expenses	4	3,249	2,121	1,955
Other operating expenses	5(a)	2,152	1,110	2,250
Finance costs	5(b)	12	(1)	18
Total expenses excluding losses		**5,413**	**3,230**	**4,223**
Revenue				
Investment revenue	6	2,661	2,764	2,583
Contract service revenue	7(a)	2,778	2,454	2,320
Other Income	7(b)	-	-	571
Total revenue		**5,439**	**5,218**	**5,474**
Net result		**25**	**1,988**	**1,251**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent period				
Superannuation actuarial gains/(losses)	13(ii)	-	56,550	85,293
Total other comprehensive income		**-**	**56,550**	**85,293**
Total comprehensive income		**25**	**58,538**	**86,544**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Current Assets				
Cash and cash equivalents	8	154,278	153,115	152,852
Receivables	9	564	607	1,172
Total Current Assets		**154,842**	**153,722**	**154,024**
Non-Current Assets				
Receivables	9	1,169	1,766	2,434
Other financial assets	10	40,684	40,684	38,179
Total Non-Current Assets		**41,853**	**42,450**	**40,613**
Total Assets		**196,695**	**196,172**	**194,637**
Current Liabilities				
Payables	11	43	46	49
Provisions	12	993	989	1,024
Other liabilities	14(a)	55	53	53
Contract liabilities	14(b)	273	274	266
Total Current Liabilities		**1,364**	**1,362**	**1,392**
Non-Current Liabilities				
Provisions	12	162,600	91,269	148,242
Total Non-Current Liabilities		**162,600**	**91,269**	**148,242**
Total Liabilities		**163,963**	**92,631**	**149,634**
Net Assets		**32,732**	**103,541**	**45,003**
Equity				
Accumulated funds		32,732	103,541	45,003
Total Equity		**32,732**	**103,541**	**45,003**

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 2022

	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2021	**45,003**	**45,003**
Net result for the year	**1,988**	**1,988**
Other comprehensive income		
Superannuation actuarial gains/(losses)	56,550	56,550
Total other comprehensive income	**56,550**	**56,550**
Total comprehensive income for the year	**58,538**	**58,538**
Balance at 30 June 2022	**103,541**	**103,541**
Balance at 1 July 2020	**(41,541)**	**(41,541)**
Net result for the year	**1,251**	**1,251**
Other comprehensive income		
Superannuation actuarial gains/(losses)	85,293	85,293
Total other comprehensive income	**85,293**	**85,293**
Total comprehensive income for the year	**86,544**	**86,544**
Balance at 30 June 2021	**45,003**	**45,003**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Cash flows from operating activities				
Cash receipts from customers		3,053	3,696	1,466
Cash paid to suppliers and employees		(3,136)	(3,692)	(1,244)
Interest received	6	157	259	233
Net cash flows from operating activities	17	74	263	455
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase in cash and cash equivalents		74	263	455
Opening cash and cash equivalents		154,204	152,852	152,397
Closing cash and cash equivalents	8	**154,278**	**153,115**	**152,852**

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2022

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 ETHMC is a not-for-profit entity from 17 December 2015 (as profit is not its principle 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 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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

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. 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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation of lease receivable – unguaranteed residual value

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

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 10.

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

Workers' Compensation Provision

The liability for workers' compensation is based on an independent actuarial assessment, supplemented by management considerations, to arrive at a best estimate of the expenditure required to settle present obligations at the end of the reporting period.

The expected future payments are estimated on the basis of the ultimate cost of the settling of claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Superimposed inflation 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 13.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Covid-19 pandemic

Management has considered the impact of COVID-19 pandemic on the ETMHC's revenue and receivables, including the impact on estimate and judgements used in the valuation of lease receivable. Management has concluded that COVID-19 pandemic has not had a material impact on the ETMHC's operations and preparation of the financial statements for the year ended 30 June 2022.

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

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 51(5) of the Act states that the Treasurer may provide funding to ETMHC in any way that the Treasurer considers appropriate, including the issue of a letter of comfort. 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 51(5) of the Act states that the Treasurer may provide funding to ETMHC in any way that the Treasurer considers appropriate, including the issue of a letter of comfort.

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

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.

As mandated by NSW Treasury Policy and Guidelines *TPG22-07 Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, the ETMHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

i. Issued but not yet effective

As mandated by NSW Treasury Policy and Guidelines TPG22-07 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, ETMHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective. Management have assessed the impact of the new accounting standards and interpretations issued but not yet effective and concluded there is no material impact on the financial statements of the ETMHC.

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

Other income

Other income is recognised for the recovery from the reinsurance from the outstanding claims

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPENSES

Expenses are recognised when incurred.

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 in Note 5(a).

Self-insured workers compensation

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

ASSETS

Cash and cash equivalents

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

Receivables

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

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is primarily derecognised when:

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

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

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

Liabilities

Payables

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

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

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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 13 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.

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

As an entity wholly owned by the NSW Government, the ETMHC is exempt from all forms of taxation except Fringe Benefit Tax and the Goods and Services Tax.

Accounting for the Goods and Services Tax

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

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

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

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

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 20.

4. EMPLOYEE RELATED EXPENSES

	2022 $'000	2021 $'000
Superannuation - defined benefit expense	2,121	1,955
Total	**2,121**	**1,955**

5. OPERATING EXPENSES

a) Other Operating Expenses

	2022 $'000	2021 $'000
Audit fees - audit of financial statements	56	54
Self-insured workers compensation	(1,181)	106
Admininistrative charge	182	181
Management fees	97	87
Claims handling expense	50	45
Council rates	1,863	1,739
Other	43	38
Total	**1,110**	**2,250**

b) Finance Costs

	2022 $'000	2021 $'000
Unwinding of discount rate	(1)	18
Total	**(1)**	**18**

6. INVESTMENT REVENUE

	2022 $'000	2021 $'000
Interest income	259	233
Finance income(i)	2,505	2,350
Total	**2,764**	**2,583**

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

7. CONTRACT SERVICE AND OTHER INCOME

a) Contract service revenue

	2022 $'000	2021 $'000
Council rate recoupment(i)	1,863	1,739
Contract service income(ii)	591	581
Total	**2,454**	**2,320**

b) Other income

	2022 $'000	2021 $'000
Insurance and other recoveries	-	571
Total	**-**	**571**

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

(ii) The ETMHC receives annual income from the lessee of $550,000, 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. CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank	153,115	152,852
Total	**153,115**	**152,852**

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

9. RECEIVABLES

	2022 $'000	2021 $'000
Current		
Trade receivables	-	560
GST receivable	30	34
Claim recovery receivables	577	578
Total	**607**	**1,172**
Non-Current		
Claim recovery receivables	1,766	2,434
Total	**1,766**	**2,434**

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 18.

10. OTHER FINANCIAL ASSETS

	2022 $'000	2021 $'000
Non-current		
Finance lease receivable[(i)]	40,684	38,179
Total	**40,684**	**38,179**

(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. ETHMC 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 is estimated at $14.5 billion ($14.6 billion at inception), using an annual indexation of 4 percent. The present value of the lease was $26.9 million ($27 million at inception), discounted at nominal pre-tax discount rate of 6.6 percent. Finance income of $2.5 million (2021: $2.4 million) was recognised in the period (refer to Note 6)

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

The lease contains two clauses:

1. any improvements made by the lessee to the existing land, or acquisition of additional land for the electricity network use are treated as transactions by the ETMHC. However, the State does not benefit from these improvements during the term of the lease as all risks and rewards are with the lessee, and
2. acquisitions or the lease of additional land by the lessee are subject to an option which allows the ETMHC to acquire or lease the additional land for nominal consideration with nil rentals. As an option to buy non-financial items that will not be settled net in cash, the option has been classified as an executory contract which will only be accounted for on exercise.

Reconciliation of net investment in leases

Unguaranteed residual amounts - undiscounted	14,480,944	14,480,944
Less: unearned finance income	(14,440,260)	(14,442,765)
Net investment in finance leases	**40,684**	**38,179**
Reconciliation of unguaranteed residual amounts (undiscounted)		
Opening balance	14,480,944	14,480,944
Closing balance	**14,480,944**	**14,480,944**

11. PAYABLES

Current		
Creditors and accruals	46	49
Total	**46**	**49**

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

12. PROVISIONS

Current		
Outstanding claims[(i)]	989	1,024
	989	1,024
Non-Current		
Outstanding claims[(i)]	4,276	6,820
Superannuation liability (Note 13)	86,993	141,422
	91,269	148,242
Total	**92,258**	**149,266**

(i) Workers' Compensation outstanding claims provision movements

Opening balance	7,844	8,172
Payments	(729)	(685)
Actuarial (gains)/losses	(1,486)	532
Change in the discount rate	(363)	(193)
Unwinding of discounts	(1)	18
Closing balance	**5,265**	**7,844**

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be 5.83 years (2021: 6.93 years).

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

12. PROVISIONS (continued)

	Workers' Compensation	
	2022 %	2021 %
Not later than one year		
Inflation rate	0 - 1.5	0 - 1.5
Discount rate	2.38	(0.01)
Later than one year		
Inflation rate	0 - 1.5	0 - 1.5
Discount rate	3.34 - 4.16	0.06 - 4.0

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 30 June 2022

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		2,922		
Discount rate	+1%	2,766	-155	-5.3%
	-1%	3,095	173	5.9%
		3,094	173	5.9%
Inflation rate	+1%	2,764	-158	-5.4%
	-1%			
Industrial deafness claims				
Life expectancy of reactivation[2]	+5 years	3,344	423	14.5%
	-5 years	2,457	-465	-15.9%
Reactivation Seed[3]	+10%	2,940	19	0.6%
	-10%	2,903	-19	-0.6%
Average Claim Size	+10%	3,056	134	4.6%
	-10%	2,787	-134	-4.6%
Proportion reactivate	+1%	2,995	73	2.4%
	-1%	2,848	-73	-2.4%
Dust disease claims				
Seed Reports[3]	+50%	3,160	293	8.2%
	-50%	2,683	-293	-8.2%
Incidence curves[4]	+15% IBNR claims	2,993	72	2.5%
	-15% IBNR claims	2,850	-72	-2.5%
Average claim size[5]	+10%	3,015	93	3.2%
	-10%	2,828	-93	-3.2%

12. PROVISIONS (continued)

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

(b) as at 30 June 2021

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

13. 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 Energy Industries Superannuation Scheme Defined Benefit Funds are provided by the Fund's Actuary, Mercer Consulting (Australia) Pty Ltd.

Nature of the benefits provided by the fund

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

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

Description of the regulatory framework

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

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

The SIS legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained. The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans. The Scheme has received an exemption from annual actuarial valuations and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2021. The next actuarial valuation is due to be performed as at 30 June 2024.

Governance

Energy Industries Superannuation Scheme Pty Limited is the Superannuation Scheme Trustee. The Scheme's Trustee is responsible for the governance of the Scheme. The Trustee has a legal obligation to act solely in the best interests of the Scheme beneficiaries. The Trustee has the following roles:

- Administration of the Scheme and payment to the beneficiaries from Scheme assets when required in accordance with the Scheme rules.
- Management and investment of the Scheme assets;
- Compliance with other applicable regulations, and
- Compliance with the Trust Deed.

13. UNFUNDED SUPERANNUATION (continued)

Risks

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

- **Investment risk** - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk** – The risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- **Pension indexation risk** – The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

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

	As at 30-Jun-22	**As at** 30-Jun-21
Member Numbers		
Contributions	-	-
Deferred benefits	11	11
Pensioners	376	380

Description of significant events

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

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

	2022 $'000	**2021 $'000**
Net interest	(2,121)	(1,955)
Total net expense	**(2,121)**	**(1,955)**

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

Actuarial gains/(losses) on liabilities	80,931	41,035
Actuarial gains/(losses) on assets	(24,381)	44,258
Total actuarial gains/(losses)	**56,550**	**85,293**

13. UNFUNDED SUPERANNUATION (continued)

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

	2022 $'000	2021 $'000
Net Asset/(liability) at the beginning of the year	**(141,422)**	**(224,761)**
Net interest income/(expense) on the net defined benefit asset/(liability)	(2,121)	(1,955)
Actual return on Fund assets less interest income	(24,381)	44,258
Actuarial gains/(losses) arising from changes in demographic assumptions	(8,788)	-
Actuarial gains/(losses) arising from changes in financial assumptions	83,172	20,344
Actuarial gains/(losses) arising from liability experience	6,547	20,692
Net Asset/(liability) at the end of the year	**(86,993)**	**(141,422)**

(iv) Reconciliation of the defined benefit obligation

Present value of defined benefit obligations at the beginning of the year	**(483,538)**	**(543,240)**
Interest income/(expense)	(7,075)	(4,625)
Actuarial gains/(losses) arising from changes in financial assumptions	83,172	20,344
Actuarial gains/(losses) arising from liability experience	6,547	20,692
Benefits paid	22,732	22,369
Taxes, premiums & expenses paid	992	922
Present value of defined benefit obligations at the end of the year	**(385,958)**	**(483,538)**

(v) Reconciliation of the fair value of fund assets

Fair value at the beginning of the year	342,115	318,479
Interest income	4,954	2,669
Actual return on fund assets less interest income	(24,381)	44,258
Benefits paid	(22,731)	(22,369)
Taxes, premiums & expenses paid	(992)	(922)
Fair value at the end of the year	**298,965**	**342,115**

13. UNFUNDED SUPERANNUATION (continued)

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 12 years (30 June 2021: 12 years) for the continuing operations.

Fair value of fund assets

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

	2022 $'000	2021 $'000
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,766,548	2,012,197
Level 3 - Unobservable inputs	-	-
Total	**1,766,548**	**2,012,197**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi-government and corporate bonds and unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

Some Pool B assets are invested in accordance with member investment choices. For Pool B assets invested in the Energy Investment Fund but not subject to investment choice, the percentage invested in each asset class at the end of the reporting period is:

Asset Category	30 June 2022	30 June 2021
Alternatives	15%	8%
International equities	20%	29%
Australian equities	14%	18%
Infrastructure	12%	11%
Property	17%	12%
Private equity	3%	1%
Cash	9%	9%
Fixed income	11%	12%
Total	**100%**	**100%**

13. UNFUNDED SUPERANNUATION (continued)

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

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

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

Significant actuarial assumptions at the end of the reporting period

	2022	**2021**
Discount rate	3.69% p.a.	1.50% pa
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	4.00% for 2022/23, 5.50% for 2023/24, 3.00% for 2024/25 and 2025/26, 2.75% for 2026/27 and 2027/28 then 2.50% p.a.	1.50% for 2020/2021; 1.75% for 2021/22 and 2022/23; 2.25% for 2023/24, 2024/25 and 2025/26; 2.50% for 2026/27; 2.75% for 2027/28, 3.00% for 2028/29; 2.75% for 2029/30; 2.50% pa thereafter
Contributions tax rate	15% p.a.	15% p.a.
Pensioner mortality	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 report which is available from the Trustee website). The pension mortality rates are based on experience of the Australian public sector.	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2018 (the rates are disclosed in the triennial report available from the Trustee website). The pension mortality rates are based on experience of the NSW public sector.

Sensitivity analysis

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

13. UNFUNDED SUPERANNUATION (continued)

As at 30 June 2022

	Base case	**Scenario A - 1.0% discount rate**	**Scenario B +1.0% discount rate**
Discount rate	3.7%	-1.0%	1.0%
Rate of CPI increase	As above	As above -1.0%	As above +1.0%
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	385,958	434,117	345,179
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	3.7%	0.50%	1.0%
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)	385,958	409,681	363,940
	Base case	**Scenario E Lower pensioner mortality rates ***	**Scenario F Higher pensioner mortality rates ****
Defined benefit obligation ($000)	385,958	385,958	385,958

* 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, while retaining all other assumptions.

13. UNFUNDED SUPERANNUATION (continued)

Sensitivity analysis

As at 30 June 2021

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

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

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

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

13. UNFUNDED SUPERANNUATION (continued)

Asset/Liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2018. Contribution rates are set after discussions between the employer and the trustee. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Net Surplus / (Deficit)

The following is a summary of the 30 June 2022 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	2022 $'000	2021 $'000
Net market value of Fund assets	298,965	342,116
Accrued benefits	(305,069)	(308,095)
Net Surplus/(Deficit)	**(6,104)**	**34,021**

Please note that the above AASB 1056 results are based on the economic assumptions to be used for the 30 June 2022 actuarial valuation, which are based on the AASB 119 basis. The economic assumption under AASB 1056 is different to the assumption used under AASB 119. The AASB 1056 deficit (surplus) will be lower (higher) than the AASB 119 net defined benefit liability (asset) recognised in the Statement of Financial Position, because the expected after-tax rate of return on plan assets is typically higher than the long-term government bond rate. For AASB 1056 financial assumptions, please refer to economic assumptions section for details.

Contribution Recommendations

Recommended contribution rates for the entity are:

	2022	2021
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

13. UNFUNDED SUPERANNUATION (continued)

Economic Assumptions

The economic assumptions adopted for 30 June 2022 AASB1056 calculations above are:

Weighted Average Assumptions	2022	2021
Expected rate of return on Fund Assets	5.3%	5.0% pa
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.2% pa	1.9% pa

Expected contributions

Expected employer contributions to be paid in the period 1 July 2021 to 30 June 2022 is nil.

Nature of asset/liability

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

Sensitivity analysis

In light of the current environment due to Covid-19 pandemic, there is increased volatility in terms of expected outcomes especially in the short to medium term. The sensitivity analysis disclosed under the requirement of AASB 119 *Employee Benefits* provides a guide to how this could affect the defined benefit obligation.

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

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Under AASB1056 and taking into account the current financial conditions, the table below shows the sensitivity analysis modelled on different asset return scenarios, with the results for 2021 also shown for comparative purposes.

30-Jun-22

	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.0% pa	4.5% pa	5.5% pa
Rate of CPI increase	2.2% pa	2.2% pa	2.2% pa
Salary inflation rate	as base case	as base case	as base case
Accrued Benefits ($000)	**305,069**	**319,302**	**291,888**

13. UNFUNDED SUPERANNUATION (continued)

30-Jun-21

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

14. CONTRACT LIABILITIES AND OTHER LIABILITIES

	2022 $'000	2021 $'000
a) Other liabilities		
Security deposits	53	53
Total	**53**	**53**
b) Contract liabilities		
Unearned revenue	274	266
Total	**274**	**266**
Contract liabilities reconciliation		
Opening balance	266	265
Contract service invoiced/received	599	582
Revenue recognised upon performance obligation fulfilled	(591)	(581)
Closing balance	**274**	**266**
Revenue recognised that was included in the Contract liability balance at the beginning of the year	266	265
Transaction price allocated to the remaining performance obligations from the contract with customers	274	266

The transaction price allocated to the remaining performance obligations relates to the ongoing administrative tasks associated with the network lease. The contract liabilities at reporting date is expected to be fully recognised as revenue in the 2022-23 financial year.

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets

The ETMHC does not have any contingent assets to report as at 30 June 2022.(2021:nil)

Contingent Liabilities

The ETMHC does not have any contingent liabilities to report as at the reporting date (2021:nil)

16. FAIR COMPENSATION TRUST ACCOUNT

In accordance with the *Land Acquisition (Just Terms Compensation) Act 1999*, the ETMHC maintains a Trust Account. The ETMHC performs only a custodial role in respect of these monies, and as the monies cannot be used for the achievement of the ETMHC's own objectives, these funds are not recognised in the financial statements. The following is a summary of the transactions in the trust account:

	2022 $'000	2021 $'000
Cash balance at the beginning of the financial year	485	485
Less: Expenditure	(45)	-
Cash balance at the end of the financial year	**440**	**485**

17. 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	153,115	152,852
Cash and cash equivalents per statement of Cash Flows	153,115	152,852

Reconciliation of cash flows from operating activities to net result

Net cash from operating activities	263	455
Adjustments for non-cash items		
Superannuation actuarial (gain)/loss	(56,550)	(85,293)
Finance lease income	2,505	2,350
Net changes in assets and liabilities during the financial year		
Increase/(decrease) in receivables	(1,233)	86
(Increase)/decrease in payables	3	(13)
(Increase)/decrease in provisions	57,008	83,667
(Increase)/decrease in contract liabilities and other liabilities	(8)	(1)
Net result	**1,988**	**1,251**

18. 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				
			2022 $'000	2021 $'000
Carrying Amount	**Note**	**Categories**		
Financial Assets				
Cash and cash equivalents	8	N/A	153,115	152,852
Receivables	9	Amortised cost	-	560
Financial Liabilities				
Payables	11	Financial liabilities measured at amortised cost	46	49

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

Financial risk management overview

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

As at 30 June 2022 the ETMHC has exposure to the following risks:

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

Credit risk

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

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

Cash

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

18. 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.

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

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

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

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 +1.5%/-0.5% (2021- +0.5%/-).25%)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 2022.

		$'000			
2022	**Carrying amount**	**-0.5%**		**+1.5%**	
		Net result	**Equity**	**Net result**	**Equity**
Cash and cash equivalents	153,115	(766)	(766)	2,297	2,297

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

18. 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.

19. RELATED PARTIES

a) Ultimate parent

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

(b) Key management personnel remuneration

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

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

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

(c) Transactions with related parties

(i) Transactions with KMP

ETMHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP 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 is shown as an administrative charge in Note 5(a).

20. 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 2022, the ETMHC made a profit of $1.98 million which was $1.96 million higher than budget of $0.03 million. The main contributor factor for higher net profit is due to the lower employee related expenses of defined benefit $1.12 million and workers compensation recoveries of $1.01 million. The contract service revenue was lower by $0.32 million due to lower council rates as compared to budget.

Total expenses were $2.18 million lower than budget mainly due to lower defined benefit expense and workers compensation recoveries as compared to budget.

Total revenue was $0.2 million higher than budget primarily due to higher interest income received during the year.

Other comprehensive income was $56.5 million higher than budget attributed by the actuarial gains on superannuation liabilities result from an increase in discount rate to 3.7 per cent (2021: 1.5 per cent).

Assets and Liabilities

Net assets for the year were $103.5 million compared to net assets budget of $32.7 million.

Total assets were $196.1 million are in line with the budgeted net assets of $196.7 million.

Total liabilities were $92.6 million which was $71.3 million lower than budget due to an aggregated decrease in defined benefit superannuation liability, resulting from an increase in discount rate.

Cash flows

The actual net cash flow from operating activities were $0.26 million which was $0.18 million higher than budget. This is largely attributed to interest income received during the year, higher by $0.1 million.

Closing cash and cash equivalents were $153.1 million, $1.1 million lower than budget.

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

21. 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 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Secretary 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. The description forms part of my auditor's report.

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

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2022

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2022

STATEMENT BY THE ACCOUNTABLE AUTHORITY

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

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

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

Paul Grimes PSM
Secretary

25 October 2022

Liability Management Ministerial Corporation

Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Expenses excluding losses				
Operating expenses	3	204	204	202
Total expenses excluding losses		**204**	**204**	**202**
Revenue				
Investment revenue	4	18,427	(25,285)	43,431
Grants and contributions	5	26,478	26,478	24,561
Total revenue		**44,905**	**1,193**	**67,992**
Net result		**44,701**	**989**	**67,790**
Other comprehensive income		-	-	-
Total comprehensive income		**44,701**	**989**	**67,790**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Financial Position
as at 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Assets				
Current assets				
Cash and cash equivalents	6	75	55	11
Receivables	7	20	21	20
Total current assets		**95**	**76**	**31**
Non-current assets				
Financial assets at fair value	8	324,400	298,389	297,445
Total non-current assets		324,400	298,389	297,445
Total assets		**324,495**	**298,465**	**297,476**
Liabilities				
Current liabilities				
Payables	9	22	21	21
Total current liabilities		**22**	**21**	**21**
Total liabilities		**22**	**21**	**21**
Net assets		**324,473**	**298,444**	**297,455**
Equity				
Accumulated funds		324,473	298,444	297,455
Total equity		**324,473**	**298,444**	**297,455**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Changes in Equity
for the year ended 30 June 2022

	Accumulated Funds $'000	Total Equity $'000
Balance at 1 July 2021	**297,455**	**297,455**
Net result for the year	**989**	**989**
Other comprehensive income for the year	-	-
Total comprehensive income for the year	989	989
Balance at 30 June 2022	**298,444**	**298,444**
Balance at 1 July 2020	**229,665**	**229,665**
Net result for the year	**67,790**	**67,790**
Other comprehensive income for the year	-	-
Total comprehensive income for the year	67,790	67,790
Balance at 30 June 2021	**297,455**	**297,455**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Cash Flows
for the year ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Cash flows from operating activities				
Payments				
Other		(205)	(204)	(204)
Total payments		**(205)**	**(204)**	**(204)**
Receipts				
Grants and contributions		26,478	26,478	24,561
Interest received		3	-	1
Other		10,686	-	-
Total receipts		**37,167**	**26,478**	**24,562**
Net cash flows from operating activities	6	**36,962**	**26,274**	**24,358**
Cash flows from investing activities				
Purchase of investments		(26,212)	(26,230)	(24,357)
Proceeds from Sale of Investments		(10,686)	-	-
Net cash flows from investing activities		**(36,898)**	**(26,230)**	**(24,357)**
Net cash flows from financing activities		**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**64**	**44**	**1**
Opening cash and cash equivalents		**11**	**11**	**10**
Closing cash and cash equivalents	6	**75**	**55**	**11**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Notes to the financial statements
for the year ended 30 June 2022

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 has been re-anchored to be fully funded from 2030 to 2040. The new funding plan along with the corresponding adjustment in the annual appropriation is in line with the revised projection and will be effective from the Financial Year 2022-23.

The LMMC is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The LMMC is a not-for-profit entity and it has no cash generating units. The entity has its principal office at 52 Martin Place, Sydney, NSW 2000, Australia. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

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

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

Use of judgements, estimates and assumptions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, valuation techniques, which discount cash flows to present value based on observable market yields for the same or equivalent securities. Changes in fair value are mainly attributable to fluctuations in market yields and prices arising from changes in market conditions. This information is specifically relevant to Notes 8 and 10 to the financial statements.

Impact of Covid-19

Management has considered the impact of COVID-19 on the LMMC's revenue, including the impact on TCorpIM investment return. Management has concluded that COVID-19 has not had a material impact on the entity's operations and preparation of the financial statements for the year ended 30 June 2022.

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 following amendments and interpretations which apply for the first time in FY2021-22, do not have a material impact on the financial statements of LMMC.

- AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities* (operative date 1 July 2021)
- AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021 (*operative date 1 Apr 2021)
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (operative date 1 July 2021)

New standards and interpretations not yet effective

As mandated by NSW Treasury Policy and Guidelines TPG22-07 Mandates of options and major policy decisions under Australian Accounting Standards 2021-22, the Corporation has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (operative date 1 January 2022)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023)
- AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* (operative date 1 January 2023)
- AASB 2021-7a *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2022)
- AASB 2021-7b *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2022)
- AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2022)

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

REVENUE

Revenue is measured at the fair value of the consideration or contributions received or receivable to the extent it is probable that the economic benefits will flow to the LMMC and the amount is reliably measurable. Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Comments regarding the accounting policies for the recognition of income are discussed below.

Contributions from the Crown

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

Investment revenue

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPENSES

Employee arrangements

The LMMC has no employees. Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the LMMC's financial statements. The cost of these services is shown as an administration charge in Note 3.

Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, with the following exceptions:

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

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flow arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. The net amount of GST recoverable from or payable to, the ATO, is included as a current asset or current liability in the Statement of Financial Position.

ASSETS

Cash and cash equivalents

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

Financial assets

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

Fair value measurement and hierarchy

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

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

LIABILITIES

Payables

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

Derecognition of financial liabilities

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

EQUITY

Accumulated Funds

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

TAXATION

The activities of LMMC are exempt from Australian income tax.

BUDGETED AMOUNTS

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are outlined in Note 12.

COMPARATIVE INFORMATION

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

Liability Management Ministerial Corporation

Notes to the financial statements for the year ended 30 June 2022

	2022 $'000	2021 $'000

3. OPERATING EXPENSES

	2022 $'000	2021 $'000
Audit fees	22	22
Administration charge	182	180
	204	202

4. INVESTMENT REVENUE

	2022 $'000	2021 $'000
Investment income from TCorpIM LTGF - measured at fair value through profit or loss		
Distribution income	7,999	36,115
Net fair value (losses)/gains	(33,284)	7,316
	(25,285)	43,431

5. GRANTS AND CONTRIBUTIONS

	2022 $'000	2021 $'000
Contributions from the Crown	**26,478**	24,561

6. CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash held at financial institutions	**55**	11

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:

	2022 $'000	2021 $'000
Cash and cash equivalents (per Statement of Financial Position)	55	11
Cash and cash equivalents (per Statement of Cash Flows)	**55**	11

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

	2022 $'000	2021 $'000
Net cash flows from operating activities	**26,274**	**24,358**
Distribution reinvested and gains/(losses) on investments	(25,285)	43,431
Decrease/(Increase) in liabilities	-	1
Net result for the year	**989**	**67,790**

	2022	2021
	$'000	$'000

7. CURRENT RECEIVABLES

GST receivable	21	20

8. NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE

TCorpIM LTGF	298,389	297,445

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	21	21

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	
			2022	2021
			$'000	$'000
Financial assets				
Cash and cash equivalents	6	N/A	55	11
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	298,389	297,445
Financial liabilities				
Payables	9	Payables (measured at amortised cost)	21	21
Total			**298,423**	**297,435**

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 -7.88 percent (2021: 18.00 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	2022 $'000	2021 $'000
TCorpIM LTGF	Cash, money market instruments, Australian bonds, listed property, Australian & International shares	7 years and over	298,389	297,445

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.

10. FINANCIAL INSTRUMENTS (continued)

Other price risk sensitivity analysis

	Change in unit price		Impact on net result	
	2022 %	**2021 %**	**2022 $'000**	**2021 $'000**
TCorpIM LTGF	+/- 10.0	+/- 10.0	+/-29,839	+/- 29,745

Currency risk

The LMMC has indirect foreign currency exposure within its investment in the TCorpIM LTGF. The TCorpIM LTGF has approximately 49.4% (2021: 45%) 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. The TCorpIM LTGF may obtain, or provide, collateral to support amounts due under derivative transactions with certain counterparties. These arrangements are agreed between the TCorpIM LTGF and each counter party and take the form of annexures to the standard industry agreement governing the underlying derivative transaction.

Cash and cash equivalents

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

Financial assets at fair value

Financial assets at fair value include investments in the TCorpIM LTGF. The investments held are unit holdings, and as such, do not give rise to credit risk.

There are no financial assets that are past due or considered impaired at the reporting date.

(c) Liquidity risk

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

During the current year there were no defaults of payables. The LMMC's exposure to liquidity risk is deemed insignificant based on prior years' data and current assessment of risk.

10. FINANCIAL INSTRUMENTS (continued)

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with Treasury Circular NSW TC 11-12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Interest is awarded for late payments. There was no interest awarded for late payment during the year.

Fair value

The financial assets and liabilities of the LMMC at the reporting date comprise mainly monetary financial assets and their carrying values approximate to their fair values. The value of the investments in the TCorpIM LTGF is based on the LMMC's share of the fund, based on the redemption value.

Fair value recognised in the statement of financial position

The LMMC uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

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

The LMMC's financial assets at fair value of $298.39 million as at the reporting date (2021: $297.45 million) are classified under level 2 fair value hierarchy.

11. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or contingent liabilities as at the reporting date (2021: Nil).

12. BUDGET REVIEW

The TCorpIM LTGF full year investment revenue loss of $25.29 million reflected an investment return of -7.88% p.a. which is significantly lower than the budgeted return rate of 6.30% p.a. Long term performance remains above the Fund's CPI+3.5% p.a. objective.

The negative investment return resulted from the Fund's 62% allocation to equities as equity markets sold off heavily on the back of aggressive monetary tightening and growing recession fears.

The Reserve Bank of Australia increased the cash rate to 0.85% in June 2022, which was above market expectations. Credit spreads also widened, causing underperformance in the credit and debt markets. TCorp continues to build resilience and risk mitigants into the portfolios as heightened market volatility, higher inflation and rising interest rates may persist for some time. Despite the challenging investment environment, the Fund is well-positioned to meet its investment objective over the long-term.

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 the Corporation. The total cost of these services for the year was $200,098 incl. GST (2021: $198,894), the expense is shown as an administration charge by the Corporation.

14. EVENTS AFTER THE REPORTING DATE

There are no material events after reporting date requiring disclosure.

End of audited financial statements

AUDITOR-GENERAL NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Liability Management Ministerial Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Liability Management Ministerial Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of Treasury is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Accountable Authority.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

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. The description forms part of my auditor's report.

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

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Financial Statements

for the year ended 30 June 2022

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Financial Statements
for the year ended 30 June 2022

Statement by the Accountable Authority

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

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

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

On behalf of the Board

Director: ....
Belinda Gibson / Chair

Dated: 25 October 2022

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Report by Members of the Board
for the year ended 30 June 2022

The Directors present their report on the Electricity Retained Interest Corporation - Ausgrid (the Corporation) for the financial year ended 30 June 2022.

Information on Directors

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

Belinda Gibson (Chair) (Appointed 4 November 2019)
Robert Wright (Appointed 4 November 2019)
Steven MacDonald (Appointed 4 November 2019)

Principal activities

The Corporation was established under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Ausgrid's network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015* and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was established on 1 December 2016.

The retained interest is a 49.6 per cent interest in the Ausgrid distribution network business which is constituted by three (3) partnerships:

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

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

Other than as described in the review of operations below, there has been no significant change in the Corporation's principal activity during the year.

Operating results

The net result of the Corporation was $301.6 million for the year, representing the Corporation's 49.6 per cent share of Ausgrid Partnership's profit. The Corporation's expenses are reimbursed by the State, while distributions received from its retained interest in Ausgrid are fully repatriated to the State.

Distributions received

There was nil distribution received during the year.

Review of operations

A review of the operations of the Corporation found that during the year, the Corporation continued to engage in its principal activity. The financial results of the Corporation are disclosed in the attached financial statements. Financial and company secretariat support are provided by staff the of NSW Treasury for the Corporation and its subsidiaries.

Significant changes in state of affairs

With the objective of maintaining Ausgrid's current Baa1 (Moody's) and BBB (Standard & Poors) credit ratings, the Ausgrid Board resolved to continue to give priority to debt repayment and support the Ausgrid Group's business objectives over payment of distributions to investors during the reporting period and subsequent FY2023 period, which will restrict cash flow to the Corporation over this period. In the absence of Ausgrid distribution income, the State provided funding to the Corporation for operating expenditure.

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Report by Members of the Board
for the year ended 30 June 2022

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 and directors' and officers' liability during or since the end of the year for any person who is or has been a director of the Corporation.

By a Deed of Indemnity dated 23 November 2016 (in the case of Belinda Gibson and Robert Wright) and Deed of Indemnity dated 13 November 2019 (in the case of Steven MacDonald), the Corporation has indemnified each Director against:

(a) civil liability (other than a liability to the Corporation or a Subsidiary) for liability incurred in his or her capacity as a Director (unless the liability arises out of conduct involving a lack of good faith); and

(b) liability for costs incurred in defending proceedings (civil or criminal) in which judgement is given in favour of the Director or the Director is acquitted.

Signed in accordance with a resolution of the Directors:

Director: Belinda Gibson ....

Belinda Gibson - Chair

Dated: 25 October 2022

INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation - Ausgrid

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Electricity Retained Interest Corporation - Ausgrid (the Corporation), which comprise the Statement by the Accountable Authority, the Statements of Comprehensive Income for the year ended 30 June 2022, the Statements of Financial Position as at 30 June 2022, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Directors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Accountable Authority and Report by Members of the Board.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar5.pdf. The description forms part of my auditor's report.

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

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

27 October 2022
SYDNEY

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	Budget 2022 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2022 Parent $'000	Actual 2021 Parent $'000
Revenue						
Share of profit/(loss) in associate	4	160,346	301,568	116,064	-	-
Grants and other contributions	4	1,050	835	808	823	792
		161,396	302,403	116,872	823	792
Expenses						
Directors fees	5	370	370	368	352	368
Other expenses	5	680	465	440	471	424
		1,050	835	808	823	792
Net result for the year		**160,346**	**301,568**	**116,064**	**-**	**-**
Other comprehensive income:						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		-	475,168	144,336	-	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		-	-	7,936	-	-
Share of associate's changes in revaluation surplus of property, plant and equipment		-	51,308	1,083,000	-	-
Total share of associate's other comprehensive income/(loss)	6	-	526,476	1,235,272	-	-
Total comprehensive income/(loss)		**160,346**	**828,044**	**1,351,336**	**-**	**-**

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 2022

	Notes	Budget 2022 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2022 Parent $'000	Actual 2021 Parent $'000
Total current assets		-	-	-	-	-
Non-current assets						
Investments	6	3,902,022	5,803,652	4,975,608	3,852,126	3,852,126
Total non-current assets		**3,902,022**	**5,803,652**	**4,975,608**	**3,852,126**	**3,852,126**
Total assets		**3,902,022**	**5,803,652**	**4,975,608**	**3,852,126**	**3,852,126**
Total current liabilities		-	-	-	-	-
Total non-current liabilities		-	-	-	-	-
Total liabilities		-	-	-	-	-
Net assets		**3,902,022**	**5,803,652**	**4,975,608**	**3,852,126**	**3,852,126**
Equity						
Reserves	7	(356,128)	1,397,907	871,431	-	-
Accumulated surplus	7	4,258,150	4,405,745	4,104,177	3,852,126	3,852,126
Total equity		**3,902,022**	**5,803,652**	**4,975,608**	**3,852,126**	**3,852,126**

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

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Consolidated Statement of Cash Flows
for the year ended 30 June 2022

	Budget 2022 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2022 Parent $'000	Actual 2021 Parent $'000
Net cash flows from operating activities	-	-	-	-	-
Net cash flows from investing activities	-	-	-	-	-
Net cash flows from financing activities	-	-	-	-	-
Net increase/(decrease) in cash	**-**	**-**	**-**	**-**	**-**
Opening cash and cash equivalents	-	-	-	-	-
Closing cash and cash equivalents	**-**	**-**	**-**	**-**	**-**

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

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Consolidated Statement of Changes in Equity
for the year ended 30 June 2022

	Consolidated			Parent		
	Accumulated Surplus	Reserves	Total	Accumulated Surplus	Reserves	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	**4,104,177**	**871,431**	**4,975,608**	**3,852,126**	**-**	**3,852,126**
Net result for the period	301,568	-	301,568	-	-	-
Other comprehensive income						
Investment in associate	-	526,476	526,476	-	-	-
Total other comprehensive income	-	526,476	526,476	-	-	-
Total comprehensive income/(loss)	301,568	526,476	828,044	-	-	-
Balance at 30 June 2022	**4,405,745**	**1,397,907**	**5,803,652**	**3,852,126**	**-**	**3,852,126**
Balance at 1 July 2020	**3,980,177**	**(355,905)**	**3,624,272**	**3,852,126**	**-**	**3,852,126**
Net result for the period	116,064	-	116,064	-	-	-
Other comprehensive income						
Investment in associate	7,936	1,227,336	1,235,272	-	-	-
Total other comprehensive income	7,936	1,227,336	1,235,272	-	-	-
Total comprehensive income/(loss)	124,000	1,227,336	1,351,336	-	-	-
Balance at 30 June 2021	**4,104,177**	**871,431**	**4,975,608**	**3,852,126**	**-**	**3,852,126**

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

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1. INFORMATION ON THE CORPORATION

The Corporation was set up under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Ausgrid's network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015*, and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was established on 1 December 2016.

The retained interest is a 49.6 per cent interest in the Ausgrid distribution network business which is constituted by three (3) partnerships (the Partnerships):

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

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

The Corporation is a not-for-profit entity from 4 November 2016 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 "Entities within the Group") as at the reporting date. The Corporation achieves control through the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary
- The ability to use its power over the investee to affect its returns

The Corporation has considered all relevant facts and circumstances in assessing whether it has power over a subsidiary, including:

- The contractual arrangement(s) with the other vote holders of the subsidiary
- Rights arising from other contractual arrangements
- The Corporation's voting rights and potential voting rights

The Corporation re-assesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements.

2. BASIS FOR CONSOLIDATION (continued)

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the parent of the Corporation and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Corporation are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Corporation loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. The Corporation's retained investment is recognised at fair value.

Entities within the Group

The Corporation's Group comprises of the following entities:

Electricity Retained Interest Corporation – Ausgrid (the Corporation), ERIC Alpha Holdings Pty Ltd (Alpha Holdings), four ERIC Alpha Asset Trusts (NAPTs), four ERIC Alpha Operator Trusts (NOPTs), four ERIC Alpha AUP Trusts (NAUPTs) and the associated four ERIC Alpha Asset Corporations (NAPT Trustee), four ERIC Alpha Operator Corporations (NOPT Trustee) and four ERIC Alpha AUP Corporations (NAUPT Trustee) companies. NAPTs, NOPTs and NAUPTs hold the legal interests of the retained interest.

NAPTs:

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

NOPTs:

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

NAUPTs:

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

Under the Act, a Fund has been established for the Corporation in the Special Deposit Account (SDA) where all financial returns, including distribution income, return of capital and any financial distribution, derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be deposited. This SDA is controlled by the State, and not the Corporation. Therefore, the Corporation, or the entities it controls, does not recognise the SDA within its financial statements and do not themselves pay distributions.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

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

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

Comparative information

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

Judgements, Estimates and Assumptions

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

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and any future periods affected. Any judgements, estimates and assumptions management have made are disclosed in the relevant notes to the financial statements.

Statement of compliance

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

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

There were no new or amended standards commencing in FY21-22 which have a material impact on 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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Issued but not yet effective

As mandated by Treasury Circular TPG22-07 *Mandates of Options and major policy decisions under Australian Accounting Standards*, the Corporation has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023)
- AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* (operative date 1 January 2023)
- AASB 2021-7a *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2022)
- AASB 2021-7b *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2023)
- AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2025).

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

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into consideration contractually defined terms of payment.

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

Distribution income

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and other contributions

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

Expenses

Expenses are recognised when incurred. Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. The cost of these services is shown as an administration charge in Note 5.

The contributions paid to the Consolidated Fund are shown under expenses in Note 5 as all financial returns must be deposited into the SDA. There were no contributions paid in FY2022 and FY2021.

Cash and cash equivalents

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

Investment in subsidiary

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

Investment in associate

The State's retained interest in Ausgrid is accounted in the Corporation's investment in its associate as per AASB 128 *Investments in Associates and Joint Ventures* using the equity method. The reporting period for Ausgrid and the Corporation are in line with each other.

The Corporation has significant influence over its associates through the Board who participate in the financial and operating policy decisions of the investee, but do not have control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the associate since the acquisition date. The Corporation recognises its investment based on 49.6 per cent of the associate's net assets with the exception of property, plant and equipment (PPE) which are adjusted to fair value in accordance with Treasury's Policy and Guidelines Paper 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 2022.

A value in use model was used applying a discounted cash flow (DCF) approach, discounting free cash flows using a long-term after tax weighted average cost of capital (WACC) and mid-period discounting. The cash flow forecasts are based on the latest Ausgrid business plans up to 30 June 2028. The fair value of PPE is determined by deducting the carrying value of working capital and intangible assets and goodwill not related to PPE from the DCF value of the consolidated Ausgrid business. Growth related EDITDA, movements of non-cash revenue items, changes in working capital and maintenance capital are excluded from operating cash flows to determine the DCF value of the consolidated Ausgrid business.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- The distributor licence and 10 per cent of the goodwill are not related to the network service provider;
- A post tax WACC of 6.1 – 6.8 per cent (mid-point of 6.5 per cent);
- A 6 year (to 30 June 2028) cashflow horizon and applying an EBITDA multiple of 11.9 to 14.1 times as a proxy for long term cashflows.

The Corporation applied a discount rate of 6.82 per cent (2021: 6.09 per cent). The table below shows the sensitivity on a value which is approximate to the valued fair value amount from a change in discount rate of +/- 0.25 per cent:

Discount Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
30 June 2022	18,374	19,346	20,429
30 June 2021	18,100	19,114	20,252

The Corporation applied a terminal value growth rate of 2 per cent (2021: 1.75 per cent). The table below shows the sensitivity on a value which is approximate to the valued fair value amount from a change in the terminal value growth rate of +/- 0.25 per cent:

TVGR Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
30 June 2022	20,208	19,346	18,570
30 June 2021	20,056	19,114	18,274

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

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

Changes in the Corporation's share of the associate's operating results, adjusted to ensure consistency with the Corporation's accounting policy, if any, are reflected in surplus or deficit. Where a change is recognised directly in the associate's equity, the Corporation recognises its share in other comprehensive income.

Statement of Cash Flows

Cash flows are disclosed as nil in the Statement of Cash Flows. The Corporation does not have a bank account. Under Section 32 of the Act, the Electricity Retained Interest Corporation – Ausgrid (the Fund) was established as a Special Deposit Account (SDA) to facilitate all financial and investment return of the Corporation, disburse the operational cost incurred by the Corporation and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report is prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation.

3. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 8.

Going Concern

The State will provide the Corporation support in the form of contributions to meet its debt obligations as and when they become due and payable. Hence, the financial statements are prepared on a going concern basis.

4. REVENUE

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Share of profit/(loss) in associate	301,568	116,064	-	-
Grants and other contributions[1]	835	808	823	792
Total	**302,403**	**116,872**	**823**	**792**

[1] The Corporation does not have a bank account. The Electricity Retained Interest Corporation - Ausgrid Fund (the Fund) was established under Section 32 of the Act to facilitate all financial transactions of the Corporation. The Fund is a SDA controlled and reported by the Crown.

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

5. EXPENSES

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Director fees				
Fees	320	320	320	320
Superannuation contribution	32	30	32	30
Committee fees	18	18	-	18
	370	**368**	**352**	**368**
Other expenses				
Audit fees	90	88	81	76
Administration charge	275	250	275	250
Other	100	102	111	98
	465	**440**	**471**	**424**
Total expenses	**835**	**808**	**823**	**792**

6. INVESTMENTS

Investment in subsidiary

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

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Investment in ERIC Alpha Holdings Pty Ltd	-	-	3,852,126	3,852,126
	-	**-**	**3,852,126**	**3,852,126**

6. INVESTMENTS (continued)

Investment in associate

The Corporation's Group investment in an associate represents 100 per cent interest in shares of ERIC Alpha Holdings Pty Ltd, which has an investment in associate consisting of the NSW Government's 49.6 per cent share in the Ausgrid Partnerships and a consortium comprising IFM Investors, AustralianSuper and APG Asset Management (APG) holds 50.4 per cent partnership interest.

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Investment in associate	5,803,652	4,975,608	-	-
	5,803,652	**4,975,608**	**-**	**-**

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

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Current assets	560,480	320,416	-	-
Non-current assets	10,695,744	10,514,704	-	-
	11,256,224	10,835,120	-	-
Current liabilities	686,464	952,816	-	-
Non-current liabilities	5,864,704	5,989,696	-	-
	6,551,168	6,942,512	-	-
Net assets	**4,705,056**	**3,892,608**	**-**	**-**

The Corporation's share of associate's profit

Revenue	1,188,912	1,155,680	-	-
Profit before income tax	301,568	116,064	-	-
Profit after income tax	**301,568**	**116,064**	**-**	**-**
Other comprehensive income	475,168	152,272	-	-
Total comprehensive income	**776,736**	**268,336**	**-**	**-**

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

Capital expenditure	156,736	73,904	-	-

6 INVESTMENTS (continued)

Reconciliation of Movements

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Balance at the beginning of the financial year	4,975,608	3,624,272	-	-
Share of associates net profit/(loss)	301,568	116,064	-	-
Share in other comprehensive income	475,168	152,272	-	-
Share of associates PPE fair value changes	51,308	1,083,000	-	-
Balance at the end of the financial year	**5,803,652**	**4,975,608**	**-**	**-**

7. EQUITY

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Accumulated surplus	4,405,745	4,104,177	3,852,126	3,852,126
Reserves	1,397,907	871,431	-	-
Closing Balance	**5,803,652**	**4,975,608**	**3,852,126**	**3,852,126**

Accumulated Surplus

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

8. BUDGET REVIEW

Net result:

The net result of the Corporation was $301.56 million, representing the Corporation's 49.6 per cent share of Ausgrid Partnership's profit.

Total expenses for 2021-22 were $0.83 million, lower by $0.2 million than budgeted amount of $1.05 million.

Assets and Liabilities

Total assets for the year were $5,804 million for the financial year ending 30 June 2022, higher by $1,902 million as compared to budget. This is the result from an increase in the investment value in the Ausgrid Partnership by $828 million resulting from current year's total comprehensive income of $777 million and the increment of $51 million from the Ausgrid's PPE fair value changes in FY22. The fair value increment taken in FY21 was $1,083 million which was not included in the budget figures. Refer to note 6 for the details.

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

Cash flows

The Corporation does not have a bank account. Under Section 32 of the Act, the Electricity Retained Interest Corporation – Ausgrid (the Fund) was established as a Special Deposit Account (SDA) to facilitate all financial and investment return of the Corporation, disburse the operational cost incurred by the Corporation and make

8. BUDGET REVIEW (continued)

Cash flows (continued)

payments into the Consolidated Fund as directed by the Treasurer. A separate annual report is prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation. The published Budget Paper for the Corporation discloses the activities of the SDA which is controlled and reported by the Treasury Administered Activities. These activities are not recognised by the Corporation.

9. LEGAL INTEREST IN THE NETWORK PARTNERSHIP TRUSTS

The Corporation, through Ausgrid Network Asset Partnership Trusts (NAPTs), Ausgrid Network Asset Operator Partnership Trusts (NOPTs) and Ausgrid Network Unregulated Partnership Trusts (AUPTs) holds a 49.6 per cent legal equity interest in the NAP, NOP and AUP. Refer to Note 2 “Entities within the Group” for details.

All financial returns of the Partnerships derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be payable directly into the SDA which is controlled by the State, in accordance with the Act. The Corporation recognises the retained interest in Partnerships in the Consolidated Statement of Financial Position using the equity method.

10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At the reporting date, the Corporation's contingent assets of $1m (2021: $0.5m) and contingent liabilities of $22.8 million (2021: $23.81 million) represent its share in the associate's contingent assets and contingent liabilities.

11. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2022 Consolidated $'000	2021 Consolidated $'000
Short-term employee benefits	338	320
Post-employment benefits	32	48
Total	**370**	**368**

Short-term employee benefits include director salaries and post-employment benefits include superannuation.

12. RELATED PARTIES

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

12 RELATED PARTIES (continued)

The Corporation does not have employees. The key management personnel services were provided by NSW Treasury. The Corporation Directors are independent members who have been appointed by the Treasurer.

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

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with 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 and there is nil distribution for the current year. No other transactions were made between the Corporation and the Partnerships during the year.

(iii) Transactions with other related entities

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

Services provided by other government agencies to the Corporation include payroll, accounting and finance, administrative and company secretariat services. These services were provided to the Corporation in the same commercial terms as for any other agencies.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Corporation’s financial statements. The cost of these services for the year is $275,000 (2021: $250,000) 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 the Treasury Cluster as grant income

13. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Financial Statements

for the year ended 30 June 2022

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Statement by the Accountable Authority
for the year ended 30 June 2022

Statement by the Accountable Authority

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

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

- present fairly Electricity Retained Interest Corporation - Endeavour Energy's financial position, financial performance and cash flows.

On behalf of the Board

Director: ....
Trevor Danos AM - Chair

Dated: 25 October 2022

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Report by Members of the Board
for the year ended 30 June 2022

The Directors present their report on Electricity Retained Interest Corporation - Endeavour Energy (the Corporation) for the financial year ended 30 June 2022.

Information on Directors

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

Trevor Danos AM (Chair) (Reappointed on 2 June 2020 for a three-year term)
Helen Conway (Reappointed on 2 June 2022 for a two-year term)
Scott Davies (Reappointed on 2 June 2020 for a three-year term)

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

Principal activities

The Corporation was set up under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Endeavour's Energy distribution network business under the *Electricity Network Assets (Authorised Transactions) Act 2015* and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was acquired on 14 June 2017.

The retained interest is a 49.6 per cent interest in the Endeavour Energy distribution network business which is constructed by three (3) partnerships:

1. Endeavour Energy Network Asset Partnership (NAP) holding regulated assets;
2. Endeavour Energy Network Operator Partnership (NOP) which operates the regulated assets; and
3. Endeavour Energy Network Unregulated Partnership (NUP) which owns and conducts unregulated activities.

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

Other than as described in the review of operations below, there has been no significant change in the Corporation's principal activity during the year.

Operating results

The net result of the Corporation was $64.8 million for the year, representing the Corporation's 49.6 per cent share of Endeavour Energy Partnerships' profit and loss. All expenses of the Corporation are reimbursed by the State, while distributions received from its retained interest in Endeavour Energy are fully repatriated to the State.

Distributions received

Total distribution received as at the reporting date was $18.8 million.

Review of operations

A review of the operations of the Corporation found that during the year, the Corporation continued to engage in its principal activity. The financial results of the Corporation are disclosed in the attached financial statements. Financial and company secretariat support are provided by staff of the NSW Treasury for the Corporation and its subsidiaries.

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Report by Members of the Board
for the year ended 30 June 2022

Significant changes in state of affairs

Endeavour Energy revenues were in line with expectations for the year. The Baa1 (Moody's) credit rating was maintained. To facilitate maintaining the credit rating and to support business objectives, the Endeavour Energy Boards resolved to maintain higher cash holdings and reduce distributions to investors over the reporting period and FY2023, which has reduced cash flow to the Corporation over the reporting period.

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

Significant events after the balance date

No matters or circumstances have arisen after the reporting date which significantly affected or may significantly affect the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in future financial years.

Indemnification and insurance of directors

Premiums have been paid to cover any legal liabilities relating to professional indemnity and directors' liability during or since the end of the year for any person who is or has been a director of the Corporation.

By a Deed of Indemnity dated 8 June 2017, the Corporation has indemnified each director against:

(a) civil liability (other than a liability to the Corporation or a Subsidiary) for liability incurred in his or her capacity as a director (unless the liability arises out of conduct involving a lack of good faith); and

(b) liability for costs incurred in defending proceedings (civil or criminal) in which judgement is given in favour of the director or the director is acquitted.

Signed in accordance with a resolution of the Directors:

Director: ....
Trevor Danos AM - Chair
Dated: 25 October 2022

INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation - Endeavour

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Electricity Retained Interest Corporation - Endeavour (the Corporation), which comprise the Statement by the Accountable Authority, the Statements of Comprehensive Income for the year ended 30 June 2022, the Statements of Financial Position as at 30 June 2022, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Directors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Accountable Authority and Report by Members of the Board.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar5.pdf. The description forms part of my auditor's report.

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

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	Budget 2022 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2022 Parent $'000	Actual 2021 Parent $'000
Revenue						
Share of profit of associates	4	128,613	83,626	130,299	-	-
Grants and other contributions	4	1,032	884	805	870	789
Other revenue	4	5,182	5,260	5,134	-	-
		134,827	**89,770**	**136,238**	**870**	**789**
Expenses						
Contributions paid	5	22,717	24,073	36,754	-	-
Directors' fees	5	352	353	351	353	351
Other expenses	5	680	531	454	517	438
		23,749	**24,957**	**37,559**	**870**	**789**
Net result		**111,078**	**64,813**	**98,679**	**-**	**-**
Other comprehensive income						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		-	351,466	96,571	-	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		-	5,555	4,762	-	-
Share of associate's changes in revaluation surplus of property, plant and equipment		-	-	511,000	-	-
Total other comprehensive income/(loss)	6	**-**	**357,021**	**612,333**	**-**	**-**
Total comprehensive income/(loss)		**111,078**	**421,833**	**711,012**	**-**	**-**

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 2022

	Notes	Budget 2022 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2022 Parent $'000	Actual 2021 Parent $'000
Current assets						
Receivables	7	4,275	1,442	1,400	-	-
Total current assets		**4,275**	**1,442**	**1,400**	**-**	**-**
Non-current assets						
Investments	6	2,145,498	3,052,752	2,630,954	1,946,448	1,946,448
Total non-current assets		**2,145,498**	**3,052,752**	**2,630,954**	**1,946,448**	**1,946,448**
Total assets		**2,149,773**	**3,054,194**	**2,632,354**	**1,946,448**	**1,946,448**
Current liabilities						
Payables	8	389	261	254	-	-
Total current liabilities		**389**	**261**	**254**	**-**	**-**
Total non-current liabilities		**-**	**-**	**-**	**-**	**-**
Total liabilities		**389**	**261**	**254**	**-**	**-**
Net assets		**2,149,384**	**3,053,933**	**2,632,100**	**1,946,448**	**1,946,448**
Equity						
Reserves	10	(255,192)	703,857	352,391	-	-
Accumulated surplus	10	2,404,576	2,350,077	2,279,709	1,946,448	1,946,448
Total equity		**2,149,384**	**3,053,933**	**2,632,100**	**1,946,448**	**1,946,448**

The accompanying notes form an integral part of the financial statements

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Consolidated Statement of Cash Flows
for the year ended 30 June 2022

	Budget 2022 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2021 Consolidated $'000	Actual 2022 Parent $'000	Actual 2021 Parent $'000
Net cash flows from operating activities	-	-	-	-	-
Net cash flows from investing activities	-	-	-	-	-
Net cash flows from financing activities	-	-	-	-	-
Net increase/(decrease) in cash	-	-	-	-	-
Opening cash and cash equivalents	-	-	-	-	-
Closing cash and cash equivalents	-	-	-	-	-

The accompanying notes form an integral part of the financial statements

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

Consolidated Statement of Changes in Equity
for the year ended 30 June 2022

	Consolidated			Parent		
	Accumulated Surplus $'000	Reserves $'000	Total $'000	Accumulated Surplus $'000	Reserves $'000	Total $'000
Balance at 1 July 2021	**2,279,709**	**352,391**	**2,632,100**	**1,946,448**	**-**	**1,946,448**
Net result for the year	64,813	-	64,813	-	-	-
Other comprehensive income						
Investment in associates	5,555	351,466	357,021	-	-	-
Total other comprehensive income	5,555	351,466	357,021	-	-	-
Total comprehensive income	70,368	351,466	421,833	-	-	-
Balance at 30 June 2022	**2,350,077**	**703,857**	**3,053,933**	**1,946,448**	**-**	**1,946,448**

	Consolidated			Parent		
	Accumulated funds $'000	Reserves $'000	Total $'000	Accumulated funds $'000	Reserves $'000	Total $'000
Balance at 1 July 2020	**2,176,268**	**(255,180)**	**1,921,088**	**1,946,448**	**-**	**1,946,448**
Net result for the year	98,679	-	98,679	-	-	-
Other comprehensive income						
Investment in associates	4,762	607,571	612,333	-	-	-
Total other comprehensive income	4,762	607,571	612,333	-	-	-
Total comprehensive income	103,441	607,571	711,012	-	-	-
Balance at 30 June 2021	**2,279,709**	**352,391**	**2,632,100**	**1,946,448**	**-**	**1,946,448**

The accompanying notes form an integral part of the financial statements

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

Notes to the Consolidated Financial Statements
for the year ended 30 June 2022

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ABN 61 573 737 242

Notes to the Consolidated Financial Statements
for the year ended 30 June 2022

1. INFORMATION ON THE CORPORATION

The Corporation was set up under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Endeavour's Energy distribution network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015* and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was acquired on 14 June 2017.

The retained interest is a 49.6 per cent interest in the Endeavour Energy distribution network business which is constructed by three (3) partnerships (the Partnerships):

1. Endeavour Energy Network Asset Partnership (NAP) which holds regulated assets;
2. Endeavour Energy Network Operator Partnership (NOP) which operates the regulated assets; and
3. Endeavour Energy Network Unregulated Partnership (NUP) which owns and conducts unregulated activities.

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

The Corporation is a not-for-profit entity from 2 June 2017 (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 Statement of Accountable Authority was signed.

The Corporation is a NSW Government entity and consolidated as part of the NSW Total State Sector Accounts.

2. BASIS FOR CONSOLIDATION

Subsidiaries

The consolidated financial statements of the Corporation include the Corporation as parent and its subsidiaries (refer to "Entities within the Group"). The Corporation achieves control through the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary
- The ability to use its power over the investee to affect its returns.

The Corporation has considered all relevant facts and circumstances in assessing whether it has power over a subsidiary, including:

- The contractual arrangement(s) with the other vote holders of the subsidiary
- Rights arising from other contractual arrangements
- The Corporation's voting rights and potential voting rights.

The Corporation re-assesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements.

2. BASIS FOR CONSOLIDATION (continued)

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the Corporation and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Corporation are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Corporation loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. The Corporation's retained interest is recognised at fair value.

Entities within the Group

The Corporation's Group comprises of the following entities:

Electricity Retained Interest Corporation - Endeavour Energy (the Corporation), ERIC Epsilon Holdings Pty Ltd (Epsilon Holdings), four ERIC Epsilon Asset Trusts (NAPTs), four ERIC Epsilon Operator Trusts (NOPTs), four ERIC Epsilon Contestable Services Trusts (NUPTs) and the associated four ERIC Epsilon Asset Corporations (NAPT Trustee), four ERIC Epsilon Operator Corporations (NOPT Trustee) and four ERIC Epsilon Contestable Services Corporations (NUPT Trustee). The NAPTs, NOPTs and NUPTs listed below hold the legal interests of the retained interest.

NAPTs:

- ERIC Epsilon Asset Corporation 1 Pty Ltd (ACN 617 221 575) as trustee for the ERIC Epsilon Asset Trust 1 ABN 32 495 216 900
- ERIC Epsilon Asset Corporation 2 Pty Ltd (ACN 617 221 655) as trustee for the ERIC Epsilon Asset Trust 2 ABN 19 263 127 578
- ERIC Epsilon Asset Corporation 3 Pty Ltd (ACN 617 221 708) as trustee for the ERIC Epsilon Asset Trust 3 ABN 38 439 539 729
- ERIC Epsilon Asset Corporation 4 Pty Ltd (ACN 617 221 726) as trustee for the ERIC Epsilon Asset Trust 4 ABN 14 189 519 460

NOPTs:

- ERIC Epsilon Operator Corporation 1 Pty Ltd (ACN 617 221 735) as trustee for the ERIC Epsilon Operator Trust 1 ABN 97 830 110 255
- ERIC Epsilon Operator Corporation 2 Pty Ltd (ACN 617 221 744) as trustee for the ERIC Epsilon Operator Trust 2 ABN 21 361 312 116
- ERIC Epsilon Operator Corporation 3 Pty Ltd (ACN 617 221 753) as trustee for the ERIC Epsilon Operator Trust 3 ABN 71 809 200 912
- ERIC Epsilon Operator Corporation 4 Pty Ltd (ACN 617 221 771) as trustee for the ERIC Epsilon Operator Trust 4 ABN 25 428 963 442

NUPTs:

- ERIC Epsilon Contestable Services Corporation 1 Pty Ltd (ACN 621 653 736) as trustee for the ERIC Epsilon Contestable Services Trust 1 ABN 73 951 673 559
- ERIC Epsilon Contestable Services Corporation 2 Pty Ltd (ACN 621 653 843) as trustee for the ERIC Epsilon Contestable Services Trust 2 ABN 66 106 852 060
- ERIC Epsilon Contestable Services Corporation 3 Pty Ltd (ACN 621 653 923) as trustee for the ERIC Epsilon Contestable Services Trust 3 ABN 56 270 439 221
- ERIC Epsilon Contestable Services Corporation 4 Pty Ltd (ACN 621 654 055) as trustee for the ERIC Epsilon Contestable Services Trust 4 ABN 68 238 710 360

2. BASIS FOR CONSOLIDATION (continued)

Under the Act, a Fund has been established for the Corporation in the Special Deposit Account (SDA) where all financial returns, including distribution income, return of capital and any financial distribution, derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be deposited. This SDA is controlled by the State, and not the Corporation. Therefore, the Corporation, or the entities it controls, does not recognise the SDA within its financial statements, and do not themselves pay distributions.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

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

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

Comparative information

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

Judgements, Estimates and Assumptions

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

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and any future periods affected. Any judgements, estimates, and assumptions management have made are disclosed in the relevant notes to the financial statements.

Statement of compliance

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

Electricity Retained Interest Corporation-Endeavour Energy

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Notes to the Consolidated Financial Statements
for the year ended 30 June 2022

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i. Effective for the first time in FY2021-22

There were no new or amended standards commencing in FY21-22 which have a material impact on ERIC-E. 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 Circular TPG22-07 *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.

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

- AASB 17 *Insurance Contracts* (operative date 1 January 2023)
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2023)
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* (operative date 1 January 2022)
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (operative date 1 January 2022)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative date 1 January 2023)
- AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* (operative date 1 January 2023)
- AASB 2021-7a *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2022)
- AASB 2021-7b *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2023)
- AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2025).

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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.

Other Revenue

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

Distribution income

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

Grants and other contributions

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

Expenses

Expenses are recognised when incurred. Finance and other personnel of the NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. The cost of these services is shown as an administration charge in Note 5.

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

Cash and cash equivalents

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

Investment in subsidiary

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

Investment in associate

The State's retained interest in Endeavour Energy is accounted in the Corporation's investment in associate as per AASB 128 *Investments in Associates and Joint Ventures* using the equity method. The reporting period for Endeavour Energy and the Corporation are in line with each other.

The Corporation has significant influence over its associate through the Board who participate in the financial and operating policy decisions of the investee, but do not have control or joint control over those policies.

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3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the associate since the acquisition date. The Corporation recognises its investment based on 49.6 per cent of the associate's net assets with the exception of property, plant and equipment (PPE) which are adjusted to fair value, in accordance with Treasury's Policy and Guidelines Paper TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value*, AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

A fair value analysis of the associate's PPE is performed annually. An external advisor was engaged to provide an opinion on the methodology and value adopted by the Corporation to account for its interest in Endeavour Energy as 30 June 2022.

A value in use model was used applying a discounted cash flow (DCF) approach, discounting free cash flows using a long-term after tax weighted average cost of capital (WACC) and mid-period discounting. The model that forecasts the cash flow over a 22-year period from 1 July 2022 to 30 June 2044 is in accordance with the latest Endeavour Energy business plan at the reporting date. The fair value of PPE is determined by deducting the carrying value of working capital and intangible assets and goodwill not related to PPE from the DCF value of the consolidated Endeavour Energy business. Growth related EBITDA, movements of non-cash revenue items, changes in working capital and maintenance capital are excluded from operating cash flows to determine the DCF value of the consolidated Endeavour Energy business.

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

- The distributor licence and goodwill equivalent to 20.2 per cent of total assets are not related to the network service provider;
- A post tax WACC of 5.48 – 6.03 per cent (mid-point of 5.77 per cent);
- A 6-year (to 30 June 2028) cashflow horizon and applying an EBITDA multiple of 14.2 to 16.1 times as a proxy for long term cashflows.

The Corporation applied a discount rate of 5.77 per cent (2021: 5.02 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 2022	8,363	8,870	9,439
30 June 2021	8,365	8,888	9,477

The Corporation applied a terminal value growth rate of 1.25 per cent (2021: 0.5 per cent). The sensitivity table below shows the fair value where a change in the terminal value growth rate of +/- 0.25 per cent is used:

Terminal Value Growth Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
30 June 2022	9,331	8,870	8,459
30 June 2021	9,372	8,888	8,459

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

Due to the market volatility and economic uncertainty, the key parameters and assumptions used in the fair value model may be different with the actual results. Key inputs in the valuation model includes weighted average cost of capital which was used as discount rate and the business growth rate which was used for the projection of future cashflow. Sensitivities to the key assumptions for the fair value result are shown in the table.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

above. The sensitivity analysis above has been modelled for the mid-point of the Endeavour Energy's PPE valuation range.

Changes in the Corporation's share of the associate's operating results, adjusted to ensure consistency with the Corporation's accounting policy, if any, are reflected in surplus or deficit. Where a change is recognised directly in the associate's equity, the Corporation recognises its share in other comprehensive income.

Receivables

The Corporation's receivables consist of the TAMSA rebate which is due but not received as at the reporting date.

An allowance for expected credit losses (ECLs) is recognised if there is a material difference between the contractual cash flows and the cash flows that the Corporation expects to receive. The Corporation determines that the ECL is insignificant.

Goods and Services Tax

The Corporation is registered for goods and services tax (GST). Revenues are recognised net of the amount of GST. Expenses recognised are GST inclusive. The Corporation's principal business activity is the investment and management of the State's interest in the Endeavour Energy distribution network. As an investor, the Corporation is making a financial supply. Under the GST legislation, an entity cannot claim input tax credit associated with a financial supply activity.

Statement of Cash Flows

Cash flows are disclosed as nil in the Statement of Cash Flows. The Corporation does not have a bank account and under Section 32 of the ERIC Act, the Fund was established for the Corporation in the Special Deposit Account (SDA) to receive payment of all financial and investment returns of the Corporation and group, disburse the operational costs incurred by the Corporation and group and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report is prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation.

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 11.

Going Concern

The State will provide the Corporation support in the form of contributions to meet its debt obligations as and when they become due and payable. As a result, the financial statements are prepared on a going concern basis.

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4. REVENUE

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Share of profit of associate	83,626	130,299	-	-
Grants and other contributions [1]	884	805	870	789
Other revenue[2]	5,260	5,134	-	-
Total	**89,770**	**136,238**	**870**	**789**

[1] The Corporation does not have a bank account. The Electricity Retained Interest Corporation – Endeavour Energy Fund (the Fund) was established under Section 32 of the Act to facilitate all financial transactions of the Corporation. The Fund is a SDA controlled and reported by the Treasury Cluster. Dividend distributions from the Partnerships are paid into the Fund and subsequently remitted to the State's Consolidated Fund. Operational expenditures of the Corporation are met by the Fund which effectively is a grant contribution from the Treasury Cluster. The grant received is without sufficiently specific performance obligations.

[2] The Partnerships receives its share of the transition advisory fee paid by Endeavour Energy back under the Transitional Asset Management Service Agreement (TAMSA) which ended on 30 June 2022. The rebate is received quarterly until 30 June 2022.

5. EXPENSES

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Contributions paid				
Contributions paid to the Consolidated Fund	24,073	36,754	-	-
	24,073	**36,754**	**-**	**-**
Director fees				
Fees	320	320	320	320
Superannuation contributions	33	31	33	31
	353	**351**	**353**	**351**
Other expenses				
Audit fees	98	88	87	76
Administration charge	275	250	275	250
Other	158	116	155	112
	531	**454**	**517**	**438**
Total expenses	**24,957**	**37,559**	**870**	**789**

6. INVESTMENTS

Investment in subsidiary

The Corporation was established to hold the 49.6 per cent retained interest in Endeavour Energy through its 100 per cent owned subsidiary ERIC Epsilon Holdings Pty Ltd which holds 100 per cent of the NAPTs, NOPTs and NUPTs as referred to in Note 2.

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Investment in ERIC Epsilon Holdings Pty Ltd	-	-	1,946,448	1,946,448
	-	**-**	**1,946,448**	**1,946,448**

6. INVESTMENTS (continued)

Investment in associate

The Corporation's Group investment in an associate represents 100 per cent interest in the shares of the ERIC Epsilon Holdings Pty Ltd, which has an investment in an associate consisting of NSW Government's 49.6 per cent share in the Endeavour Energy Partnerships; the Edwards partner Consortium holding the other 50.4 per cent.

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Investment in associate	3,052,752	2,630,954	-	-
Total	**3,052,752**	**2,630,954**	**-**	**-**

AASB 128 requires that the financial statements of the investor (the Corporation) and the investee (Endeavour Energy) to be prepared using uniform accounting policies. Where there is an inconsistency in the accounting policies between the investee and the investor for like transactions and events in similar circumstances, the investor makes adjustment to the relevant investee's accounting entry and valuations in the investor's book to conform with the investor's accounting policies. As Endeavour Energy carries its PPE at cost while the State applies the fair value model under TPP21-09 *Valuation of Physical Non-Current Assets at Fair Value*, a fair value assessment was conducted for the Endeavour Energy PPE as at 30 June 2022 and an adjustment was made to the Corporation's investment carrying value.

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	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
The Corporation's share of associate's assets and liabilities				
Current assets	265,261	261,542	-	-
Non-current assets	5,390,677	5,145,950	-	-
	5,655,938	5,407,492	-	-
Current liabilities	376,117	301,965	-	-
Non-current liabilities	2,671,506	2,985,573	-	-
	3,047,622	3,287,538	-	-
Net assets	**2,608,315**	**2,119,954**	**-**	**-**
The Corporation's share of associate's profit				
Revenue	688,002	690,779	-	-
Profit before income tax	89,776	130,299	-	-
Profit after income tax	**89,776**	**130,299**	**-**	**-**
Other comprehensive income	350,870	101,333	-	-
Total comprehensive income	**440,646**	**231,632**	**-**	**-**
The Corporation's share of associates's commitments for expenditure				
Capital expenditure	68,051	108,822	-	-

6. INVESTMENTS (continued)

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Balance at the beginning of the financial year	2,630,954	1,918,578	-	-
Share of associates net profit/(loss)	83,626	130,299	-	-
Share of associates other comprehensive income/(loss)	357,021	101,333	-	-
Dividends received	(18,848)	(33,867)	-	-
Dividends reinvested	-	3,611	-	-
Share of associates PPE fair value changes	-	511,000	-	-
Balance at the end of the financial year	**3,052,752**	**2,630,954**	**-**	**-**

7. RECEIVABLES

TAMSA rebate receivable	1,442	1,400	-	-
	1,442	**1,400**	**-**	**-**

8. PAYABLES

GST Payable	261	254	-	-
	261	**254**	**-**	**-**

9. FINANCIAL INSTRUMENTS

The Corporation's principal financial instruments are receivables which arise from the Corporation's operations. The receivables relate to TAMSA rebates which were invoiced but not received as at the reporting date. Receivables are written off when there is no reasonable expectation of recovery and no interest earned on trade debtors. There were no receivables that are past due or considered impaired as at the reporting date.

The receivables expose the Corporation to credit risk which arises when there is the possibility that the Corporation's debtors default on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is the carrying amount. This is shown in the table below.

Financial instruments (i)	Note	Categories	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Financial Assets						
Receivables	7	Amortised Cost	1,442	1,400	-	-

(i) Excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 'Financial Instruments: Disclosures'

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10. EQUITY

	2022 Consolidated $'000	2021 Consolidated $'000	2022 Parent $'000	2021 Parent $'000
Reserves	703,857	352,391	-	-
Accumulated surplus	2,350,077	2,279,709	1,946,448	1,946,448
Closing Balance	**3,053,933**	**2,632,100**	**1,946,448**	**1,946,448**

Contributed Capital

Contributed capital disclosed in ERIC Epsilon Holdings Pty Ltd has been eliminated in full on the consolidation level.

Accumulated Surplus

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

11. BUDGET REVIEW

Net result

The net result of the Corporation was $65 million at the end of the year, representing the Corporation's 49.6 per cent share of Endeavour Energy Partnerships' net result and the rebate of fees payable under the TAMSA. The Corporation's expenses are paid by the State, while distributions received from its retained interest in Endeavour Energy are fully repatriated to the State.

Total expenses were $25 million, $1 million higher than budget mainly due to higher contributions paid during the year by $1.2m when compared to budget.

Total revenue was $89 million, $45 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 $3,053 million, $904 million higher than the budget due to the increase in the investment value in Endeavour Energy, and the increment of $511 million to the investment in associate resulted from the Endeavour Energy's PPE fair value changes in FY21 and the total comprehensive income for the year of $421 million. Refer to Note 6 for the details.

Cash flows

The Corporation does not have a bank account. Under Section 32 of the Act, the Electricity Retained Interest Corporation – Endeavour Energy Fund (the Fund) was established as a Special Deposit Account (SDA) to facilitate all financial and investment return of the Corporation, disburse the operational cost incurred by the Corporation and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report is prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation. The published Budget Paper for the Corporation discloses the activities of the SDA which is controlled and reported by the Crown Entity. These activities are not recognised by the Corporation.

12. LEGAL INTEREST IN THE NETWORK PARTNERSHIP TRUSTS

The Corporation, through Endeavour Energy Network Asset Partnership Trusts (NAPTs), Endeavour Energy Network Operator Partnership Trusts (NOPTs) and Endeavour Energy Network Unregulated Partnership Trusts (NUPTs), holds a 49.6 per cent legal equity interest in NAP, NOP and NUP (the Partnerships). Refer to Note 2 "Entities within the Group" for details.

All financial returns of the Partnerships derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be payable directly into the SDA which is controlled by the State, in accordance with the Act. The Corporation recognises the retained interest in Endeavour Energy in the Consolidated Statement of Financial Position using the equity method.

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Corporation's contingent liabilities are $1.04 million (2021: $1.09 million) representing its 49.6 per cent share in the associate's contingent assets and contingent liabilities.

14. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2022 $'000	2021 $'000
Short-term KMP benefits	320	320
Other KMP benefits	33	31
Total	**353**	**351**

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

15. RELATED PARTIES

(a) Ultimate parent

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

(b) Key Management Personnel remuneration

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

The Corporation does not have employees. The key management personnel services were provided by NSW Treasury. The Corporation Directors are independent members who have been appointed by the Treasurer. Directors of ERIC-E are also appointed to directorships in Endeavour Energy to represent the State's interest in its investment.

Refer to Note 14 Compensation of Key Management Personnel for total remuneration payable to the Directors.

No loans were made to any of the KMP by the Corporation during the year.

15. RELATED PARTIES (continued)

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with Directors of related entities

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

(iii) Transactions with other related entities

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

Services provided by other government agencies to the Corporation include payroll, accounting and finance, administrative and company secretariat services. These services were provided to the Corporation in the same commercial terms as for any other agencies.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. The cost of these services for the year is $275,000 (2021: $250,000) 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.

16. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Financial Statements

For the year ended 30 June 2022

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Report by Member of the Board

The sole Director presents the report on the Roads Retained Interest Pty Ltd (Corporation) for the year ended 30 June 2022.

Information on Directors

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

Kerry Schott AO – Chair (Appointed 14 December 2020 and resigned 11 November 2021)
John O'Sullivan (Appointed 14 June 2018 and resigned 4 November 2021)
Cameron Robertson (Appointed 27 October 2018, continuing).

Principal activities

The Corporation was established on 1 June 2018 under the *Corporations Act 2001* for the sole purpose of holding the State's 49 per cent retained interest in the WestConnex (WCX) Group. The Corporation's function is to provide effective stewardship and oversight of the retained interest, for the purpose of protecting value and seeking to maximise returns to the State.

On 17 September 2021, the remaining 49 per cent interest in WCX was sold to the Sydney Transport Partners (STP) consortium, with completion occurring on 29 October 2021. Following the sale the Corporation's sole activity has been to prepare for voluntary deregistration pursuant to section 601AA of the *Corporations Act 2001* (refer below).

Transfer and voluntary deregistration

The Corporation was established specifically for holding the investment in WCX. Following the sale of the remaining interest in September 2021, the Board has determined that the Corporation has no ongoing business to manage and resolved to orderly wind up the business through voluntary deregistration with the Australian Securities and Investment Commission (ASIC). The distribution of the Corporation's assets, liabilities and rights has occurred by way of novation deed, contract termination and ministerial direction briefs signed by the Treasurer of NSW. On 16 March 2022, at the Board's recommendation, the sole shareholder approved for the Corporation to apply to the ASIC for voluntary deregistration pursuant to section 601AA of the *Corporations Act 2001* and to make a final financial distribution of the net cash held after payment and provision for creditors.

Significant changes in state of affairs

Following a competitive sale process, on 17 September 2021, the State and the Corporation executed sale and purchase agreements (SPAs) with STP for the sale of the 49 per cent retained WCX interest via two tranches of 24.5 per cent each. The sale was announced on 20 September 2021 and completed on 29 October 2021.

The net aggregate sale proceeds were $10,288.5 million. Stamp duty of $822.6 million was assessable on the transactions and paid by STP directly to Revenue NSW and did not form part of the purchase price payable to the Corporation.

As noted above, by resolution made on 16 March 2022, the shareholder determined that the Corporation has no alternative business subsequent to the sale and approved that the Corporation apply to ASIC for voluntary deregistration. Therefore these financial statements are prepared on a non-going concern basis. Further details are disclosed in the notes of financial statements.

The Corporation's associate WCX had some key changes in its state of affairs which has impacted the Corporation's financial statements in recognition of its 49 per cent share through the equity method: COVID-19 continued to impact the WCX Group's operating performance, particularly traffic volumes and toll revenue. Traffic volumes subsequent to 30 June 2021 continued to remain sensitive to government responses to COVID-19 and lock-down restrictions. Despite the impact on WCX Group's toll revenue and the related decline in cash receipts, the WCX Group's operations, liquidity and financial position were not significantly impacted in the current reporting period by COVID-19. The WCX Group's concession assets remained fully operational and investment into networks and development projects continued throughout the period.

Dr Kerry Schott AO and John O'Sullivan resigned from the Board of the Corporation in November 2021 as part of the preparation for voluntary deregistration. Cameron Robertson thereby became the sole director of the

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Corporation with effect from 11 November 2021.

There have been no other significant changes in the state of affairs of the Corporation during the year.

Operating results

The Corporation reported a net profit of $4,575.5 million for the year mainly attributable to the gain on sale of the WCX investment of $4,676.5 million. Total distributions received during the year from its retained interest in the WCX Group was $122.5 million. The sale proceeds for the 49 per cent WCX interest of $10,288.5 million was paid directly into the NSW Generations (Debt Retirement) Funds (NGF) in accordance with the *NSW Generations Funds Act 2018*.

Distributions paid or recommended

Financial distributions paid by the Corporation to the NGF at the reporting date was $684.1 million. In October 2021, the Board recommended the distribution of WCX sale proceeds in the form of a special dividend of $4,202.3 million and a capital return of $6,086.2 million to the State, which the shareholder approved on 22 October 2021. Pursuant to the shareholder approval and a shareholder direction to the Board (under rule 65 of the Corporation's constitution) also dated 22 October 2021, the Corporation executed a payment direction dated 29 October 2021 directing STP to pay the aggregate WCX sale proceeds ($10,288.5 million) directly to the NGF.

Significant events after the balance date

The Corporation will submit a voluntary deregistration application to ASIC forthwith after the date of this report and acceptance of the audited financial statements. All legal obligations have been discharged and creditors paid or provided for. The application is expected to be approved within three months of submission upon which the Corporation will cease to exist as a legal entity. These financial statements are the Corporation's completion accounts.

No other matters or circumstances have arisen since the end of the reporting year which will significantly affect or may significantly affect the Corporation, or the state of affairs of the Corporation in future financial years.

Indemnification and insurance of Directors and officers

Premiums were paid to cover any legal liabilities relating to professional indemnity and directors' liability during the reporting year for any person who is or has been a director of the Corporation.

Existing Deeds of Indemnity from the Corporation with its directors previously reported remain in place providing indemnity as outlined below. During the reporting period, the Treasurer also entered into Deeds of Indemnity with each of the Corporation's directors referred to in this report under which the Treasurer has indemnified each director against:

(a) civil liability (other than a liability to the Corporation) for liability incurred in their capacity as a director (unless the liability arises out of conduct involving a lack of good faith); and

(b) liability for costs incurred in defending proceedings (civil or criminal) in which judgement is given in favour of the director or the director is acquitted.

Signed in accordance with a resolution of the sole Director:

Director: ....

Cameron Robertson

Dated: 20 July 2022

INDEPENDENT AUDITOR'S REPORT

Roads Retained Interest Pty Ltd

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Roads Retained Interest Pty Ltd (the Company), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Cash Flows and, the Statement of Changes in Equity for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter

I draw attention to the 'Non-going concern basis of preparation' in Note 2 to the financial statements. The note describes the Company's financial statements were prepared on a liquidation basis as the Company will be de-registered within the next twelve months and will cease to exist as a legal entity. My opinion is not modified in respect of this matter.

Other Information

The Company's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The sole Director of the Company is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Report by Member 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.

Sole Director's Responsibilities for the Financial Statements

The sole Director 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 sole Director's responsibility also includes such internal control as the sole Director 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 sole Director is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the sole Director intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 July 2022
SYDNEY

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Financial Statements
For the year ended 30 June 2022

Statement by the Accountable Authority

In accordance with a resolution by me as the sole Director of Roads Retained Interest Pty Ltd, and pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

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

(b) present fairly the Roads Retained Interest Pty Ltd's financial position, financial performance and cash flows.

There are reasonable grounds to believe that the Corporation has provided for payment of all debts which become due and payable after the date of this statement.

By the sole Director:

Director: ....

Cameron Robertson

Dated: 20 July 2022

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Revenue				
Interest Income	3	2	180	402
Share of profit/(loss) in associate	3	(131,810)	(99,960)	(294,490)
		(131,808)	**(99,780)**	**(294,088)**
Expenses				
Directors fees	4	385	178	370
Operating expenses	5	849	1,027	627
		1,234	**1,205**	**997**
Operating loss		**(133,042)**	**(100,985)**	**(295,085)**
Gain from sale of investment	6	**-**	**4,676,494**	**-**
Net result/(loss)		**(133,042)**	**4,575,509**	**(295,085)**
Other comprehensive income				
Share of associate's other comprehensive income that may be reclassified subsequently to net result	10	-	133,280	145,530
Total other comprehensive income		**-**	**133,280**	**145,530**
Total comprehensive income/(loss)		**(133,042)**	**4,708,789**	**(149,555)**

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

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Statement of Financial Position
as at 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Current assets				
Cash and cash equivalents	7	3,234	-	562,700
Receivables	8	-	-	50
Assets held for sale	9	-	-	-
Total current assets		**3,234**	**-**	**562,750**
Non-current assets				
Investment in associate	10	5,048,230	-	5,733,963
Total non-current assets		**5,048,230**	**-**	**5,733,963**
Total assets		**5,051,464**	**-**	**6,296,714**
Current liabilities				
Payables	11	85	-	126
Total current liabilities		**85**	**-**	**126**
Total non-current liabilities		**-**	**-**	**-**
Total liabilities		**85**	**-**	**126**
Net assets		**5,051,379**	**-**	**6,296,588**
Equity				
Contributed capital	12	5,367,096	955	6,707,838
Accumulated surplus/(deficit)	12	(133,042)	(955)	(374,106)
Reserves	12	(182,675)	-	(37,145)
Total equity		**5,051,379**	**-**	**6,296,588**

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

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Statement of Cash Flows
for the year ended 30 June 2022

	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000
Cash flows from operating activities				
Payments				
Directors fees	4	(384)	(183)	(370)
Other payments		(840)	(1,148)	(580)
Total payments		**(1,224)**	**(1,331)**	**(950)**
Receipts				
Interest received	3	2	231	352
Distribution income		539,960	-	-
Total receipts		**539,962**	**231**	**352**
Net cash flows from/(used in) operating activities		**538,738**	**(1,100)**	**(598)**
Cash flows from investing activities[1]				
Investment to associate		(142,563)	(63,387)	(217,785)
Return of capital from associate		-	122,500	657,355
Net cash flows from/(used in) investing activities		**(142,563)**	**59,113**	**439,570**
Cash flows from financing activities[1]				
Capital contribution		142,563	63,387	217,785
Financial distributions made to NGF		(1,104,460)	(684,099)	(95,000)
Net cash flows from financing activities		**(961,897)**	**(620,713)**	**122,785**
Net increase/(decrease) in cash		**(565,722)**	**(562,700)**	**561,757**
Opening cash and cash equivalents		568,956	562,700	943
Closing cash and cash equivalents	7	**3,234**	**-**	**562,700**

[1] Sale of WCX proceeds does not form part of cashflows as it was paid directly to NGF.

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

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Statement of Changes in Equity
for the year ended 30 June 2022

	Contributed capital $'000	Accumulated surplus / (deficit) $'000	Reserves $'000	Total $'000
Balance at 1 July 2021	**6,707,838**	**(374,106)**	**(37,145)**	**6,296,587**
Transfer of reserve to accumulated surplus	-	-	(96,135)	(96,135)
Net result for the year	-	4,575,509	-	4,575,509
Other comprehensive income				
Investment in associate	-	-	133,280	133,280
Total comprehensive result for the year	-	4,575,509	37,145	4,612,654
Owner related equity transactions				
Equity contribution from State	63,387	-	-	63,387
Dividend distribution to NGF		(4,202,358)		(4,202,358)
Return of Capital	(6,770,270)	-	-	(6,770,270)
Total owner related equity transactions	(6,706,883)	(4,202,358)	-	(10,909,241)
Balance at 30 June 2022	**955**	**(955)**	**-**	**-**
Balance at 1 June 2020	**6,585,053**	**(79,021)**	**(182,675)**	**6,323,357**
Net result for the year	-	(295,085)	-	(295,085)
Other comprehensive income				
Investment in associate	-	-	145,530	145,530
Total comprehensive result for the year	-	(295,085)	145,530	(149,555)
Owner related equity transactions				
Equity contribution from State	217,785	-	-	217,785
Return of Capital	(95,000)	-	-	(95,000)
Total owner related equity transactions	122,785	-	-	122,785
Balance at 30 June 2021	**6,707,838**	**(374,106)**	**(37,145)**	**6,296,587**

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

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Notes to the financial statements
for the year ended 30 June 2022

1. ROADS RETAINED INTEREST PTY LTD INFORMATION

Roads Retained Interest Pty Ltd (the Corporation) was established under the *Corporations Act 2001* for the sole purpose of holding the State of New South Wales' (the State) 49 per cent retained interest in the WestConnex (WCX) Group.

The Corporation's function is to provide effective stewardship and oversight of the retained interest for the purpose of protecting value and seeking to maximise returns to the State.

Incorporated on 1 June 2018, the Corporation is a not-for-profit entity and It's principal office is at 52 Martin Place, Sydney NSW 2000, Australia. The Corporation will apply to ASIC for voluntary deregistration after the audit completion, adoption of the financial statements and signing of the Report by Members of the Board.

The financial statements were authorised for issue in accordance with a resolution of the sole Director on the date the accompanying Statement by Accountable Authority was signed.

The Corporation is a NSW Government entity and consolidated as part of the NSW Total State Sector Accounts. The Corporation is considered a GSF agency under the *Government Sector Finance Act 2018* (GSF Act).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

Comparative information

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

Non-going concern basis of preparation

Following the sale of the remaining interest in WCX, the directors at the direction of the Treasurer of NSW, transferred the remaining assets, liabilities and contract of the Corporation to other government agencies and voluntarily applied for the Corporation to be deregistered. Accordingly, the Corporation will be deregistered within the next twelve months and will thereupon cease to exist as a legal entity. Consequently the sole Director and management have determined that the going concern basis of preparation is no longer appropriate. These financial statements are prepared on a liquidation basis.

Judgements, Estimates and Assumptions

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

Roads Retained Interest Pty Ltd

ABN 98 624 812 773

Notes to the financial statements
for the year ended 30 June 2022

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Any judgements, key assumption and estimations management have made are disclosed in the relevant notes to the financial statements.

Statement of compliance

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

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

i. Effective for the first time in FY2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year except as a result of the new or revised AAS that have been applied for the first time in 2021-22. The following amendments and interpretations which apply for the first time in FY2021-22, do not have a material impact on the financial statement of the Corporation.

- AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts* (operative date 1 January 2021)
- AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities* (operative date 1 July 2021)
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (operative date 1 July 2021)

ii. Issued but not yet effective

As mandated by NSW Treasury Policy and Guidelines TPG22-07 *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.

The Corporation will apply to ASIC for voluntary deregistration around 1 August 2022. This is the Corporation's final set of financial statements which have been prepared on a liquidation basis. Therefore, any Accounting Standards issued but not yet effective will not be applicable nor have any impact on the Corporation.

Accounting for GST

The Corporation is not registered for GST as it is a government investment vehicle in nature, and the key activities relate to financial dealings for GST purposes. As a result, income, expenses, assets, and liabilities are recognised inclusive of GST, and it is not recoverable from the Australian Taxation Office (ATO).

Cash flows are included in the Statement of Cash Flows on a gross basis.

Impact of COVID-19 on Financial Reporting for 2021-22

The Corporation's investment in the WCX Group was initially measured at fair value and subsequently adjusted to recognise the Corporation's share of total comprehensive income using the equity method of accounting less, where applicable, any impairment. COVID-19 has not had a material impact on the Corporation's operations and financial performance through the share of the WCX Group's total comprehensive income. Going forward the Corporation will no longer have exposure to any continued risk and uncertainty associated with COVID-19 as it no longer has any interest in the WCX operations.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income

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

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Share of profit/(loss) in associate

The Corporation records its share of WCX Group's profit or loss for the financial year as per AASB *128 Investment in Associates and Joint ventures* using the equity method.

Expenses

Expenses are recognised when incurred.

Finance officers of the NSW Treasury provide administrative services, including the preparation of the Corporation's financial statements. The cost of these services is show as an administration charge in Note 5.

Cash and cash equivalents

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

Investment in associates

The State's retained interest in WCX Group reported by the Corporation is accounted as per *AASB 128 Investments in Associates and Joint Ventures* using the equity method.

Up until 29 October 2021 (the date of completion of the sale of the WCX interest), the Corporation had significant influence through the Board who participate in the financial and operating policy decisions of the WCX Group as directors of the WCX Group entities, but did not have control or joint control over those policies.

Under the equity method, the Corporation initially measured the cost of its investment in the WCX Group at fair value in accordance with AASB 13 *Fair Value Measurement*. The fair value of the investment was determined by reference to the purchase price paid by STP in September 2018 for the 51 per cent controlling interest.

The purchase price paid by STP in 2018 included a premium for the controlling stake. As the Corporation had a non-controlling interest, its investment fair value in the WCX Group has been adjusted to reflect the non-controlling interests and excludes the control premium paid by STP.

In the subsequent period, the carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets, results of operations and other comprehensive income of the WCX Group. When there has been a change recognised directly in the equity of the WCX Group, the Corporation recognises its share of those changes in the Statement of Changes in Equity.

An impairment assessment is conducted annually as at the reporting date, where the Corporation measures and recognises the retained interest at its fair value. After application of the equity method, the Corporation determines whether it is necessary to recognise an impairment loss on its investment in the WCX Group.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At each reporting date, the Corporation determines whether there is objective evidence that the investment in the WCX Group is impaired. If there is such evidence, the Corporation calculates the amount of impairment as the difference between the recoverable amount of the investment in the WCX Group and its carrying value, and then if applicable recognises the loss within the Statement of Comprehensive Income.

After the sale of the remaining interest in WCX (which was completed on 29 October 2021), the Corporation ceases to account for an investment in WCX. The investment carrying value is updated with the Corporation's share of the WCX earnings based on the WCX audited financial statements for the period ended 31 October 2021. Management has assessed the financial impact of the two days difference between the transaction completion date and 31 October 2021 as not material for valuation purposes.

The Corporation measured the investment at the lower of carrying amount and fair value less costs to sell. The sales price provides objective market evidence for the investment fair value. As the sale price realised is substantially higher than investment carry value, no impairment needs to be recognised prior to the transfer of assets held-for-sale (HFS). The investment is recognised at carrying amount as it is lower than fair value less costs to sell.

The financial statements of the WCX Group are prepared as at 31 October 2021 specifically align with the sale completion date where the Corporation's ownership in WCX ceased, to assist with the preparation of the Corporation's completion accounts. When necessary, adjustments are made to bring the accounting policies in line with those of the Corporation.

Assets held-for-sale

After the investment carrying value is updated with the WCX Group's net assets as at 31 October 2021, equity accounting under AASB 128 ceases and the investment is reclassified as assets HFS. The Corporation has determined that AASB 5 HFS criteria was met at sale completion date as the sales were unconditional and could not be reversed. Refer to Note 6, 9 and 10 for further sales related details and accounting policies.

Payables

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

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

Contributed capital

Fully paid ordinary shares and partly paid ordinary shares are classified as equity.

Accumulated Funds

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

Reserves

The Corporation records its share of WCX's other comprehensive income for the financial year as per AASB 128 *Investment in Associates and Joint ventures* using the equity method. The nature of the reserves represents WCX's interest rate swap hedges.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Distributions

Unless the directors of WCX Group unanimously resolve otherwise within 45 days of the end of the relevant quarter, WCX Group makes a quarterly distribution to each investor/unit holder within 90 days after the end of each quarter of at least 85 per cent of the surplus cash as required by clause 14.2 of the WCX Investor Agreement. WCX Group may also make a capital distribution which represents return of capital in excess of any accumulated profit or loss. The Corporation recognises its share of the WCX Group's distributions when it is declared or received. Distributions received from WCX Group reduce the carrying amount of the investment. With effect from the completion date of the sale, the Corporation will receive no further distributions or capital returns from the WCX Group.

Under rule 75 of the Corporation's constitution, all financial distributions made by the Corporation are to be paid to the shareholder by making payment into the NGF in accordance with the *NSW Generations Funds Act 2018.* Apart from the one off a special dividend of $4,202.3 million paid, other financial distributions paid by the Corporation to date have been from capital reductions which are permitted by rule 29 of the Constitution and require shareholder approval under the *Corporations Act 2001*.

The Corporation accounts for financial distributions paid to the NGF once shareholder approval has been obtained.

Roads Retained Interest Pty Ltd

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Notes to the financial statements
for the year ended 30 June 2022

3. INCOME

	2022 $'000	2021 $'000
Interest Income	180	402
Share of profit/(loss) in associate	(99,960)	(294,490)
Total	**(99,780)**	**(294,088)**

4. DIRECTORS FEES

Directors fees	161	335
Superannuation contribution	16	35
Total	**178**	**370**

5. OPERATING EXPENSES

Audit fees	90	72
Consultants	7	103
WCX financial statements preparation and audit fees	393	-
Administration charge	440	400
Other	96	52
Total	**1,027**	**627**

6. GAIN FROM SALE OF INVESTMENT

Net gain on sale of investment in WCX	4,676,494	-
Total	**4,676,494**	**-**

The Corporation held a 49 per cent interest in WCX following the State's initial divestment of 51 per cent of WCX in September 2018 to STP. As part of the 2018 transaction, STP acquired a right of first offer over the State's 49 per cent WCX interest in the event of a future sale.

On 20 September 2021, after a competitive bidding process, STP was announced as the successful buyer for the 49 per cent interest in WCX, thereby increasing its WCX interest to 100 per cent full ownership.

The SPAs between the State of New South Wales, the Corporation and STP were entered into on 17 September 2021 and sale was completed on 29 October 2021.

Under the SPAs, the net aggregate sale proceeds were $10,288.5 million. Stamp duty of $822.6 million was assessable on the transactions and paid by STP directly to Revenue NSW and did not form part of the purchase price payable to the Corporation. Pursuant to the shareholder approval and a shareholder direction to the Board (under rule 65 of the Corporation's constitution) also dated 22 October 2021, the Corporation executed a payment direction dated 29 October 2021 directing STP to pay the aggregate WCX sale proceeds directly into NGF. The Corporation ceases the equity method of accounting for investment in WCX as at 31 October 2021. Details of the accounting treatment of investment in associate surrounding the sale are disclosed in Note 9 and 10. Calculation of gain or loss on sale is as follow:

	2022 $'000	2021 $'000
Consideration paid directly to the NGF	10,288,529	-
Investment carry value derecognised upon sale of WCX interest	(5,708,170)	-
Cash flow hedge reserves recycled through profit and loss upon sale	96,135	-

7. CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank	-	562,700
Total	**-**	**562,700**
Cash and cash equivalents (per Statement of Financial Position)	-	562,700
Closing cash and cash equivalents (per Statement of Cash Flows)	-	562,700

8. RECEIVABLES

Current		
Other receivable	-	50
Total	**-**	**50**

9. ASSETS HELD FOR SALE

Assets held-for-sale		
Investment in WCX held-for-sale	-	-
Total	**-**	**-**

Reconciliation of movements

Opening balance	**-**	**-**
Transfer from investment in associate	5,708,170	-
Derecognised upon sale of WCX interest	(5,708,170)	-
Closing balance	**-**	**-**

The Premier of NSW publicly announced acceptance of STP's offer to buy the 49 per cent interest on 20 September 2021 with the sales completion date of 29 October 2021. Upon sales completion, the investment was classified as asset held-for-sale consistent with the classification requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.*

AASB 5 requires that the asset classified as held for sale to be recognised at the lower of its carrying amount and fair value less costs to sell. AASB 13 *Fair Value Measurement* defines the fair value to be the price (exit price) that would be received to sell the asset. As the fair value (asset sales value realised) less cost to sell were higher than the carrying value, the asset value is not subject to impairment upon held-for-sale reclassification.

10. INVESTMENT IN ASSOCIATE

The Corporation's investment in associate represents 49 per cent interest in the WCX Group, with STP holding the other 51 per cent interest. The principal place of business of the associate is in Australia.

	2022 $'000	2021 $'000
Investment in associate	-	5,733,963
	-	**5,733,963**

10. INVESTMENT IN ASSOCIATE (continued)

As at sales completion date, the investment in WCX was classified as current asset held-for-sale.

Prior to reclassification, the Corporation applied equity accounting under AASB 128 *Investments in Associates* to the investment. The Corporation recognises its investment in WCX based upon 49 per cent of the WCX's audited and reported net assets and financial performance as at 31 October 2021.

Share of associate's assets, liabilities and net results

	2022[1] $'000	2021 $'000
Current assets	-	487,550
Non-current assets	-	10,274,793
	-	**10,762,343**
Current liabilities	-	104,370
Non-current liabilities	-	4,924,010
	-	**5,028,380**
Net assets	**-**	**5,733,963**
Revenue	118,090	516,950
Loss before income tax	(99,470)	(284,200)
Loss after income tax	**(99,960)**	**(294,490)**
Other comprehensive income	133,280	145,530
Total comprehensive income/(loss)	**33,320**	**(148,960)**

[1] as at 31 October 2021.

The Corporation's share of profit/(loss) is based on 49 per cent of the operating results of the WCX Group for the current and comparative period.

Reconciliation of movements

Opening balance	**5,733,963**	**6,322,492**
Additional investment in associate	63,387	217,785
Share of associates net profit/(loss)	(99,960)	(294,490)
Share in other comprehensive income	133,280	145,530
Return on capital received	(122,500)	(657,354)
Balance before reclassification	**5,708,170**	**5,733,963**
Reclassify to asset held for sale	(5,708,170)	-
Closing balance	**-**	**5,733,963**

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

Capital expenditure	-	275,380

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Notes to the financial statements
for the year ended 30 June 2022

11. PAYABLES

	2022 $'000	2021 $'000
Current		
Payable and accruals	-	126
Total	**-**	**126**

12. EQUITY

	2022 $'000	2021 $'000
Contributed capital - retained interest	955	6,707,838
Accumulated surplus/(loss)	(955)	(374,106)
Reserves	-	(37,145)
Closing Balance	**-**	**6,296,587**

(a) Share Capital

Opening balance	**6,707,838**	**6,585,053**
Equity contribution from Crown	63,387	217,785
Return of Capital - financial distribution to NGF	(680,500)	(95,000)
Return of Capital - capital distribution to NGF on WCX sale proceeds	(6,086,171)	
Return of Capital - transfer assets to NGF prior to deregistration	(3,599)	-
Closing balance	**955**	**6,707,838**

Movements in issued shares:

	Number of ordinary shares fully paid	Number of ordinary shares partly paid	Total number of ordinary shares[1]
Balance 30 June 2021	8,921,747,886	980	8,921,748,866
Balance 30 June 2022	-	-	-

Reconciliation of unpaid shares outstanding at reporting date:

	Fully paid ordinary shares $'000	Partly paid ordinary shares $'000	Total $'000
Balance 1 July 2020	-	654,651	654,651
Contributed capital	-	(217,785)	(217,785)
Balance 30 June 2021	**-**	**436,866**	**436,866**

	Fully paid ordinary shares $'000	Partly paid ordinary shares $'000	Total $'000
Balance 1 July 2021	-	436,866	436,866
Contributed capital	-	(63,387)	(63,387)
Derecognition upon sale of WCX	-	(373,479)	(373,479)
Balance 31 March 2022	**-**	**-**	**-**

12. EQUITY (continued)

[1] Ordinary shares

The Corporation was initially capitalised at $1.00 on incorporation by the issue of one fully paid ordinary share. It was further capitalised on 26 September 2018 when the Corporation issued to its sole shareholder, the NSW Treasurer 8,921,747,885 fully paid ordinary shares of $1.00 each and 980 partly paid shares at an issue value of $907,000 each with an initial payment (on 26 September 2018) of $0.001 each ($0.98 in aggregate). These share issuances were funded by promissory notes issued by the State which were used to fund the purchase price (excluding stamp duty) for the Corporation's acquisition of the 49 per cent interest in the WCX Group.

Payments on the 980 partly paid shares by the shareholder ceased upon completion of the sale of the 49 per cent WCX interest, with the last payment made on 7 October 2021. Those payments were made pursuant to a defined payment schedule which directly corresponded to capital contributions the Corporation was obliged to make to the WCX Group through to March 2023 as part of the funding structure for the construction of the Stage 3 M4-M5 tunnel project. Upon completion of the WCX sale, the Corporation's obligation to make the capital contributions (under an Equity Commitment Deed dated 27 September 2018) was novated to STP with effect from the completion date, thereby releasing the Corporation from making further capital contribution obligations.

Both of the fully paid and partly paid shares carry the right to receive dividends and to share in the proceeds of winding up of the Corporation. In the case of the partly paid shares, the entitlements are pro-rata to the amount paid-up on those shares (to the issue value) at the relevant date.

On 16 March 2022, as part of the preparation for the voluntary deregistration, the shareholder approved a capital reduction (under section 256C of the *Corporations Act 2001) t*o reduce the Company's capital to $1.00, with $378,032,685.50 being the amount of capital to be returned comprising:

(a) cancellation of the uncalled amount on each of the 980 partly paid ordinary shares, being $381,100.99 each share (and $373,478,973.84 in aggregate); and

(b) reduction of the share capital from $4,553,712.66, (represented by contributed capital/equity in the Company's accounts) to $1.00, with the reduction amount paid as a final distribution to the NGF.

(b) Reserves

	2022 $'000	2021 $'000
Opening balance	**(37,145)**	**(182,675)**
Share of associate's other comprehensive income	133,280	145,530
Realisation of asset value through sale - transferred to retained earnings	(96,135)	-
Closing balance	**-**	**(37,145)**

(c) Accumulated surplus/(deficit)

	2022 $'000	2021 $'000
Opening balance	**(374,106)**	**(79,021)**
Operating result/(loss)	(100,985)	(295,085)
Gain from sale of investment	4,676,494	-
Dividend distribution to NGF	(4,202,358)	-
Closing balance	**(955)**	**(374,106)**

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Notes to the financial statements
for the year ended 30 June 2022

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Corporation was a party to an Equity Commitment Deed (dated 27 September 2018), under which it was required to contribute equity when called upon for the funding of the Stage 3 (M4-M5 tunnel project) construction. The future capital amount is nil as at the reporting date (2021: $227 million). With the shareholder capital reduction resolution made on 16 March 2022 cancelling the uncalled amount on each of the 980 partly paid ordinary shares, no further funds will be contributed to the Corporation by the State from calls on the 980 partly paid shares as outlined in Note 12. As also outlined in Note 12, upon completion of the WCX sale, the Corporation's obligation to make these capital contributions (under an Equity Commitment Deed dated 27 September 2018) was novated to STP with effect from the completion date, thereby releasing the Corporation from making further capital contribution obligations.

There are no other contingent assets or contingent liabilities as at the reporting date.

14. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2022 $'000	2021 $'000
Short-term KMP benefits	161	335
Other KMP benefits	16	35
Total	**178**	**370**

Short-term KMP benefits include director salaries and other KMP benefits consist of superannuation benefits.

15. FINANCIAL INSTRUMENTS

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

Financial instrument categories

	Note	Category	2022 $'000	2021 $'000
Financial Assets				
Cash and cash equivalents	7	N/A	-	562,700
Receivables[1]	8	Amortised cost	-	50
Financial Liabilities				
Trade and other payables[2]	11	Financial liabilities measured at amortised cost	-	126

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

[2] Excludes statutory payables and unearned revenue (not within scope of AASB 7).

Financial Risk Management Overview

Financial instruments comprise of cash, receivables and other payables. The main purpose of these financial instruments was to raise finance or invest surplus cash for the Corporation's operations, and to manage exposure to price movements. The activities of the Corporation expose it to market and liquidity risks.

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Notes to the financial statements
for the year ended 30 June 2022

15. FINANCIAL INSTRUMENTS (continued)

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 of the financial statements.

Market risk

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

The effect on the Corporation's net result and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of + 0.5 per cent and - 0.25 per cent is used. The basis was reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Exposure to interest rate risk is limited to cash at bank and receivables.

		-0.25%		+0.5%	
	Carrying amount $'000	Net result $'000	Equity $'000	Net result $'000	Equity $'000
2022					
Cash and cash equivalents	-	-	-	-	-
Receivables[1]	-	-	-	-	-
2021					
Cash and cash equivalents	562,700	(1,407)	(1,407)	2,814	2,814
Receivables[1]	50	-	-	-	-

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and commitment maturities. There were no defaults on payables in the current year.

The Corporation's exposure is limited to the value of payables. All payables have been settled as at the reporting date in preparation for the voluntary deregistration.

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

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	2022 $'000	2021 $'000
Net result for the year	4,575,509	(295,085)
Non-cash items		
Gain on sale of investment in WCX	(4,676,494)	-
Share of (profit)/loss in associate	99,960	294,490
	(1,026)	(595)
Change in operating assets and liabilities		
(Decrease) / increase in liabilties	(126)	47
Decrease / (increase) in receivables	50	(50)
Net cash inflow from operating activities	**(1,101)**	**(598)**

17. BUDGET REVIEW

Net result

The net result of the Corporation was a profit of $4,575.6 million compared to a budget deficit of $133 million at the end of the reporting period, mainly attributable to the gain on sale of investment in WCX of $4,676.5 million offset partially by the Corporation's 49 per cent share in WCX Group's operating loss for the year of $101 million.

Total expenses were $1.2 million, in line with the budget. Directors' fees were $0.2 million lower than budget due to the two board members' resignation after the sales completion, offset by higher costs incurred for the WCX special purpose financial statements preparation costs of $0.2 million which is required for the Corporation's completion accounts.

Total revenue for the year was a loss of $100 million, which was $32 million lower than budget. This resulted from the Corporation's 49 per cent share of WCX Group's operating loss.

The Corporation's share of WCX Group's other comprehensive income was a gain of $133.3 million due to fair value movements of the WCX interest rate swaps.

Assets and Liabilities

The assets and liabilities of the Corporation have been reduced to nil in preparation for the voluntary deregistration application. All assets, liabilities and contracts have been settled or transferred to another government agency.

Total assets for the year were $5,051.5 million lower than the budget due to the sale of the Corporation's remaining interest in WCX.

Total liabilities for the year were $0.1 million lower than budget due to early settlement of the Corporation's operating contract liabilities in preparation for the voluntary deregistration application.

The reserves balance of $96.1 million has also been adjusted through the profit and loss statement and forming part of the calculation of gain on sale of investment disclosed in Note 6. The reserve balance prior to the transfer consists of balance carry forward of $37.1 million and $133.3 million of Corporation's share of WCX's other comprehensive income driven by the hedging gains on interest rate swap movements.

Cash flows

The actual net cash flows used in operating activities was $1.1 million, compared to budget cash flows from operating activities of $538.8 million. This was mainly due to WCX bringing forward the distribution planned for FY2022 to 18 June 2021 of $533.61 million which was attributable to the successful debt refinancing completed last financial year.

Net cash inflow from investing activities was $59.1 million compared to budget used in investing of $142.6 million. It is mainly consist of capital injections of $63.4 million to WCX Group (as equity contributions for funding of Stage 3 M4-M5 tunnel project construction) which was offset by capital distributions of $122.5 million received from the WCX Group. Capital injections to WCX were $79.2 million lower than budget as capital injection into WCX is no longer required after sale of WCX retained interest.

Net cash outflow used in financing activities of $620.7 million, $341.2 million below the budget mainly due to lower distributions made to NGF, as the budgeted distributions from WCX are no longer available for the Corporation after the sale of the Corporation's interest in WCX. The Corporation's financing activities mainly consist of aggregated payments of $684.1 million of financial distributions from the Corporation to NGF, that was partially offset by $63.4 million of equity injection received from the State to meet the Corporation's share of capital contribution to WCX Group for funding of Stage 3 M4-M5 tunnel project construction. The Corporation's share of capital contributions is in accordance with the Equity Commitment Deed. The Equity Commitment Deed was novated to STP at sales completion, and the Corporation has been released from any further payment obligations.

Cash and cash equivalents held at reporting date was nil which was $3.2 million below budget. The Corporation's bank account has been closed in preparation of the voluntary deregistration application.

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

18. RELATED PARTIES

(a) Ultimate parent

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

(b) Key management personnel remuneration

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

The Corporation does not have employees. The KMP services were provided by NSW Treasury. The Corporation's Directors are independent members appointed by the Treasurer as shareholder. Refer to Note 14 Compensation of Key Management Personnel for total remuneration payable to the Directors.

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

(c) Transactions with related parties

(i) Transactions with KMP

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

(ii) Transactions with other related entities

Services provided by other government agencies to the Corporation include payroll, accounting and finance, administrative and company secretariat services. These services were provided to the Corporation in the same commercial terms as for any other agencies.

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

The Corporation also makes contributions into the NGF in line with the *NSW Generations Fund Act 2018*.

19. EVENTS AFTER THE REPORTING PERIOD

As noted in the report by members of the Board, during the year the State completed the sales process of its remaining 49 per cent interest in the WCX.

By resolution made on 16 March 2022, the shareholder has determined that the Corporation has no alternative business subsequent to sale and approved that the Corporation apply to ASIC for voluntary deregistration. Accordingly, these financial statements are prepared on a non-going concern basis. Further details are disclosed in the notes of financial statements. The Corporation will submit the voluntary deregistration application to ASIC forthwith after the date of acceptance of the audited financial statements. The application is expected to be approved within three months of submission upon which the Corporation will cease to exist as a legal entity.

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

End of audited financial statements


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Restart NSW Fund

Financial Report
for the year ended 30 June 2022

Restart NSW Fund

Financial Report
for the year ended 30 June 2022

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 2022; 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.

Dr Paul Grimes PSM
Secretary

17 October 2022

Restart NSW Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Receipts			
Proceeds from issue of bonds	3	188,836	147,000
Interest earned	3	9,843	13,015
Other authorised transfers	3	2,474	5,376
Total receipts		**201,153**	**165,391**
Payments			
Infrastructure projects	4	2,954,596	3,765,790
Administrative expenses	4	20	14
Total payments		**2,954,616**	**3,765,804**
Net receipts/(payments)		**(2,753,463)**	**(3,600,413)**

Statement of Fund's Position as at 30 June

	Note	2022 $'000	2021 $'000
Opening balance of the Fund		12,431,242	15,049,096
Net receipts/(payments)		(2,753,463)	(3,600,413)
Income/(loss) from investments	5	(431,493)	982,559
Closing balance of the Fund		**9,246,286**	**12,431,242**
Balance of Fund held in			
Cash and cash equivalents		399,829	403,292
Investment in NSW Infrastructure Future Fund investment trust	5	8,846,457	12,027,950
		9,246,286	**12,431,242**

The accompanying notes form part of the financial report.

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2022

1. INFORMATION ON THE RESTART NSW FUND

Reporting entity

Restart NSW Fund (the Fund) is required to prepare an annual report under Section 9 of the *Restart NSW Fund Act 2011* (the Act). Section 6 of the Act states that the purpose of the Fund is to improve economic growth and productivity in the State of NSW, and for that purpose:

a) to fund major infrastructure projects, and
b) to fund infrastructure projects that will improve:
    i) public transport, and
    ii) roads, and
    iii) infrastructure required for the economic competitiveness of the State (including the movement of freight, inter-modal facilities and access to water), and
    iv) local infrastructure in regional areas that are affected by mining operations, and
    v) hospital and other health facilities and services, and
    vi) workplaces for law and justice officers, teachers, nurses and other staff providing services to the public.

Section 6(2) of the Act states a reference to funding a project includes a reference to funding the planning, selection, implementation and delivery of the project.

Section 5 of the Act establishes the Fund as a Special Deposit Account (SDA). Section 4.15 of the *Government Sector Finance Act 2018* defines an SDA to consist of all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund, and all accounts of money that are directed or authorised to be paid to the SDA by or under legislation.

The Treasurer is responsible for the Act and the Fund.

The financial report for the Fund is a Special Purpose Financial Report with the "financial year" being from 1 July to 30 June. The Fund is administered by NSW Treasury on behalf of the State of New South Wales.

The financial report was authorised for issue by the 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

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.

Restart NSW Fund

Notes to the Financial Report for the year ended 30 June 2022

1. INFORMATION ON THE RESTART NSW FUND (continued)

Payments out of the Fund

Section 8 of the Act prescribes the payments from the Fund. These are:

a) any money approved by the Minister on the recommendation of Infrastructure NSW to fund all or any part of the cost of any project that the Minister is satisfied promotes a purpose of the Fund, and

b) any money required to meet administrative expenses related to the Fund, and

c) any money directed or authorised to be paid from the Fund by or under this or any other Act or law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial report which has been prepared on a cash basis except for the Fund's investments in other financial assets which are measured at fair value. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Receipts are recognised and recorded when cash is received. Payments are recorded when cash is actually paid. The investments in other financial assets are remeasured to fair value at the reporting date.

The presentation focus in the financial report is balances of the Fund at the reporting date and changes during the year.

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash and funds invested in the NSW Infrastructure Future Fund (NIFF).

Cash is reported by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash is collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

Funds invested in the NSW Infrastructure Future Fund are investments held in the NIFF, a unit trust investment facility administered by the NSW Treasury Corporation (TCorp). The NIFF's investment strategy is designed to best meet scheduled infrastructure funding commitments over the life of these commitments.

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2022

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 7 of the Act.

	2022 $'000	2021 $'000
Section 7(1)(b) receipts - issue of bonds		
Proceeds from Waratah bonds	188,836	147,000
Section 7(1)(c) receipts - interest earned		
Interest earned	9,843	13,015
Section 7(1)(d) receipts - other monies authorised to be paid into the Fund		
GST received	2,474	5,376
Total Receipts	**201,153**	**165,391**

Proceeds from Waratah bonds issued were paid into the Fund and the Fund has no obligation to repay these bonds. The liability is assumed by the Crown in right of the State of New South Wales (Crown).

The Fund holds all its cash in the Treasury Banking System. Interest is paid monthly by the Crown. The interest receivable by the Fund was Nil as at 30 June 2022 (2021: Nil).

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2022

4. PAYMENTS

Payments from the Fund are in accordance with Section 8 of the Act.

	2022 $'000	2021 $'000
Section 8(a) payments - infrastructure projects		
Restart NSW (excluding Rebuilding NSW)		
Additional support Tourism Infrastructure	-	3,049
Batemans Bay Bridge Replacement	8,175	52,746
Bridges for the Bush Program	6,650	531
Dubbo Base Hospital Redevelopment	-	2,332
Housing Acceleration Fund (HAF 4)	11,966	15,763
Housing Acceleration Fund (HAF 5)	22,104	11,298
Hunter Infrastructure and Investment Fund	3,401	6,516
Illawarra Infrastructure Fund	-	2,010
Lismore Hospital Redevelopment	26,000	8,636
Maitland Hospital Development	43,249	110,570
Newcastle Inner Bypass (Rankin Park to Jesmond)	2,004	19,267
North-South Metro Rail Link	-	2,506
NSW Cycling Infrastructure Initiative	10,131	15,405
Parramatta Light Rail	36,224	325,250
Redevelopment of Circular Quay	550	23,405
Regional Freight Pinch Point Program and Safety Program	85	2,133
Regional Growth: Economic Activation Fund - Connecting Country Communities	4,770	2,138
Regional Growth: Economic Activation Fund - Doppler Radar	1,746	1,684
Regional Growth: Economic Activation Fund - First Class Food and Fibre	23,647	23,000
Regional Growth: Economic Activation Fund - Growing Local Economies	86,555	89,479
Regional Growth: Economic Activation Fund-other significant Infrastructure	1,283	1,001
Regional Growth: Economic Activation Fund - Resources for Regions	10,025	13,009
Regional Growth: Environment and Tourism Fund	3,573	94
Regional Health Infrastructure Program	-	1,324
Regional Tourism Infrastructure Program	5,688	4,755
Resources for Regions Program	3,076	7,027
South Western Sydney Housing Acceleration Fund (HAF3)	55	5,421
Sydney Metro West	1,328,195	1,034,108
Water Security for Regions Program	8,621	26,965
Western Sydney Centre of Innovation in Plant Sciences	12,252	29,460
Western Sydney roads for Sydney's Second Airport	62,103	18,813
	1,722,128	1,859,695

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2022

4. PAYMENTS (continued)

	2022 $'000	2021 $'000
Rebuilding NSW		
Bridges for the Bush Program	23,666	29,098
Corridor Identification and Reservation	7,669	8,492
Culture and Arts	99,515	242,863
Fixing Country Rail	11,673	26,789
Fixing Country Roads	81,236	76,282
Future Focused Schools	20,164	150,890
Gateway to the South	38,376	49,156
Hospitals Growth Program	118,104	74,084
Parramatta Light Rail	-	185,450
Pinch Points and Clearways	15,215	39,902
Primary and Integrated Care Strategy	13,000	24,466
Regional Growth Roads	64,260	190,472
Regional Growth - Environment and Tourism fund	46,139	34,667
Regional Multipurpose Services (MPS) Health Facilities	1,300	32,227
Regional Road Freight Corridor	149,647	246,950
Regional School Renewal Program	20,390	23,681
Safe & Secure Water Program	41,245	47,237
Smart Motorways	-	21,619
Sports Stadia	17,711	(6,918)
Traffic Management Upgrades	31,508	2,177
Water Security for Regions Program	-	22
Western Harbour Tunnel and F6	56,769	87,400
	857,587	1,587,006
Equity contributions		
Equity contribution to Transport Asset Holding Entity (TAHE)	374,881	319,089
	374,881	319,089
Total Section 8(a) payments	**2,954,596**	**3,765,790**
Section 8(b) payments - administrative expenses		
Auditor's remuneration	19	13
GST payments	1	1
	20	**14**
Total payments	**2,954,616**	**3,765,804**

Section 9(2) payments – percentage of the total amount of payments for infrastructure projects in rural and regional areas outside the metropolitan areas of Sydney, Newcastle and Wollongong

Total amount of payments on infrastructure projects since inception of the Fund	27,056,630	24,102,034
Total amount of payments made from the Fund for infrastructure projects in rural and regional areas since inception of the Fund	6,348,297	5,542,396
Cumulative % of total payments from the Fund for infrastructure projects in rural and regional areas since inception of the Fund	23.46%	23.00%

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2022

5. INVESTMENT IN NSW INFRASTRUCTURE FUTURE FUND

	2022 $'000	2021 $'000
Opening balance	12,027,950	13,845,391
(Less)/add: Investments - cash transferred (out)/in (to)/from the operating bank account	(2,750,000)	(2,800,000)
Add/(Less): Net income/(loss) from investments:		
Distribution reinvested	232,381	722,078
Unrealised (loss)/gain on other financial assets	(696,036)	155,808
Realised (loss)/gain on other financial assets	32,162	104,673
Closing balance	**8,846,457**	**12,027,950**

The Fund is authorised to invest in accordance with Section 10 of the Act. Implemented since 2017-18, NIFF is the investment vehicle for the Fund in assisting the NSW Government to meet its infrastructure objectives. NIFF is managed by TCorp.

Asset allocation and investment instructions of NIFF are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp in December 2016 and the benchmark and guidelines were further revised in January 2022.

Asset allocation

Actual NIFF asset allocation as at the reporting date:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value ($'000)
Australian Equities	3.00	2.93	259,201
Developed Market Equities	11.50	11.86	1,049,190
Global High Yield	2.10	2.01	177,814
Bank Loans	4.90	4.81	425,515
Emerging Market Debt	7.00	6.77	598,905
Global Credit	18.90	19.34	1,710,905
Short Term Income	12.60	12.62	1,116,423
Australian Nominal Bonds	11.00	11.00	973,110
Cash	13.00	11.90	1,052,727
Core Alternatives	8.00	8.62	762,565
Defensive Alternatives	8.00	8.14	720,102
Total	**100**	**100**	**8,846,457**

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2022

5. INVESTMENT IN NSW INFRASTRUCTURE FUTURE FUND (continued)

Performance returns

NIFF investment return objective is to achieve CPI + 2.0% over the life of the trust. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return *(after fees)*	(4.99)	3.64
Strategic Asset Allocation (SAA) benchmark	6.77	4.30
Net relative to SAA benchmark	**(11.76)**	**(0.66)**

6. FINANCIAL INSTRUMENTS

The Fund's main risks arising from financial instruments are interest rate and other price risks.

NIFF is a unit trust investment facility and is subject to other price risks only. The unit price of the facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue. Unit prices are calculated daily. Investments in NIFF limits the Fund's exposure to risk as it allows diversification across a pool of funds with different investment horizons and a mix of asset classes. The management of risk is further discussed below.

The Fund's other financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise of 1.5 per cent or fall of 0.5 per cent in interest rate over the course of the year would result in an increase of $5,997k or decrease of $1,999k in the interest earned respectively. (2021: rise by 1 percent increase of $4,032k or fall by 1 percent decrease of $4,032k).

Risk management

TCorp actively manages financial instrument risks, and the ISA is reviewed regularly and updated to include changes in market conditions and/or management's direction. The documents clearly set out investment management objectives, restrictions, and establish performance benchmarks. The ISA is authorised and approved at the Senior Executive Level within NSW Treasury and/or the Treasurer.

Proposed changes to the ISA must go through a consultative process between TCorp and the Strategic Balance Sheet Management (SBSM) team at NSW Treasury. Regular meetings take place between TCorp, SBSM and the Chief Financial Officer to monitor the performance and management of the investment.

7. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

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 2022 and notes to the financial report. The financial report has been prepared by 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 9 of the *Restart NSW Fund Act 2011* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2022, 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 2022**.**

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 2022.

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).

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

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

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

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and

Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the 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 *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 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor’s Report including my opinion.

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

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

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

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 '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 2022 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 other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

NSW GOVERNMENT | Treasury

Social and Affordable Housing NSW Fund

Financial Report

for the year ended 30 June 2022

Social and Affordable Housing NSW Fund

Financial Report
for the year ended 30 June 2022

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 2022; 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.

Dr Paul Grimes PSM
Secretary

17 October 2022

Social and Affordable Housing NSW Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Receipts			
Interest earned	3	145	88
Recovery of financial risk management costs	3	-	1,755
GST received	3	2	6
Total receipts		**147**	**1,849**
Payments			
Grant expenses	4	44,810	22,774
Administrative expenses	4	357	257
Financial management expenses	4	16,103	10,339
Total payments		**61,270**	**33,370**
Net receipts/(payments)		**(61,123)**	**(31,521)**
Statement of Fund's Position as at 30 June			
Opening balance of the Fund		1,672,461	1,494,436
Net receipts/(payments)		(61,123)	(31,521)
(Loss)/income from investments	5	(85,266)	209,546
Closing balance of the Fund		**1,526,072**	**1,672,461**
Balance of Fund held in			
Cash and cash equivalents		12,294	13,417
Investment in Social and Affordable Housing NSW Fund investment trust	5	1,513,778	1,659,044
		1,526,072	**1,672,461**

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 2022

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.

1. INFORMATION ON THE SOCIAL AND AFFORDABLE HOUSING NSW FUND (continued)

Payments out of the Fund

Section 8(1) of the Act prescribes the payments from the Fund. These are:

a) all or any part of the cost of any project, program or initiative that the Treasurer is satisfied promotes the purpose of the Fund,

b) administrative expenses relating to the control and management of the Fund,

c) the payment or repayment of principal or interest on money borrowed by the Treasurer for the purpose of the Fund (including any costs associated with the borrowing),

d) any payment or repayment of money from the Fund referred to in section 7(3),

e) any money payable arising from a financial adjustment (or other financial risk management strategy) effected by the Treasurer for the purpose of the Fund,

f) any money directed or authorised to be paid from the Fund by or under this Act or any other Act or law.

Section 8(2) states that payments for the cost of a project, program or initiative may be provided by way of a grant, subsidy, loan, or other financial assistance and may be subject to terms as the Treasurer thinks fit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial report which has been prepared on a cash basis except for the Fund's investments in other financial assets which are measured at fair value. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Receipts are realised and recorded when received in cash. Payments are recorded when cash is actually paid. The investments in other financial assets are remeasured to fair value at the reporting date.

The presentation focus in the financial report is balances of the Fund at the reporting date and changes during the year.

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash and funds invested in the Social and Affordable Housing NSW Fund.

Cash is reported by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is reported by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

Social and Affordable Housing NSW Fund

Notes to the Financial Report
for the year ended 30 June 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds invested in the Social and Affordable Housing NSW Fund are investments held in the Social and Affordable Housing NSW Fund Investment Trust (SAHF), a unit trust investment facility administered by the NSW Treasury Corporation (TCorp). The SAHF's investment strategy is designed to best meet scheduled funding commitments to boost the delivery of social and affordable housing across NSW.

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 7 of the Act.

	2022 $'000	2021 $'000
Section 7(1)(c) receipts		
Interest earned	145	88
Section 7(1)(g) receipts		
Recovery of financial risk management costs	-	1,755
Section 7(1)(h) receipts		
GST received	2	6
Total receipts	**147**	**1,849**

4. PAYMENTS

Payments from the Fund are in accordance with Section 8 of the Act.

	2022 $'000	2021 $'000
Section 8(1)(a) payments - grant expenses		
Grants to DCJ for project, program or initiative	42,829	20,804
Grants to DCJ for employee related expenses related to program project or initiative	1,981	1,970
Section 8(1)(b) payments - administrative expenses		
Auditor's remuneration	17	17
Other operating expenses	340	240
Section 8(1)(e) payments - financial management expenses		
Financial risk management costs	16,103	10,339
Total payments	**61,270**	**33,370**

Social and Affordable Housing NSW Fund

Notes to the Financial Report
for the year ended 30 June 2022

5. INVESTMENT IN SOCIAL AND AFFORDABLE HOUSING NSW FUND

	2022	2021
	$'000	$'000
Opening balance	**1,659,044**	**1,484,498**
(Less)/Add: Investments - cash transferred (out)/in (to)/from the operating bank account account	(60,000)	(35,000)
Add/(Less): Net income/(loss) from investments		
Distribution reinvested	125,097	82,010
Unrealised gain/(loss) on other financial assets	(210,606)	124,815
Realised gain/(loss) on other financial assets	243	2,721
Closing balance	**1,513,778**	**1,659,044**

The Fund is authorised to invest in accordance with Section 9 of the Act. Implemented since 2017-18, SAHF is the investment vehicle for the Fund in assisting the NSW Government to meet its delivery of social and affordable housing objective. SAHF is managed by TCorp.

Asset allocation and investment instructions of SAHF are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp in July 2017. The ISA was last reviewed in March 2021.

Asset allocation

Actual SAHF asset allocation as at the reporting date:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value ($'000)
Australian Equities	8.50	8.22	124,433
Developed Market Equities	31.00	31.36	474,721
Emerging Market Equities	5.00	5.05	76,446
Global High Yield	3.30	3.35	50,712
Bank Loans	7.70	7.72	116,864
Emerging Market Debt	5.00	4.91	74,327
Middle Market Credit	0.00	0.24	3,633
Australian Nominal Bonds	9.00	9.00	136,238
Australian Inflation-Linked Bonds	5.00	4.86	73,570
Cash	3.00	1.89	28,610
Core Alternatives	5.00	5.02	75,992
Opportunistic	2.50	2.63	39,812
Unlisted Global Property	5.50	5.48	82,955
Unlisted Australian Property	4.00	4.23	64,033
Unlisted Infrastructure	5.00	5.51	83,409
Sustainable Development Infrastructure	0.50	0.53	8,023
Total	**100**	**100**	**1,513,778**

Social and Affordable Housing NSW Fund

Notes to the Financial Report
for the year ended 30 June 2022

5. INVESTMENT IN SOCIAL AND AFFORDABLE HOUSING NSW FUND (continued)

Performance returns

SAHF investment return objective is to achieve CPI + 4.0% over rolling 10-year periods. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return *(after fees)*	(5.45)	5.66
Strategic Asset Allocation (SAA) benchmark	8.86	5.49
Net relative to SAA benchmark	**(14.31)**	**0.17**

6. FINANCIAL INSTRUMENTS

The Fund's main risks arising from financial instruments are interest rate and other price risks.

SAHF is a unit trust investment facility and is subject to other price risks only. The unit price of the facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue. Unit prices are calculated daily. Investments in SAHF limits the Fund's exposure to risk as it allows diversification across a pool of funds with different investment horizons and a mix of asset classes.

The Fund's other financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise of 1.5 per cent or fall of 0.5 per cent in interest rate over the course of the year would result in an increase of $184k or decrease of $61k in the interest earned respectively (2021: rise by 1 percent increase of $134k or fall by 1 percent decrease of $134k).

Risk management

TCorp actively manages financial instrument risks, and the ISA is reviewed regularly and updated to include changes in market conditions and/or management's direction. The documents clearly set out investment management objectives, restrictions, and establish performance benchmarks. The ISA is authorised and approved at the Senior Executive Level within NSW Treasury and/or the Treasurer.

Proposed changes to the ISA must go through a consultative process between TCorp and the Strategy Balance Sheet Management (SBSM) team at NSW Treasury. Regular meetings take place between TCorp, SBSM and the Chief Financial Officer to monitor the performance and management of the investment.

7. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

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 2022 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 Responsible Manager's annual reporting obligations under section 12 of the *Social and Affordable Housing NSW Fund Act 2016* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2022, and its activities for the year then ended, in accordance with the basis of accounting described in Note 2 to the financial report.

Qualified 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 2022.

In my opinion, except for the matter described in the Basis for Opinions paragraph, payments from the Fund have, in all material respects, been made in accordance with the Act for the year ended 30 June 2022.

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

Basis for Opinions

My opinion on the audit of the financial report is unqualified, but I qualified my opinion on whether payments made from the Fund were in accordance with the Act. Section 6 of the Act requires the Treasurer to control and manage the Fund. The Treasurer has delegated the making of payments from the Fund, subject to transactional limits, under section 13 of the Act.

During 2021–22, six instances were identified where payments were made from the Fund under section 8(1) of the Act that exceeded the Treasurer's delegation under section 13 of the Act. The total value of these payments was $22,017,804.

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).

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

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

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

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Responsible Manager'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 Responsible Manager'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 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 '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 2022 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 Responsible Manager's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Electricity Retained Interest Corporation – Ausgrid (ERIC–A) Fund

Financial Report
for the year ended 30 June 2022

ERIC–A Fund

Financial Report
for the year ended 30 June 2022

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 2022; 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.

Dr Paul Grimes PSM
Secretary

17 October 2022

ERIC–A Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Receipts			
Interest earned	3	1	1
Money appropriated by Parliament into the Fund	3	700	700
Total receipts		**701**	**701**
Payments			
Costs of operation of the Corporation	4	762	731
Administrative expenses of the Corporation	4	92	77
Total payments		**854**	**808**
Net receipts/(payments)		**(153)**	**(107)**
The Fund's position as at 30 June			
Opening balance of the Fund - Cash		477	584
Net receipts/(payments)		(153)	(107)
Closing balance of the Fund		**324**	**477**

The accompanying notes form part of the financial report.

ERIC–A Fund
Notes to the Financial Report
for the year ended 30 June 2022

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 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 2022

1. INFORMATION ON THE ERIC-A FUND (continued)

Payments out of the Fund

Section 34 of the Act prescribes the payments from the Fund. These are:

a) such amounts as the Treasurer directs for payment into the Consolidated Fund, and

b) such amounts (if any) as the Corporation is required to pay the Treasurer under section 5.3 (Payment of tax-equivalents to Treasurer) of the *Government Sector Finance Act 2018*, and

c) such amounts as the Treasurer authorises for expenditure by the Corporation or a subsidiary of the Corporation in the exercise of the functions of the Corporation, and

d) such amounts as the Treasurer directs for payment of the costs of operation of the Corporation and any subsidiary of the Corporation, including remuneration, allowances, accommodation and other associated costs of the Board, General Manager and staff of the Corporation or a subsidiary of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial report which has been prepared on a cash basis. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Receipts are recognised and recorded when received in cash. Payments are recorded when cash is actually paid.

The presentation focus in the financial report is balances of the Fund at the reporting date and changes during the year.

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash only.

Cash is reported by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is reported by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

ERIC–A Fund
Notes to the Financial Report
for the year ended 30 June 2022

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 33 of the Act.

	2022 $'000	2021 $'000
Section 33 (b) receipts - interest earned	1	1
Section 33 (d) receipts		
Money appropriated by Parliament into the Fund	700	700
Total receipts	**701**	**701**

4. PAYMENTS

Payments from the Fund are in accordance with Section 34 of the Act.

	2022 $'000	2021 $'000
Section 34 (c) payments - administrative expenses of the Corporation		
Professional service fees	92	77
Total administrative expenses	**92**	**77**
Section 34 (d) payments - costs of operation of the Corporation		
ASIC fees	5	4
Auditor's remuneration	94	88
Travel and Treasury admin cost	275	250
Committee fees	18	18
Directors fees	229	228
Superannuation	32	31
PAYG	90	91
Miscellaneous expense	19	21
Total costs of operation	**762**	**731**
Total payments	**854**	**808**

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 1.5 per cent or fall of 0.5 per cent in interest rate over the course of the year would result in an increase of $5k or decrease of $2k in the interest earned respectively (2021: rise by 1 percent increase of $5k or fall by 1 percent decrease of $5k).

6. 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 - Ausgrid (ERIC-A) Fund

To Members of the New South Wales Parliament

Opinions

Opinion on the audit of the financial report

I have audited the accompanying special purpose financial report (the financial report) of the Electricity Retained Interest Corporation - Ausgrid (ERIC-A) Fund (the Fund), which comprises the Statement by the Responsible Manager, the Statement of the Fund's Activities and Position for the year ended 30 June 2022 and notes to the financial report. The financial report has been prepared by 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 2022, and its activities for the year then ended, in accordance with the basis of accounting described in Note 2 to the financial report.

Qualified 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 2022.

In my opinion, except for the matter described in the Basis for Opinions paragraph, payments from the Fund have, in all material respects, been made in accordance with the Act for the year ended 30 June 2022.

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

Basis for Opinions

My opinion on the audit of the financial report is unqualified, but I qualified my opinion on whether payments made from the Fund were in accordance with the Act. Section 34 of the Act specifies what payments can be made from the Fund.

During 2021–22:

- two instances were identified where payments were made from the Fund that did not comply with section 34(d) of the Act. The total value of these payments was $8,338
- certain payments were made out of the Fund in excess of the amounts approved in the Treasurer's Standing Authorisations for 2021–22, which did not comply with section 34(d) of the Act. The total value of payments made in excess of the Treasurer's Standing Authorisations was $7,350.

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).

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

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

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

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the 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 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 '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 2022 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 other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Electricity Retained Interest Corporation – Endeavour (ERIC-E) Fund

Financial Report
for the year ended 30 June 2022

ERIC-E Fund

Financial Report
for the year ended 30 June 2022

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 2022; 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.

Dr Paul Grimes PSM
Secretary

17 October 2022

ERIC-E Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Receipts			
Financial returns	3	24,591	37,265
Interest earned	3	5	6
Total receipts		**24,596**	**37,271**
Payments			
Funds transferred to NSW Consolidated Fund	4	22,017	34,669
Administrative expenses of the Corporation	4	148	93
Costs of operation of the Corporation	4	1,257	1,224
Total payments		**23,422**	**35,986**
Net receipts/(payments)		**1,174**	**1,285**
The Fund's Position as at 30 June			
Opening balance of the Fund - Cash		1,995	710
Net receipts/(payments)		1,174	1,285
Closing balance of the Fund		**3,169**	**1,995**

The accompanying notes form part of the financial report.

ERIC-E Fund

Notes to the Financial Report
for the year ended 30 June 2022

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 2022

1. INFORMATION ON THE ERIC-E FUND (continued)

Payments out of the Fund

Section 34 of the Act prescribes the payments from the Fund. These are:

a) such amounts as the Treasurer directs for payment into the Consolidated Fund, and

b) such amounts (if any) as the Corporation is required to pay the Treasurer under section 5.3 (Payment of tax-equivalents to Treasurer) of the *Government Sector Finance Act 2018*, and

c) such amounts as the Treasurer authorises for expenditure by the Corporation or a subsidiary of the Corporation in the exercise of the functions of the Corporation, and

d) such amounts as the Treasurer directs for payment of the costs of operation of the Corporation and any subsidiary of the Corporation, including remuneration, allowances, accommodation and other associated costs of the Board, General Manager and staff of the Corporation or a subsidiary of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial report which has been prepared on a cash basis. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Receipts are recognised and recorded when received in cash. Payments are recorded when cash is actually paid.

The presentation focus in the financial report is balances of the Fund at the reporting date and changes during the year.

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash only.

Cash is reported by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is reported by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

ERIC-E Fund

Notes to the Financial Report
for the year ended 30 June 2022

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 33 of the Act.

	2022 $'000	2021 $'000
Section 33 (a) receipts - financial returns		
Distributions from network partnership arrangements	24,591	37,265
Section 33 (b) receipts - interest earned	5	6
Total receipts	**24,596**	**37,271**

4. PAYMENTS

Payments from the Fund are to be in accordance with Section 34 of the Act.

Section 34 (a) payments - funds transferred to NSW Consolidated Fund	**22,017**	**34,669**
Section 34 (c) payments - administrative expenses of the Corporation		
Professional service fees	148	93
Total administrative expenses	**148**	**93**
Section 34 (d) payments - costs of operation of the Corporation		
ASIC fees	5	4
Auditor's remuneration	89	90
Travel and Treasury administration support	275	251
Miscellaneous expenses	19	19
GST remittance	518	511
Directors fees	230	228
Superannuation	32	30
PAYG	89	91
Total costs of operation	**1,257**	**1,224**
Total payments	**23,422**	**35,986**

5. FINANCIAL INSTRUMENTS

The Fund's only financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise of 1.5 per cent or fall of 0.5 per cent in interest rate over the course of the year would result in an increase of $47k or decrease of $15k in the interest earned respectively (2021: rise by 1 percent increase of $19k or fall by 1 percent decrease of $19k).

6. 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 on the audit of the financial report

I have audited the accompanying special purpose financial report (the financial report) of the Electricity Retained Interest Corporation - Endeavour (ERIC-E) Fund (the Fund), which comprises the Statement by the Responsible Manager, the Statement of the Fund's Activities and Position for the year ended 30 June 2022 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 2022, and its activities for the year then ended, in accordance with the basis of accounting described in Note 2 to the financial report.

Qualified 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 2022.

In my opinion, except for the matter described in the Basis for Opinions paragraph, payments from the Fund have, in all material respects, been made in accordance with the Act for the year ended 30 June 2022.

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

Basis for Opinions

My opinion on the audit of the financial report is unqualified, but I qualified my opinion on whether payments made from the Fund were in accordance with the Act.

Certain payments were made out of the Fund in excess of the amounts approved in the Treasurer's Standing Authorisations for 2021–22, which did not comply with section 34(d) of the Act. The total value of payments made from the Fund in excess of the Treasurer's Standing Authorisations was $3,400.

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).

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

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

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

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the 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 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 '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 2022 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 other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

NSW Generations (Debt Retirement) Fund

Financial Report
for the year ended 30 June 2022

NSW Generations (Debt Retirement) Fund

Financial Report
for the year ended 30 June 2022

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 2022; 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.

Dr Paul Grimes PSM
Secretary

31 October 2022

NSW Generations (Debt Retirement) Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Receipts			
Government contribution	3	-	1,932,284
Distributions	3	684,099	95,000
Proceeds of sale of WestConnex	3	10,288,529	-
Interest earned	3	48,693	2,289
GST received	3	1	1
Total receipts		**11,021,322**	**2,029,574**
Payments			
Repayment of State Debt	4	7,660,762	-
Administrative expenses	4	13	16
Total payments		**7,660,775**	**16**
Net receipts/(payments)		**3,360,547**	**2,029,558**
Statement of the Fund's Position as at 30 June			
Opening balance of the Fund		15,173,707	11,279,877
Net receipts/(payments)		3,360,547	2,029,558
(Loss)/income from investments	5	(461,383)	1,864,272
Closing balance of the Fund		**18,072,871**	**15,173,707**
Balance of Fund held in			
Cash and cash equivalents		3,363,413	2,866
Investment in NSW Generations (Debt Retirement) Fund Investment Trust	5	14,709,458	15,170,841
		18,072,871	**15,173,707**

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 2022

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 Debt Retirement Fund if the Treasurer is satisfied that it is windfall tax revenue in excess of Budget forecasts.

Section 9(3) of the Act provides that the Treasurer is taken to have been given an appropriation out of the Consolidated Fund under the authority of this section, on the day a direction is given under section 9(2), for the amount specified in the direction for the purpose of its payment into the Debt Retirement Fund.

1. INFORMATION ON THE NSW GENERATIONS (DEBT RETIREMENT) FUND (continued)

Payments out of the Fund

Section 10 of the Act prescribes payments from the Fund. These are:

a) the payment of all or any part of a debt of the State that the Treasurer is satisfied is a payment that promotes the purpose of the Fund,

b) administrative expenses relating to the control and management of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial report which has been prepared on a cash basis except for the Fund's investments in other financial assets which are measured at fair value. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Receipts are realised and recorded when the cash is received. Payments are recorded when cash is actually paid. The investments in other financial assets are remeasured to fair value at the reporting date.

The presentation focus in the financial report is balances of the Fund at the reporting date and changes during the year.

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash and funds invested in the NSW Generations (Debt Retirement) Fund.

Cash is reported by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is reported by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

NSW Generations (Debt Retirement) Fund

Notes to the Financial Report for the year ended 30 June 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds invested in the NSW Generations (Debt Retirement) Fund Investment Trust (Investment Trust) are investments held in the NSW Generations (Debt Retirement) Fund, a unit trust investment facility administrated by the NSW Treasury Corporation (TCorp). The Investment Trust's strategy is designed to provide funding for reducing the debt of the State of New South Wales.

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 9 of the Act.

	2022 $'000	2021 $'000
Section 9(1)(a) receipts		
Appropriation[1]	-	1,932,284
Section 9(1)(d) receipts		
Distributions from Roads Retained Interest Pty Ltd	684,099	95,000
Section 9(1)(e) receipts		
Proceeds of sale of WestConnex	10,288,529	-
Section 9(1)(f) receipts		
Interest earned	48,693	2,289
Section 9(1)(g) receipts		
GST received	1	1
Total receipts	**11,021,322**	**2,029,574**

[1]This includes only amounts appropriated that have been transferred to the NSW Generations (Debt Retirement) Fund's (DRF) bank account. The following additional amounts have been appropriated and represent a cumulative spending authority that is available for immediate use for the purposes of the DRF but have not been transferred to the bank account established for the DRF.

Appropriated amount hypothecated to the Fund

Authority	Special Deposit Account	2022 $'000	2021 $'000
NSW Generation Fund Act 2018	NSW Generations (Debt Retirement) Fund	4,582,033	84,810

NSW Generations (Debt Retirement) Fund

Notes to the Financial Report
for the year ended 30 June 2022

4. PAYMENTS

	2022 $'000	2021 $'000
Section 10(a) payments		
Repayment of State Debt	7,660,762	-
Section 10(b) payments		
Administrative expenses - auditor's remuneration	13	16
Total payments	**7,660,775**	**16**

During the year proceeds of sale of WestConnex were paid into the fund. The proceeds were partly used to repay the debt of the State.

5. INVESTMENT IN NSW GENERATIONS (DEBT RETIREMENT) FUND INVESTMENT TRUST

	2022 $'000	2021 $'000
Opening balance	**15,170,841**	**11,262,435**
Add: Investments - cash transferred in from the operating bank account	-	2,044,134
Add/(Less): Net income/(loss) from investments:		
Distribution reinvested	1,264,033	648,019
Unrealised (loss)/gain on other financial assets	(1,725,416)	1,216,253
Closing balance	**14,709,458**	**15,170,841**

The Fund is authorised to invest in accordance with Section 11 of the Act. Implemented during 2018-19, the Investment Trust is the investment vehicle for the Fund in assisting the NSW Government to meet its objective of reducing the debt of the State. The Investment Trust is managed by TCorp.

Asset allocation and investment instructions of the Investment Trust are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp on 1 November 2018. The ISA was last reviewed in March 2021.

5. INVESTMENT IN NSW GENERATIONS (DEBT RETIREMENT) FUND INVESTMENT TRUST (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	9.00	8.87	1,304,729
Developed Market Equities	28.50	29.33	4,314,284
Emerging Market Equities	6.00	5.77	848,736
Global High Yield	3.00	2.91	428,045
Bank Loans	7.00	6.96	1,023,778
Emerging Market Debt	5.00	4.85	713,409
Middle Market Credit	0.00	0.46	67,664
Cash	2.00	1.66	244,177
Core Alternatives	16.50	13.75	2,022,549
Opportunistic	3.00	3.41	501,593
Unlisted Global Property	7.50	7.78	1,144,396
Unlisted Australian Property	2.00	2.75	404,510
Unlisted Infrastructure	8.50	9.50	1,397,399
Sustainable Development Infrastructure	2.00	2.00	294,189
Total	**100**	**100**	**14,709,458**

Performance returns

The investment return objective of the Investment Trust is to achieve CPI plus 4.5% p.a over rolling 10-year periods. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return *(after fees)*	(3.15)	5.77
Strategic Asset Allocation (SAA) benchmark	9.38	7.21
Net relative to SAA benchmark	**(12.53)**	**(1.44)**

6. FINANCIAL INSTRUMENTS

The Fund's main risks arising from financial instruments are interest rate and other price risks.

The Investment Trust is a unit trust investment facility and is subject to other price risks only. The unit price of the facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue. Unit prices are calculated daily. Investments in the Investment Trust limits the Fund's exposure to risk as it allows diversification across a pool of funds with different investment horizons and a mix of asset classes.

The Fund's other financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise of 1.5 per cent or fall of 0.5 per cent in interest rate over the course of the year would result in an increase of $50,451k or decrease of $16,817k in the interest earned respectively (2021: rise by 1 percent increase of $28k or fall by 1 percent decrease of $28k).

Risk management

TCorp actively manages financial instrument risks, and the ISA is reviewed regularly and updated to include changes in market conditions and/or management's direction. The documents clearly set out investment management objectives, restrictions, and establish performance benchmarks. The ISA is authorised and approved at the Senior Executive Level within NSW Treasury and/or the Treasurer.

Proposed changes to the ISA must go through a consultative process between TCorp and the Strategy Balance Sheet Management (SBSM) team at NSW Treasury. Regular meetings take place between TCorp, SBSM and the Chief Financial Officer to monitor the performance and management of the investment.

7. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

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 2022 and notes to the financial report. The financial report has been prepared by 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 7 of the *NSW Generations Funds Act 2018* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2022, 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 2022.

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 2022.

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).

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

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

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

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the 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 *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 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 '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 2022 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 other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2022
SYDNEY

NSW Generations (Community Services and Facilities) Fund

Financial Report

for the year ended 30 June 2022

NSW Generations (Community Services and Facilities) Fund

Financial Report
for the year ended 30 June 2022

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 2022; 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.

Dr Paul Grimes PSM
Secretary

17 October 2022

NSW Generations (Community Services and Facilities) Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Receipts			
Interest earned	3	367	333
GST received	3	1	1
Total receipts		**368**	**334**
Payments			
Project payments	4	1,344	4,522
Administrative expenses	4	13	112
Total payments		**1,357**	**4,634**
Net receipts/(payments)		**(989)**	**(4,300)**

The Fund's Position as at 30 June

	2022 $'000	2021 $'000
Opening balance of the Fund - cash	33,253	37,553
Net receipts/(payments)	(989)	(4,300)
Closing balance of the Fund	**32,264**	**33,253**

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 2022

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.

1. INFORMATION ON THE NSW GENERATIONS (COMMUNITY SERVICES AND FACILITIES) FUND (continued)

Funding Sources for the Fund

Section 13 of the Act prescribes the amounts payable into the Fund. These are:

a) all money appropriated by Parliament, or advanced by the Treasurer, for payment into the Fund,

b) all money appropriated by Parliament to the Treasurer for the general purposes of the Government (and not for the purposes of individual Government Sector Finance agencies) and directed by the Treasurer to be paid into the Fund,

c) the repayment of the principal, or payment of interest, on money loaned from the Fund (including fees associated with the loan),

d) the repayment of any other money provided from the Fund by way of any other financial assistance,

e) all other money directed or authorised to be paid into the Fund by or under any Act or law.

Payments out of the Fund

Section 14(1) of the Act prescribes payments from the Fund. These are:

a) all or any part of the cost of any project, program or initiative that the Treasurer is satisfied promotes the purpose of the Fund,

b) administrative expenses relating to the control and management of the Fund,

c) any money directed or authorised to be paid from the Fund by or under this Act or any other Act or law.

Section 14(2) provides that payments from the Fund for the cost of a project, program or initiative may be provided by way of a grant, subsidy, loan or other financial assistance and may be subject to such conditions as the Treasurer thinks fit to impose.

Section 14(3) prescribes, without limiting Section 14(2), those conditions may relate to the following:

a) meeting specified performance targets or outcomes,

b) repayments of the whole or any part of such financial assistance (including repayment if specified performance targets or outcomes are not met as required under a condition of the provision of the financial assistance),

c) the payment of interest on financial assistance provided by way of a loan,

d) the periods or intervals at which repayments are to be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial report which has been prepared on a cash basis. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Receipts are realised and recorded when cash is received. Payments are recorded when cash is actually paid.

The presentation focus in the financial report is balances of the Fund at the reporting date and changes during the year.

NSW Generations (Community Services and Facilities) Fund

Notes to the Financial Report
for the year ended 30 June 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash only.

Cash is reported by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is reported by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 13 of the Act.

	2022 $'000	2021 $'000
Section 13(c) receipts		
Interest earned	367	333
Section 13(e) receipts		
GST received	1	1
Total receipts	**368**	**334**

NSW Generations (Community Services and Facilities) Fund

Notes to the Financial Report
for the year ended 30 June 2022

4. PAYMENTS

Payments from the Fund are in accordance with Section 14 of the Act.

	2022 $'000	2021 $'000
Section 14(1)(a) payments		
Project payments	1,344	4,522
Section 14(1)(b) payments		
Directors fees *	-	96
Auditor's remuneration	13	16
Total administrative expenses	**13**	**112**
Total payments	**1,357**	**4,634**

*The NGF Board was dissolved effective 31 December 2020. Accordingly, there are no directors fees paid for the year ended 30 June 2022

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 1.5 per cent or fall of 0.5 per cent in interest rate over the course of the year would result in an increase of $483k or decrease of $161k in the interest earned respectively (2021: rise by 1 percent increase of $332k or fall by 1 percent decrease of $332k).

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 2022 and notes to the financial report. The financial report has been prepared by 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 7 of the *NSW Generations Funds Act 2018* (the Act).

In my opinion, in all material respects, the financial report presents fairly, the Fund's position as at 30 June 2022, 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 2022.

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 2022.

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).

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

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

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

In conducting my audit, I have applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the 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 *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 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

Audit of whether payments complied with the Act

My responsibility is to express an opinion on whether payments from the Fund, in all material respects, have been made in accordance with the Act. ASAE 3100 '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 2022 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 other than for which it was prepared.

Renee Meimaroglou
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Abbreviations and acronyms

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

Statutory reporting compliance index

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