NSW Treasury

Annual report

2022-23

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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30 November 2023

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Letter of Submission to the NSW Treasurer

The Hon Daniel Mookhey MLC
Treasurer

GPO Box 5341
Sydney, NSW 2001

Dear Treasurer,

I have the pleasure of submitting NSW Treasury's Annual Report for financial year ended 30 June 2023, for presentation to the NSW Parliament in accordance with the *Government Sector Finance Act 2018*.

This volume reports on the operations and performance of the NSW Treasury, together with the consolidated financial statements for the period 1 July 2022 to 30 June 2023.

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 139 to 517.

Yours sincerely,

Michael Coutts-Trotter
Secretary

30 November 2023

Secretary's foreword

As was once remarked: there are decades where nothing happens; and there are weeks where decades happen.

The NSW Treasury may not have seen 'decades' happen in 2022-23 but it was a very eventful year for our department.

In rapid succession, Treasury produced the 2022-23 Half-Yearly Review, the Pre-election Budget Update and broad-ranging financial and economic advice for an incoming government.

This while also working with the Parliamentary Budget Office as it costed pre-election commitments.

Following the March State election we helped the new Government to begin to implement its priorities.

This included a June Economic Statement and preparation for the 2023-24 Budget.

Elsewhere in Treasury, the Office of Energy and Climate Change continued work to drive the transformation to a low-cost, clean-energy economy.

And Treasury and the NSW Productivity Commission continued to contribute research and discussion papers that explored economic, regulatory and service delivery reform opportunities for New South Wales.

Through a busy and often challenging year, Treasury continued to provide leadership to shape and drive a thriving, resilient and sustainable New South Wales.

Thank you to all Treasury staff for their dedication to delivering for the community.

I pay particular tribute to my predecessor Dr Paul Grimes for his stewardship of the Treasury and its people.

Michael Coutts-Trotter
Secretary

1 Overview

Overview and mission

Treasury is the NSW Government's principal all-of-government financial and economic adviser.

Treasury provides advice to inform fiscal, economic and budget decision-making; manages the State's principal financial assets and liabilities; identifies opportunities for economic reform; monitors and forecasts the economy and state revenues; monitors the performance of its commercial agencies; shapes the NSW economic strategy and influences the future direction of tax policy, economic policy and reform, productivity policy, small business policy and federal financial relations; 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. Next year will be the bicentenary of Treasury, and, in the lead up, 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 services have had on Aboriginal and Torres Strait Islander 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, Half-Yearly Review 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 structuring
- respected commercial, financial and service delivery reforms
- market-leading analysis and advice on funding and private financing of public infrastructure
- managing, monitoring and advising on the efficiency and effectiveness of public sector commercial agencies.

Addressing energy and climate change challenges

- accessing 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

Our organisational structure is designed for optimal systems, capability and processes to continue to deliver for New South Wales.

Economic Strategy and Productivity

Economic Strategy and Productivity (ESP) helps shape New South Wales economic strategy and inform the future direction of tax policy, economic policy and reform, productivity policy, microeconomic policy and federal financial relations.

Policy and Budget

Policy and Budget (P&B) is the primary agency relationship manager at Treasury. P&B works collaboratively with NSW Government agencies to provide high-quality advice to the Treasurer and Cabinet Committees on financial management, policy reform and resource allocation that contributes to a strong and sustainable New South Wales economy.

P&B also oversees fiscal risks and develops a fiscal strategy and enabling policies for the State. The strategy and policy supports the preparation and delivery of the annual State Budget and Half-Yearly Review.

Commercial

Commercial is responsible for commercial policy development and strategic commercial and procurement advice on wide-ranging government investments. We manage the State's shareholding in its commercial business, major commercial transactions, negotiations, and post-transactions processes, and provide expert advice to government on the procurement of complex infrastructure. We manage and provide central policy direction on all-of-government procurement and banking and financial services.

We play an important role in supporting agencies with consultancy and advisory services to achieve genuine and sustained value for money.

NSW Treasury core responsibilities

Management of NSW finances

Analysis, advice and delivery

Management of NSW assets

Addressing energy and climate change challenges

Financial Management and Services

Financial Management and Services (FMS) delivers the overall frameworks for sector-wide financial stewardship and reform, preparation, coordination and delivery of the Total State Sector Accounts, and complex accounting policy advice. The team also has core responsibility for asset and liability management and sustainable finance impact investment.

Corporate services functions for the Treasury department are also provided within FMS including human resources, communications, information and digital technologies and facilities management.

FMS also has responsibility for Treasury's ministerial services including those relating to Cabinet, Parliament, briefings and correspondence, and the provision of Departmental Liaison Officers.

Office of Energy and Climate Change

The Office of Energy and Climate Change (OECC) was established in the Treasury Cluster in April 2022.

OECC focuses on delivering government reforms, economic development and critical services around energy reliability, climate change and emissions reduction. OECC's key strategies and programs are integral to New South Wales' economic policy that will bring enduring benefits to our economy, the environment and the people of New South Wales. Our mission is to accelerate New South Wales' transformation to a sustainable future.

Office of General Counsel

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

OGC engages with other New South Wales legal functions, including the Crown Solicitor's Office and Parliamentary Counsel's Office, and support Treasury compliance activities from a legal perspective. We also provide general support on major commercial transactions and strategic projects, contract reviews and negotiations.

Office of the Secretary

The Office of the Secretary provides strategic and professional support to the Secretary and Treasury Executive Board in leading the department and delivering the Government's agenda. It plays a leading role in advising, supporting and managing relationships with Ministers and their offices in the Treasury portfolio.

2 Strategy

2022-23 NSW Treasury Outcome and Business Plan

The 2022-23 Treasury Outcome and Business Plan (the Plan) reflects our vision for how we will contribute to making New South Wales 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 and robust financial management framework for the public sector
- a sustainable transition to a Net Zero economy.

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

Treasury's purpose is to help shape a thriving, resilient and sustainable New South Wales through public service excellence.

Our Purpose

To help shape a thriving, resilient and sustainable NSW through public service excellence

Outcome 1

A strong, resilient and diverse economy

Outcome Indicators

- Growth in real Gross State Product (GSP) per capita
- Increase in female workforce participation
- Improving the distribution of household incomes in NSW

Our Outcome Delivery Programs

- **Building a strong, productive and diverse economy**
- **Improving economic wellbeing**
- **Supporting First Nations wellbeing, outcomes and prosperity**

Outcome 2

A sustainable fiscal environment and robust financial management framework for the public sector

Outcome Indicators

- Maintaining the triple-A credit rating and achieving the Fiscal Targets contained in the *Fiscal Responsibility Act 2012* (FRA)
- An unqualified Audit Office report to Parliament
- A Voice Of the Customer survey indicating the effective performance and support provided by NSW Treasury for the sector

Our Outcome Delivery Programs

- **Financial planning, reporting and performance management**
- **Resource allocation, procurement services and sector support**
- **Commercial and balance sheet management**

Outcome 3

A sustainable transition to a Net-Zero Economy

Outcome Indicators

- NSW Energy Security Target met, including supply and demand
- Reliability of the National Electricity Market in NSW
- Millions of tonnes of CO_2 equivalent emissions (tCO_2e) emitted annually in NSW (Target: Net zero by 2050)
- NSW greenhouse gas emission reductions due to the Net Zero Plan and other NSW Government policies
- Total private investment resulting from Net Zero programs

Our Outcome Delivery Programs

- **Accessing affordable, reliable and clean energy**
- **Supporting a sustainable, climate resilient New South Wales**

Change Priorities

- Delivering an 'outcome' focus across the sector
- Continued promotion of high standards of governance across Treasury while developing and implementing innovative strategic policy and service reforms
- A highly capable, collaborative and diverse customer-centric team
- An agile, inclusive and future-focused Treasury

Our Values

- **Integrity**
- **Trust**
- **Service**
- **Accountability**

Our Culture

- **Collaboration**
- **Inclusivity**
- **Flexibility**

3

Operations and performance

Outcome 1: A strong, resilient and diverse economy

Performance of per capita Gross State Product target

Per capita Gross State Product (GSP) contracted in 2019-20 as the impact of the pandemic and lockdowns weighed on economic activity. Following the first year of the pandemic, however, economic activity rebounded strongly, despite border restrictions constraining migration (and, therefore, population growth). GSP per capita growth averaged over 2 per cent through 2020-21 and 2021-22. Overall, in the four years to 2021-22 real GSP per capita growth has averaged 0.9 per cent per annum, compared to the target of 1.5 per cent.

More recently, the RBA has increased interest rates significantly since May 2022 to slow down growth in the economy and to help bring inflation down from its current elevated level to the Bank's inflation target. Along with current weakness in productivity growth, this means it will be difficult for growth in coming years to be strong enough to offset the drag from 2019-20 and achieve the growth target.

Improving economic wellbeing

Following the release of the Women's Opportunity Statement alongside the 2022-23 Budget, Treasury continues to pursue reforms to public policy development and resource allocation to advance the State's gender equality outcomes. These reforms include publishing a gender equality budget statement alongside the annual Budget, piloting gender impact assessments for new policy proposals, baselining gender-equitable business in government's supply chains to inform procurement policy and participating in a pilot of Gender Equality Action Plans being led by Women NSW.

As part of the implementation of the Women's Economic Opportunity reforms announced in the 2022-23 Budget, Treasury continues to monitor and report on the progress of gender equality across the State. The female workforce participation rate was adopted as the key outcome indicator for female economic participation and empowerment in New South Wales.

For 2022-23, the NSW female workforce participation rate reached 61.5 per cent to June 2023, which placed the State on track to achieve its target of a 59.9 per cent female workforce participation rate by 2026-27. The current tight labour market has contributed to this strong uplift in female labour force participation. Participation may change once the effects of monetary policy tightening are fully realised as this may adversely affect business sentiment and hiring conditions in the future.

Treasury will continue to pursue reform opportunities to address the structural barriers to female economic opportunities and participation, such as access to affordable childcare, women's health issues, gender discrimination, occupational and industry segregation, and unpaid care.

Supporting First Nations wellbeing, outcomes and prosperity

NSW Procurement commenced a review of the NSW Aboriginal Procurement Policy in partnership with Aboriginal stakeholders. More than 300 stakeholders were consulted, including Aboriginal and non-Aboriginal businesses, the broader Aboriginal community, verification bodies, and government staff, with more than 2,000 individual pieces of feedback collated. The review evaluates the effectiveness of the Aboriginal Procurement Policy and explores potential improvements for government consideration to address challenges faced by Aboriginal businesses when trying to access government procurement.

NSW Procurement has collected and verified all-of-government spend and contract data with recognised Aboriginal businesses for 2021-22. The NSW Government spent $479.7 million (350 per cent of the $136.7 million full-year target) and awarded 694 goods and services contracts (347 per cent of the 200-contract full-year target) to recognised Aboriginal businesses throughout 2021-22.

2022-23 mid-year data indicates that the NSW Government has spent $142.5 million with recognised Aboriginal businesses, 85 per cent of the full-year target of $168.2 million, and awarded 263 goods and services contracts, 123 per cent of the full-year target of 213 contracts.

Treasury as an agency group spent $3 million with recognised Aboriginal businesses in 2021-22 (500 per cent of the $0.6 million full year target) and awarded 71 goods and services contracts (1420 per cent of the full-year target) to recognised Aboriginal businesses.

As of December 2022, Treasury had spent $1.7 million with recognised Aboriginal businesses in 2022-23, exceeding its full-year target of $1 million. Treasury had awarded two contracts to recognised Aboriginal businesses, with a full-year target of five contracts.

NSW Procurement delivered six 'Gather and Grow' information and networking sessions across New South Wales to connect Aboriginal businesses to the NSW Government and large suppliers. The events provide an opportunity for Aboriginal business owners to learn about the pipeline of government contract opportunities in their local area, and to discuss their service offerings with agencies and head contractors. Events were held in Moree, Kiama, Orange, Penrith, Newcastle, and Sydney with more than 460 attendees in total.

Improving the distribution of household wealth in New South Wales

The home ownership rate in New South Wales has experienced a long-term downward trend since the mid-1990s. The latest Australian Bureau of Statistics Housing Occupancy and Costs release shows that the owner-occupied share of NSW homes was 64 per cent in 2019-20, down from 70 per cent in 1994-95. The NSW Government aims to reverse this long-run trend. To this end, Treasury supported the announcement of several policies to increase home ownership.

These include:

- The NSW Shared Equity Home Buyer Helper Trial (Shared Equity Scheme) which began in January 2023 to support eligible households on lower incomes in targeted cohorts achieve home ownership. Under the Shared Equity Scheme, the Government contributes a proportion of the purchase price of a property, up to 40 per cent for eligible home buyers, in exchange for an equivalent interest in the property. Currently, single parents with dependent children, single people 50 years of age or over, and first home buyers who are certain key workers are eligible. As the Shared Equity Scheme is a trial, applications are accepted for two financial years (2022-23 and 2023-24), up to a maximum of 3,000 places per financial year.
- Expanding the First Home Buyers Assistance Scheme for commencement on 1 July 2023. This means eligible first home buyers will benefit from a full stamp duty exemption for purchases up to $800,000 and receive a stamp duty concession for purchases between $800,000 and $1 million.

Outcome 2: A sustainable fiscal environment and robust financial management framework for the public sector

Maintaining the State's triple-A credit rating and achieving the fiscal targets contained in the *Fiscal Responsibility Act 2012*

There has been no change to the State's credit ratings in 2022-23. The New South Wales credit rating was reaffirmed as triple-A by Moody's in September 2022 and Fitch Ratings in November 2022. The State's credit rating was also reaffirmed as double-A plus with S&P Global in October 2022.

For 2022-23, annual expense growth was -2.1 per cent. This is well below the long-term average revenue growth rate of 5.6 per cent as defined in the Fiscal Responsibility Regulation 2013. The decrease in annual expense growth in 2022-23 was primarily driven by the cessation of temporary COVID-19 measures implemented in 2021-22 to respond to the Delta Outbreak.

The 'Fully funding the State's unfunded defined benefit superannuation liabilities by June 2030' target was updated and published in the 2020-21 NSW Budget Papers as 'Fully funding the State's unfunded defined benefit superannuation liabilities by June 2040'. This update was made in order to ease some pressure on the State's borrowing requirements during COVID-19. A revised contribution plan was adopted which included a two-year contribution holiday and a re-anchoring of the superannuation target to 2040.

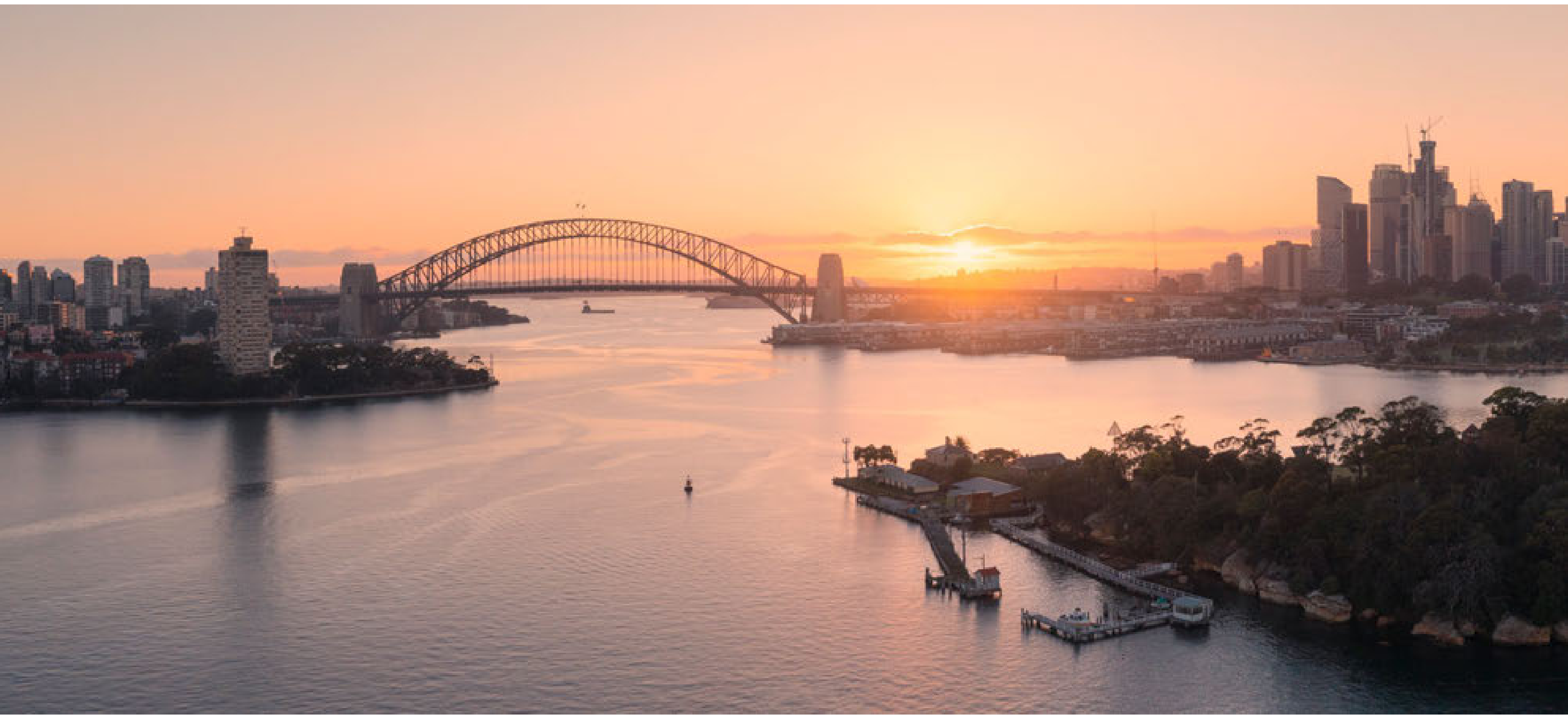
High inflation in 2022-23 and forecasts of higher than average inflation in 2023-24 have increased the valuation of the State's defined benefit superannuation liability. As a result, the 2023-24 Budget will include a Government commitment to an increased contribution plan. The new contribution plan will ensure the State remains on track to fully fund its defined benefit superannuation liabilities by 2040. The contribution plan consists of contributions of $1.65 billion in 2023-24, indexing at 5 per cent per annum until 2040.

The measures announced in the 2022-23 Budget are projected to lead to a fiscal gap of 2.9 per cent of GSP by 2060-61, compared to 2.6 per cent of GSP as announced in the 2021 Intergenerational Report.

An unqualified Audit Office report to Parliament

For 2021-22, the Total State Sector Accounts (TSSA) prepared by Treasury had a modified opinion (commonly known as a qualification) from the independent auditor due to a limitation of scope on the balances consolidated in the TSSA relating to the Catholic Metropolitan Cemeteries Trust (CMCT). The qualification arises because CMCT did not meet their obligation to have their accounts audited by the Auditor-General of New South Wales.

The net asset value of CMCT for 2021-22 was $295 million. No other modifications were made. Treasury has continued to engage with CMCT with the aim of ensuring that CMCT meet their audit-related obligations.



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

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

The Voice of the Customer Survey is conducted annually to understand the NSW public sector's views on the effectiveness of the financial management framework.

Treasury's 2023 Voice of the Customer Survey (the Survey) confirmed **stable** performance for 2022–23.

The Survey results continue to demonstrate that Treasury is meeting agencies' expectations and showed a modest year-on-year improvement in satisfaction scores. Treasury's overall satisfaction score was a favourable 4.1 out of 5 (versus 4.0 last year). The actual score of 4.1 is greater than the target 3.9 for this indicator.

This was the third time Treasury conducted this Survey which is expected to be conducted annually to align with Budget updates and Annual Reports.

Treasury continues to find innovative ways to provide a streamlined and consistent approach on how to communicate its policy requirements For an example, starting from 1 January 2022, the 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 of this format 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.

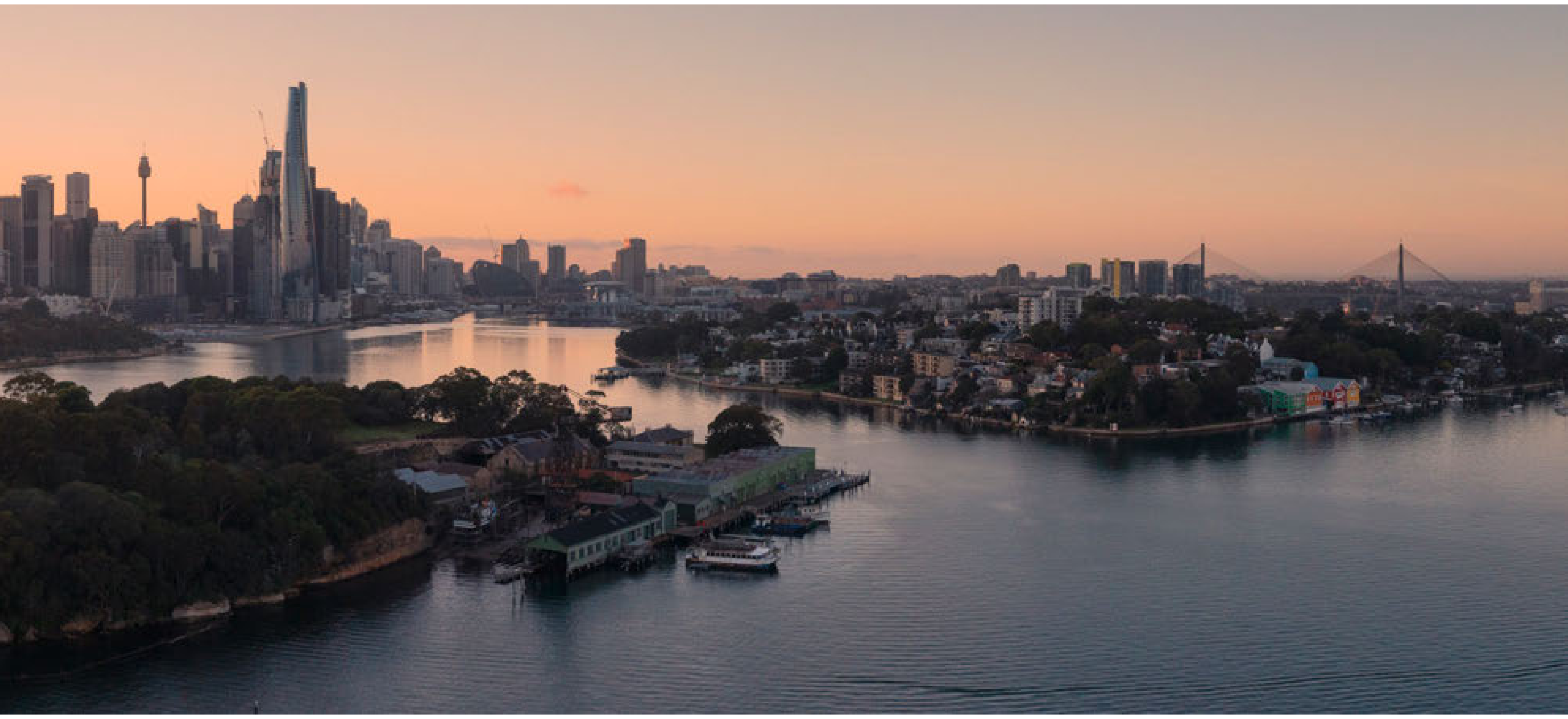
During 2022-23, Treasury issued 12 policies under the new format. Treasury is also looking into improving the website to ensure it is customer friendly and easy to locate the policy and guidance materials.

Treasury continues to manage liquidity to appropriate levels supported by statistical liquidity modelling. Liquidity levels are targeted to optimise efficiency of the State's cash balances and manage liquidity risks. Enhancements to cash forecasting systems have resulted in improved accuracy of agency forecasting.

Procurement services and sector support

NSW Procurement has been leading a number of government-wide procurement initiatives to drive robust management and optimal outcomes for the State including:

- A 4-year Procurement Savings Services (PSS) Program has been completed. The PSS Program aimed to deliver savings of $298.3 million across NSW Government agencies over 2019-23 (includes investment of $18 million) with $165 million being the 2019 election commitment



under the PSS Program. Data is still being collected to finalise total savings, but savings of $165 million have been delivered to date, with $94 million from actual verified savings and $71 million from line-of-sight savings that will be verified for the end of 2022-23.

- A 'recommended' standard commercial framework for infrastructure advisory services was implemented across NSW Government from November 2022. The framework included quarterly reporting from 50 major infrastructure advisory suppliers which has significantly expanded data collection on such expenditure from approximately 5 per cent to targeted 64 per cent on an annualised $1.2 billion spend.
- A contingent workforce payrate harmonisation process was implemented across all agencies for the top 95 back-office roles (75-80 per cent of contingent workforce expenditure). The process is repeated three times a year, enabling closer monitoring and adjustment of contingent workforce rate ranges for these roles in a dynamic labour market, while at the same time providing greater consistency in rates across the sector for similar roles.
- An all-of-government procurement category team was established to manage the waste management category for government sites. The team is focussed on sustainability solutions, has identified several issues within the waste management value chain and is working on resolving them.
- An all-of-government electricity contract for government sites became effective from 1 July 2022, with the current focus on implementing a risk management approach due to volatile market conditions and long-term cost increases.

Sustainability Bond Programme

To help diversify the State's investor base and facilitate capital flows towards environmental, social and governance objectives, the NSW Government has become one of the largest semi-government issuers of Green and Sustainability Bonds in Australia, with $9.2 billion issued as at end of financial year 2022-23. During the financial year, the Office of Social Impact Investment, NSW Treasury Corporation (TCorp) and the Office of Energy and Climate Change added around $1.8 billion of assets to the asset pool resulting from increased expenditures across projects including Public School Infrastructure, Parramatta Light Rail, and the Social Housing Maintenance Stimulus Program.

Outcome 3: A sustainable transition to a Net Zero economy

NSW Energy Security Target met, including supply and demand

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

Since 2016-17, supply (firm capacity) has been less than the forecast demand plus the reserve margin provided by the EST by 331 megawatts and 67 megawatts in 2017-18 and 2018-19 respectively. Despite this, there were no shortfalls in electricity supply in New South Wales, suggesting that the reserve margin provided by the EST ensured reliable supply. Supply has comfortably exceeded the EST since 2019-20, including in 2022-23.

The NSW Government released the NSW Electricity Infrastructure Roadmap[1] (Roadmap) in 2020. The Roadmap is the State's 20-year plan to transform the NSW electricity system into one that is cheap, clean and reliable.

The Roadmap is enabled by the *Electricity Infrastructure Investment Act 2020* and Electricity Infrastructure Investment Regulation 2021. These set out that the EST Monitor, the Australian Energy Market Operator (AEMO), is required to annually calculate and report on the EST over the 10-year period. The EST Monitor provided its most recent report[2] in October 2022, which was published in December 2022.

The October 2022 EST Monitor Report showed that targeted action is necessary to ensure a reliable electricity supply if Eraring Power Station closes in 2025. Two underway actions to meet the Energy Security Target are the firming tender being run by the Consumer Trustee, which opened on 3 April 2023, and the procurement of the Waratah Super Battery. With these actions taken into account, the EST Monitor forecasts that there is no shortfall of supply in New South Wales over the 10-year assessment horizon.

The EST Monitor reports are received annually in October, 60 days after AEMO's August Electricity Statement of Opportunities. A forecast for 2023-24 will be included in that EST Monitor report and will be publicly released within 60 days of the EST Monitor report being received by the Minister.

As part of the all-of-government electricity contract for government sites, the NSW Government awarded a 10-year contract to Shell Energy to build and manage the Riverina Energy Storage System (RESS) to supply renewable and secure energy to help power schools, hospitals, and government buildings, and support the NSW Government in reaching net zero emissions by 2050.

Initially, a 60-megawatt battery was to be built and maintained to support electricity grid stability, keep electricity costs down during peak periods, and mitigate the risks of supply shortages following the Liddell Power station closure. However, by using the NSW Government's procurement scale to kickstart the initiative, industry not only built RESS storage system 1, but also two additional storage systems. The total RESS storage system is now a 150-megawatt battery. It is located near Darlington Point solar farm in the Murrumbidgee Shire, South West New South Wales.

This is a prime example of how Treasury can use all-of-government procurement scale and power to partner with key suppliers to drive action and enable local jobs and businesses.

Reliability of the National Electricity Market in New South Wales

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

There were no actual LOR3 events in 2022-2023, with adequate supply to meet demand. In June 2022, New South Wales faced some electricity supply challenges due to fuel shortages, high fuel costs, high demand and generator outages. However, conditions have since improved, reducing the future risk of LOR3 events.

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

1 https://www.energy.nsw.gov.au/nsw-plans-and-progress/major-state-projects/electricity-infrastructure-roadmap
2 https://www.energy.nsw.gov.au/sites/default/files/2022-12/28October2022-Energy-Security-Target-Monitor-Report.pdf

In February 2023, AEMO updated its energy forecasts in the Electricity Statement of Opportunities Update.[3] These forecasts show that New South Wales would meet the NEM's Reliability Standard after the closure of Liddell and Eraring power stations through to 2026-27. Although the AEMO update forecasts a need for increased capacity from 2027-28, many electricity generation projects currently under consideration in New South Wales were not included in the forecasts as they were not classified as committed. This includes some projects within the total pipeline of new generation projects in New South Wales. Therefore, there are no current forecast shortfalls in reliable electricity supply.

The NSW Government will receive updated information on the future energy reliability situation in New South Wales from the AEMO in the second half of 2023.

As part of the NSW Electric Vehicle (EV) strategy, NSW Government will increase the annual government passenger vehicle fleet procurement to 50 per cent Battery Electric Vehicles (BEV) by 2026, increasing to 100 per cent by 2030. This includes associated EV charging infrastructure at the vehicle base location. A joint implementation team across NSW Procurement and Office of Energy and Climate Change has been established, which has developed an EV fleet transition roadmap and is working with the portfolio of agencies to implement EV strategy which importantly includes an uplift in electricity grid and electric vehicle charging infrastructure.

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

The NSW Government is committed to taking decisive and responsible action on climate change, through initiatives that are grounded in science and economics. Private sector investment is important not only as a metric of the economic impacts of the Net Zero plan, but also as a gauge for the return on investment for NSW Government spending in pursuit of Net Zero emissions.

The private sector has resources and expertise that augment the government's capacity to steer New South Wales towards a sustainable and prosperous economy, when commercially viable.

The Net Zero Plan, combined with the Electricity Infrastructure Roadmap is expected to result in up to $37 billion in private investment to help reduce emissions and improve energy efficiency.[4]

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

Many Net Zero Portfolio programs commenced implementation and delivery in 2022, while others are currently concluding their planning stages. As such, 2022-23 marks the beginning of Net Zero Portfolio reporting.

It is expected that not all programs – even among those that will ultimately contribute to the private investment portfolio indicator – will report private investment data to the portfolio for this financial year. Those that are still in their planning stages are not collecting data, while others already in delivery may not have reached the phase where their private sector stakeholders have been engaged and made Net Zero related investments (for example, have no data to report yet).

In the long run, the private investment indicator will contain data on capital expenditures (CAPEX) and operational expenditures (OPEX), including labour costs. It will provide a view of expenditures by different economic sectors and regional areas. The data will be an important gauge of the private sector's commitment to a sustainable economy and what government intervention can do to unlock further engagement. It will tell a story of which sectors of the NSW economy are more readily prepared to pursue net zero objectives and which may require closer support and attention. It will also provide critical feedback to the portfolio on which types of interventions are more urgent, more likely to be fruitful or need to be re-examined or redirected. Private investment magnifies the overall reach and impact of taxpayer funded initiatives, often acting as a sounding board to help steer the Net Zero Portfolio towards confident and sensible climate action.

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3 https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/nem_esoo/2023/february-2023-update-to-the-2022-esoo.pdf

4 NSW Government, Net Zero Plan Stage 1: 2020-2030 is the foundation for NSW's action on climate change and goal to reach net zero emissions by 2050, https://www.energy.nsw.gov.au/nsw-plans-and-progress/government-strategies-and-frameworks/reaching-net-zero-emissions/net-zero

Millions of tonnes of CO_2e emitted annually in New South Wales

The Department of Planning and Environment delivers the state and economy wide emission modelling used to set and track progress against NSW Net Zero targets, publicly reported and updated annually via the Net Zero Emissions Dashboard.

NSW emissions were 132 million tCO_2e (tonnes of carbon dioxide equivalent) for 2020, representing 27 per cent of Australia's total emissions and an 18 per cent (29 million tCO_2e) reduction on 2005 levels.

Future projections in greenhouse gas (GHG) emissions inform the NSW Government's net zero policies and programs and support monitoring of progress towards achieving the state's net zero emissions objectives. Under current policy emission projections, accounting for NSW Government's policies and programs, NSW emissions are projected to reduce to 72 million tCO_2e in 2030, which is 56 per cent below 2005 levels.

A reduction of emissions to 27 million tCO_2e by 2050 is projected, showing that further investment and breakthrough technologies and practices will be needed in the late 2030s and 2040s to address residual emissions and achieve net zero emissions by 2050.

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

The Net Zero Plan Stage 1: 2020-2030 is the foundation for NSW action on climate change and goal to reach net zero emissions by 2050. It outlines the NSW Government's approach to protect our future by growing the economy, creating jobs and reducing emissions over the next decade. The plan aims to strengthen the prosperity and quality of life of the people of New South Wales, while helping to achieve the State's objective to deliver a 50 per cent cut in emissions by 2030. The plan supports a range of initiatives targeting energy, electric vehicles, hydrogen, primary industries, technology, built environment, carbon financing and organic waste.

Much of the early reduction in NSW emissions is projected to come from the electricity generation sector due to the rapid uptake of renewable energy and supported by the NSW Electricity Infrastructure Roadmap and Energy Security Safeguard. Annual NSW electricity generation emissions are projected to reduce by 81 per cent over 2020–2030 and by 92 per cent by 2035 compared to 2020 levels. The Electric Vehicle Strategy and other NSW Government policies are projected to support transport sector emissions reductions of 9 per cent over 2020–2030 and 32 per cent over 2020–2035, driven substantially by reductions in light vehicle emissions.

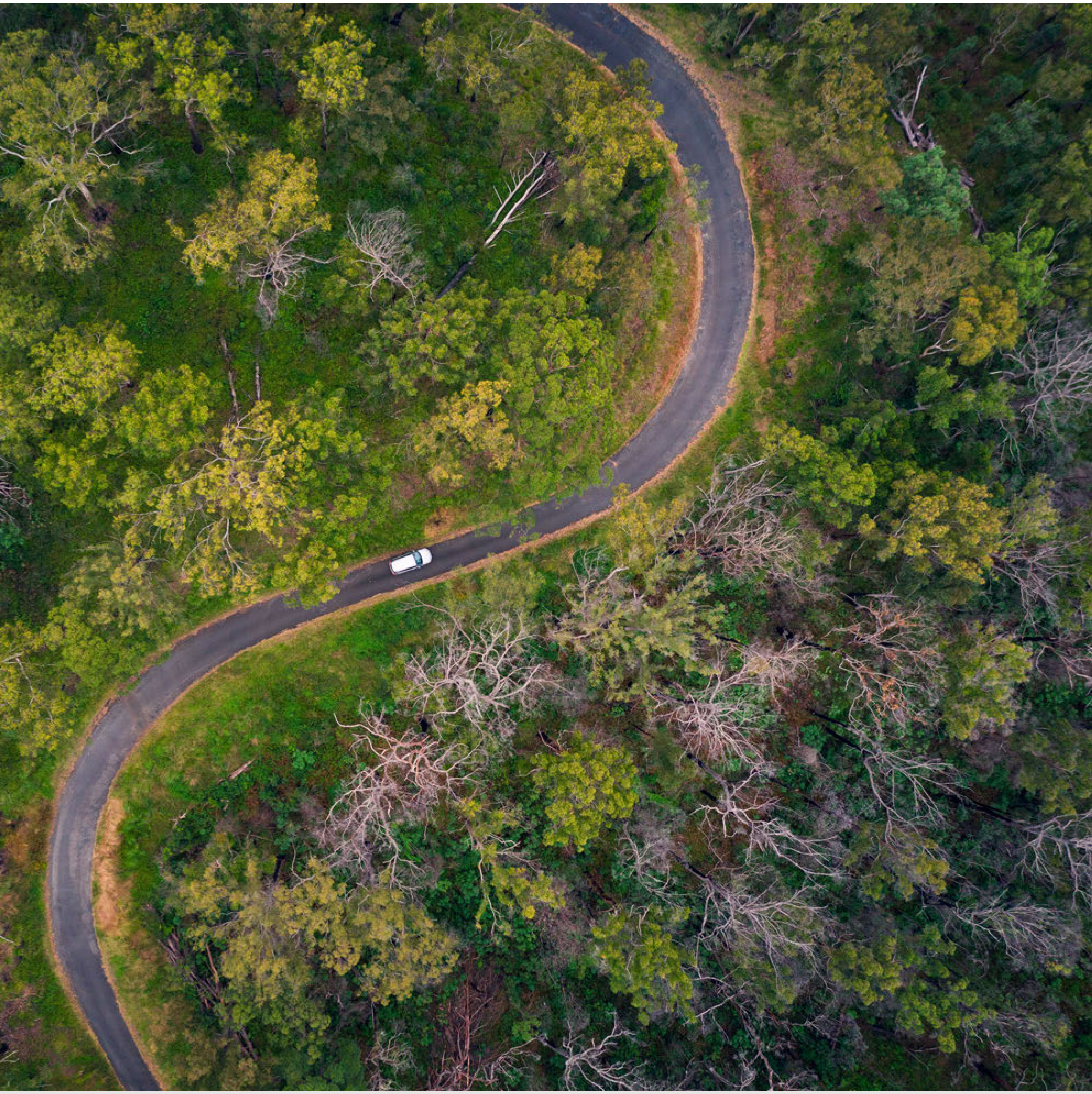
Emissions from the stationary energy sector are projected to decrease due largely to increased electrification of mining and manufacturing, supported by several NSW Government policies and programs, while stationary energy and industrial process emissions at high emitting facilities are a focus for the Net Zero Industry and Innovation Program.

NSW Government policies and programs addressing agriculture and land use sector emissions include the Primary Industries Productivity and Abatement Program, the NSW Blue Carbon Strategy 2022–2027 and the NSW National Parks and Wildlife Service Carbon Positive by 2028 plan.

Net Zero Plan programs are targeting emission reductions across the economy. Achieving the 2030 target requires effective implementation of these programs with portfolio reviews informed by ongoing outcome monitoring (supported by the Net Zero Plan Monitoring, Evaluation, Reporting, and Improvement (MERI) Framework).

Department of Planning and Environment scientists track and report the contribution that each Net Zero Program makes to those emission reductions as part of the MERI Framework.

4 Management and accountability



Treasury Executive Board as at 30 June 2023

Michael Coutts-Trotter
Secretary

Joann Wilkie
Deputy Secretary,
Economic Strategy and Productivity

Sonya Campbell
Deputy Secretary,
Commercial

Liz Livingstone
Deputy Secretary,
Policy and Budget

Marina van der Walt
Deputy Secretary, Financial
Management and Services

Andrew Lewis
Acting Deputy Secretary, Energy,
Climate Change and Sustainability

On 4 March 2022, the Treasury Executive Board (TEB) was introduced to replace the former Leadership Team. TEB comprises the Secretary, the five Deputy Secretaries and two Executive Directors rotating on a bi-annual basis. Permanent board members are indicated above.

Legislation administered by the agency

- *AGL Corporate Conversion Act 2002*
- *Electric Vehicles (Revenue Arrangements) Act 2021*
- *Electricity Infrastructure Investment Act 2020*
- *Electricity Supply Act 1995*
- *Energy and Utilities Administration Act 1987*
- *Energy Services Corporations Act 1995*
- *Eraring Power Station Act 1981*
- *Gas Industry Restructuring Act 1986*
- *Gas Supply Act 1996*
- *National Electricity (New South Wales) Act 1997*
- *National Energy Retail Law (Adoption) Act 2012*
- *National Gas (New South Wales) Act 2008*
- *Northern Rivers County Council (Undertaking Acquisition) Act 1981*
- *Pipelines Act 1967*
- *Appropriation Act 2018*
- *Appropriation Act 2019*
- *Appropriation Act 2020*
- *Appropriation Act 2021*
- *Appropriation Act 2022*
- *Appropriation (Parliament) Act 2018*
- *Appropriation (Parliament) Act 2019*
- *Appropriation (Parliament) Act 2020*
- *Appropriation (Parliament) Act 2021*
- *Appropriation (Parliament) Act 2022*
- *Australia and New Zealand Banking Group Limited (NMRB) Act 1991*
- *Aware Super Act 1992*
- *Bank Integration Act 1992*
- *Bank Mergers Act 1996*
- *Bank Mergers (Application of Laws) Act 1996*
- *Betting Tax Act 2001*
- *Canberra Advance Bank Limited (Merger) Act 1992*
- *Capital Debt Charges Act 1957*
- *Coal and Oil Shale Mine Workers (Superannuation) Act 1941*
- *Commonwealth Places (Mirror Taxes Administration) Act 1998*
- *Commonwealth Powers (State Banking) Act 1992*
- *Competition Policy Reform (New South Wales) Act 1995*
- *Conversions of Securities Adjustment Act 1931*
- *Decimal Currency Act 1965*
- *Duties Act 1997*
- *Electricity Generator Assets (Authorised Transactions) Act 2012*
- *Electricity Network Assets (Authorised Transactions) Act 2015*
- *Electricity Retained Interest Corporations Act 2015*
- *Emergency Services Levy Act 2017*
- *Financial Agreement Act 1944*
- *Financial Agreement Act 1994*
- *Financial Agreement (Amendment) Act 1976*
- *Financial Agreement (Decimal Currency) Act 1966*
- *Financial Agreement Ratification Act 1928*
- *Financial Sector Reform (New South Wales) Act 1999*
- *Fines Act 1996*
- *Fire and Emergency Services Levy Act 2017*
- *First Home Owner Grant and Shared Equity Act 2000*
- *Fiscal Responsibility Act 2012*
- *Freight Rail Corporation (Sale) Act 2001*
- *Gaming Machine Tax Act 2001*
- *General Government Liability Management Fund Act 2002*
- *Government Guarantees Act 1934*
- *Government Insurance Office (Privatisation) Act 1991*
- *Government Sector Audit Act 1983*
- *Government Sector Finance Act 2018*
- *Health Insurance Levies Act 1982*
- *Infrastructure NSW Act 2011*
- *Inscribed Stock Act 1902*
- *Inscribed Stock (Issue and Renewals) Act 1912*
- *Insurance Protection Tax Act 2001*

- *Intergovernmental Agreement Implementation (GST) Act 2000*
- *Land and Property Information NSW (Authorised Transaction) Act 2016*
- *Land Tax Act 1956*
- *Land Tax Management Act 1956*
- *Local Government and Other Authorities (Superannuation) Act 1927*
- *Mutual Recognition (New South Wales) Act 1992*
- *New South Wales Retirement Benefits Act 1972*
- *NSW Generations Funds Act 2018*
- *NSW Grain Corporation Holdings Limited Act 1992*
- *NSW Lotteries (Authorised Transaction) Act 2009*
- *Parliamentary Budget Officer Act 2010*
- *Parliamentary Contributory Superannuation Act 1971*
- *Payroll Tax Act 2007*
- *Payroll Tax Deferral (BlueScope Steel) Act 2015*
- *Police Association Employees (Superannuation) Act 1969*
- *Police Regulation (Superannuation) Act 1906*
- *Port of Newcastle (Extinguishment of Liability) Act 2022*
- *Ports Assets (Authorised Transactions) Act 2012*
- *Property Tax (First Home Buyer Choice) Act 2022*
- *Public Authorities Superannuation Act 1985*
- *Public Loans Act 1902*
- *Restart NSW Fund Act 2011*
- *Road Improvement (Special Funding) Act 1989*
- *Snowy Hydro Legacy Fund Act 2018*
- *Social and Affordable Housing NSW Fund Act 2016*
- *State Authorities Non-contributory Superannuation Act 1987*
- *State Authorities Superannuation Act 1987*
- *State Bank (Corporatisation) Act 1989*
- *State Bank of South Australia (Transfer of Undertaking) Act 1994*
- *State Bank (Privatisation) Act 1994*
- *State Debt Recovery Act 2018*
- *State Owned Corporations Act 1989*
- *State Public Service Superannuation Act 1985*
- *Superannuation Act 1916*
- *Superannuation Administration Act 1996*
- *Superannuation Administration Authority Corporatisation Act 1999*
- *Superannuation Administration Corporation (Pillar) (Authorised Transaction) Act 2016*
- *Superannuation (Axiom Funds Management Corporation) Act 1996*
- *Taxation Administration Act 1996*
- *Totalizator Act 1997*
- *Totalizator Agency Board Privatisation Act 1997*
- *Transport Employees Retirement Benefits Act 1967*
- *Trans-Tasman Mutual Recognition (New South Wales) Act 1996*
- *Treasury Corporation Act 1983*
- *Unclaimed Money Act 1995*
- *Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010*
- *Water Industry Competition Act 2006*
- *Associated General Contractors Insurance Company Limited Act 1980*
- *Bishopsgate Insurance Australia Limited Act 1983*
- *Contractors Debts Act 1997*
- *Home Building Act 1989*
- *Loan Fund Companies Act 1976*
- *Motor Accident Injuries Act 2017*
- *Motor Accidents Act 1988*
- *Motor Accidents Compensation Act 1999*
- *Personal Injury Commission Act 2020*
- *Public Works and Procurement Act 1912*
- *State Insurance and Care Governance Act 2015*
- *Workers Compensation Act 1987*
- *Workplace Injury Management and Workers Compensation Act 1998*

Changes to legislation administered by Treasury during 2022-23

- *Government Sector Finance Amendment (Grants) Act 2023*
- *Revenue Legislation Amendment Act 2023*
- *First Home Buyer Legislation Amendment Act 2023*
- *Treasury and Energy Legislation Amendment Act 2022*
- *Government Sector Audit and Other Legislation Amendment Act 2022*
- *Energy and Utilities Administration Amendment Act 2022*
- *State Revenue Legislation Amendment Act 2022*
- *Treasury Legislation Amendment (Miscellaneous) Act 2022*

Commencing the *Government Sector Finance Act 2018* (GSF Act) annual reporting, Special Deposits Account (SDA) reporting and special purpose financial reporting provisions

In early March 2023, the Executive Council and the Governor approved the Proclamation instruments to commence the remaining reporting provisions of the GSF Act on 1 July 2023, namely, agency annual reporting (Division 7.3), SDA reporting (section 7.8) and special purpose financial reporting (section 7.9). The GSF Act is fully commenced now. Provisions of the GSF Act have been commencing in stages since 2018 to help the sector transition smoothly.

Prior to 1 July 2023, agencies were required to prepare annual reports under the *Annual Reports (Departments) Act 1985* and *Annual Reports (Statutory Bodies) Act 1984* (Annual Reporting Acts). The Annual Reporting Acts and their regulations were repealed on 1 July 2023 when the annual reporting provisions under the GSF Act commenced.

Prior to 1 July 2023, there were no specific requirements for SDA financial reporting or special purpose financial reporting. These new provisions provide improved transparency and accountability in the sector.

NSW GOVERNMENT | Treasury

NSW Treasury Cyber Security Annual Attestation Statement for the 2022-2023 Financial Year

I, Michael Coutts-Trotter, 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.

Michael Coutts-Trotter
Secretary, NSW Treasury

Internal Audit and Risk Management Attestation Statement for the 2022-2023 Financial Year for NSW Treasury

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

Core Requirements		For each requirement, please specify whether compliant, non-compliant, or in transition
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.
- Independent Member, Paul Ruiz, appointed December 2017, second term expired in June 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.
- Independent Member, David Black, appointed May 2023, first term expires May 2026.

Michael Coutts-Trotter
Secretary
Date: 23/11/23

Andy Hobbs
Executive Director - Financial Stewardship and Public Reporting - Financial Management and Services
Date: 18 October 2023

Internal Audit and Risk Management Attestation Statement for the 2022-2023 Financial Year for Liability Management Ministerial Corporations (LMMC)

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

Core Requirements		**For each requirement, please specify whether compliant, non-compliant, or in transition**
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.
- Independent Member, Paul Ruiz, appointed December 2017, second term expired in June 2023.
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Michael Coutts-Trotter
Secretary
Date: 23.11.23

Andy Hobbs
Executive Director - Financial Stewardship and Public Reporting - Financial Management and Services
Date: 18 October 2023

5 Sustainability

Treasury is operating sustainably through:

Government Resource Efficiency Policy

The Government Resource Efficiency Policy (GREP) is an all-of-government policy that was announced in 2014 to help the NSW Government achieve its commitment to making New South Wales a more sustainable, liveable and resilient state. In the past year, Treasury has achieved a 5.5 star energy rating which surpasses the Government minimum design rating of 4.5 stars.

Treasury also rolled out a new waste segregation format. The format has now been upgraded to include a dry waste stream which is turned into a coal replacement energy source, that is burned in cement kilns, and supports the production of Australian cement. This has helped reduce Treasury's landfill waste by more than 40 per cent.

Aboriginal Procurement Policy

NSW Procurement is reviewing the Aboriginal Procurement Policy, having consulted with Aboriginal and government stakeholders, to evaluate the effectiveness of the policy and explore potential improvements. As of December 2022, Treasury has spent $1.7 million with verified Aboriginal businesses in 2022-23, exceeding its full-year target of $1 million. Treasury has awarded 2 contracts to verified Aboriginal businesses, with a full year target of 5 contracts. NSW Procurement also delivered six 'Gather and Grow' information and networking sessions for Aboriginal businesses, and conducted the first audit of 5 per cent of contracts with Aboriginal participation commitments.

Modern slavery

NSW Procurement has actively worked with the NSW Anti-slavery Commissioner's office to develop new all-of-government guidance and support to be available later in 2023, which will include an update to buy.nsw guidance, new tools and support. All-of-government contract owners across government were briefed on the new obligations under the *Modern Slavery Act 2018* (the Act) to help raise awareness. A proof of concept was commissioned with participating agencies to explore how third-party tools could be incorporated into procurement due diligence processes. Treasury is one of the participating agencies.

Treasury's Procurement Policy references the Act as part of the legislative and administrative framework underpinning the policy.

From 1 January 2022, NSW Government agencies and other entities were required to take reasonable steps to ensure that the goods and services they procure are not the product of modern slavery within the meaning of the Act.

Treasury is not aware of any significant issues raised by the Anti-Slavery Commissioner during 2022-23 that concern the operations of Treasury. Should an incident or perceived incident of modern slavery be identified in our supply chain, actions taken will depend on the nature of the incident uncovered and the maturity of the supplier's own Modern Slavery Action Plan.

Treasury refers to current guidance on the buy.nsw website to address modern slavery risks in the plan, source and manage stages of procurement. This guidance encourages adopting a salient risk-based approach and emphasises the importance of transparency when working with suppliers. The Modern Slavery Checklist is used to address risks at each stage of the procurement lifecycle. Suppliers are required to comply with the Supplier Code of Conduct.

When possible, Treasury staff are encouraged to procure goods and services from all-of-government arrangements. For agreements outside the Standard Commercial Framework, Treasury has added a clause addressing modern slavery to the standard Goods and Services Contract template. This clause requires the supplier to confirm that, to the best of their knowledge, they and their suppliers do not participate in modern slavery. They also commit to addressing any instances of modern slavery of which they become aware in an appropriate manner.

Treasury developed a Modern Slavery Action Plan in response to our obligations under the Act. Actions under the plan include:

- raising awareness of modern slavery risks to potential Treasury buyers in the form of training
- completing a preliminary modern slavery risk assessment on 20 Treasury suppliers, of which all were deemed low risk.

Treasury climate risk assessment

Treasury has undertaken a climate risk assessment as part of our broader entity risk management practices. This work is in line with recommendations stemming from the 2021 Performance Audit Report on Managing Climate Risks to Assets and Services as well as the NSW Climate Change Adaptation Strategy. Completion of this climate risk assessment ensures Treasury understands the climate risks we face at an operational level and equips us to manage those risks and embed consideration of climate change into our decision making. It will also support future climate related disclosures.

Gender Equality Action Plan

Treasury has continued to progress our Gender Equality Action Plan (GEAP) and is making strong progress with 44.37 per cent females in executive roles. We also have a strong pipeline with 59 per cent of non-executive roles held by women. By June 2023, the GEAP was 19 per cent complete and 41 per cent progressed. Significant achievements include expanded gender metrics, partnering with other Diversity, Inclusion and Belonging Streams to promote intersectional events, events and activities including International Women's Day and the Lunch and Learn Series. Treasury has agreed to participate in the pilot conducted by Women NSW for a revised GEAP in 2023-24.

Disability Inclusion Action Plan

The Disability Inclusion Action Plan (DIAP) has achieved significant progress with Treasury being accredited as a Disability Confident Recruiter by the Australian Network on Disability (AND) and Carers Accreditation by Carers + Employers and Carers NSW. Revised policies, new training for inclusion and removing the barriers and increasing the numbers of interns with disability through the Stepping Into intern program have supported furthering inclusive practices within Treasury.

Reconciliation Action Plan

Treasury launched our Innovate Reconciliation Plan in August 2022. Since then, we have successfully progressed several core actions to drive reconciliation in the organisation. This includes the development of cultural protocols, a draft Cultural Learning Needs Strategy, the delivery of an ongoing education program to build cultural awareness, the relaunch of the Reconciliation Hub on the Treasury intranet and delivery of events to support National Reconciliation Week and NAIDOC Week. We also established and chair a growing public sector Reconciliation Community of Practice to drive reconciliation action across government.

The referendum on a First Nations Voice to Parliament has been a key focus of reconciliation activities. We developed and implemented a dedicated action plan to support, empower and educate staff, including a focus on the importance of public sector impartiality, in the lead up to the referendum and in the months that follow.

Gender responsive budgeting

Treasury is continuing to implement gender responsive budgeting, which involves applying a gender lens to decision-making and the budget process in order to progress gender equality. The 2022-23 Budget included a budget statement focused on women and gender issues. Gender budget statements are a useful tool to promote accountability and transparency in resource allocation. Treasury is also currently piloting gender impact assessments on selected new policy proposals. These assessments can improve government interventions by embedding gender equality considerations into policy design and implementation.

Office of Social Impact Investment

The Office of Social Impact Investment (OSII) continued to build a broader and more diverse impact investing ecosystem by fostering growth of the social enterprise sector with two initiatives:

1. Advancing economic wellbeing of women facing disadvantage through job-focused social enterprises.
2. A capability building program for women-focussed social enterprises.

In collaboration with TCorp, OSII led the publication of the NSW Sustainability Bond Program (SBP) Annual Report, and grew and diversified the SBP with $9.24 billion in Green and Sustainability bonds currently on issue.

Work health and safety

See Chapter 7 Appendices for details.

Workforce diversity

See Chapter 7 Appendices for details.

6 Financial performance

AUDITOR-GENERAL
NEW SOUTH WALES

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 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

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

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

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 2023. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Valuation of administered defined benefit superannuation and long service leave liabilities	
At 30 June 2023, Treasury reported administered defined benefit superannuation liabilities totalling $41.6 billion and administered long service leave liabilities totalling $10.1 billion. I considered this to be a key audit matter because: • the administered defined benefit superannuation and long service leave liabilities are financially significant to Treasury • the underlying valuation models (the models) used to value the liabilities are complex due to the significant degree of judgement required to determine key assumptions used to value these liabilities • the values of the liabilities are sensitive to minor changes in valuation inputs. Further information on the valuation of administered defined benefit superannuation and long service leave liabilities is included in Note 20 'Administered Items'.	Key audit procedures included: • obtaining an understanding of the processes and key controls in place supporting the defined benefit superannuation liability and long service leave liability calculations • assessing the completeness and accuracy of data used in the models • reviewing the methodology and key assumptions for reasonableness (with the assistance of actuarial experts for defined benefit superannuation liabilities) • assessing the qualifications, competence and objectivity of actuarial experts assessing the adequacy of the financial statement disclosures against the requirements of Australian Accounting Standards and Treasurer's Directions.

Other Information

Treasury's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of Treasury is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the financial reports of the following Special Deposits Accounts and Treasury related entities:

- 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
- Alpha Distribution Ministerial Holding Corporation
- Epsilon Distribution Ministerial Holding Corporation
- Electricity Assets Ministerial Holding Corporation
- Electricity Transmission Ministerial Holding Corporation
- Liability Management Ministerial Corporation
- Port Botany Lessor Ministerial Holding Corporation
- Port Kembla Lessor Ministerial Holding Corporation
- Port of Newcastle Ministerial Holding Corporation
- Electricity Retained Interest Corporation - Ausgrid
- Electricity Retained Interest Corporation - Endeavour

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

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

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

I have nothing to report in this regard.

Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing Treasury's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf. 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.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 November 2023
SYDNEY

The Treasury

Financial Report
for the year ended 30 June 2023

Statement by the Secretary

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

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

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

Michael Coutts Trotter
Secretary

23 **November 2023**

Statement of Comprehensive Income for the period ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
Continuing operations				
Expenses excluding losses				
Employee-related expenses	2(a)	314,735	193,564	128,241
Operating expenses	2(b)	340,374	121,097	474,520
Depreciation and amortisation	2(c)	11,538	8,883	13,018
Grants and subsidies	2(d)	871,304	941,602	209,723
Finance costs	2(e)	68	74	1,946
Other expenses		3,657	-	-
Total expenses excluding losses		**1,541,676**	**1,265,220**	**827,448**
Revenue				
Appropriation	3(a)	1,416,460	953,000	610,000
Sale of goods and services	3(b)	5,821	91,784	51,698
Grants and contributions	3(c)	294,074	296,398	81,168
Personnel Services Revenue	3(d)	-	9,029	1,726
Acceptance by the Crown of employee benefits and other liabilities	3(e)	1,303	4,220	(1,674)
Investment revenue	3(f)	-	12,882	337
Other income/revenue	3(g)	17,160	1,072	946
Total revenue		**1,734,818**	**1,368,385**	**744,201**
Operating result		**193,142**	**103,165**	**(83,247)**
Other Gains / (losses)				
Gains/(Losses) on disposal of plant and equipment	5	9,814	(44)	(1,011)
Reversal of /(Impairment losses) on ROU assets	5	-	-	486
Gain from the derecognition of lease arrangements with PNSW	5	-	-	14,385
Gain on restoration provision	13	-	127	972
Gain on reversal of COVID-19 grant provision	13	-	-	753
Total gains / (losses)		**9,814**	**83**	**15,585**
Net result from continuing operations	19	**202,956**	**103,248**	**(67,662)**
Total other comprehensive income/ (loss)		**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME/ (LOSS)		**202,956**	**103,248**	**(67,662)**

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
ASSETS				
Current assets				
Cash and cash equivalents	6	305,037	559,908	480,472
Receivables	7	9,107	64,979	27,476
Total current assets		**314,144**	**624,887**	**507,948**
Non-current assets				
Receivables	7	-	61,529	-
Property, plant and equipment				
- Land and building		61,320	-	-
- Plant and equipment	8	29,170	8,868	10,615
- Infrastructure systems		206,409	-	-
Intangible assets	10	71,507	42,683	45,669
Total non-current assets		**368,406**	**113,080**	**56,284**
Total assets		**682,550**	**737,967**	**564,232**
LIABILITIES				
Current liabilities				
Payables	12	65,551	195,120	105,774
Provisions	13	19,440	21,348	41,859
Other current liabilities	14	-	4,357	1,761
Total current liabilities		**84,991**	**220,825**	**149,394**
Non-current liabilities				
Provisions	13	3,958	2,161	2,185
Other non-current liabilities	14	-	6,681	7,601
Total non-current liabilities		**3,958**	**8,842**	**9,786**
Total liabilities		**88,949**	**229,667**	**159,180**
Net assets		**593,601**	**508,300**	**405,052**
EQUITY				
Accumulated funds		593,601	508,300	405,052
Total equity		**593,601**	**508,300**	**405,052**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the period ended 30 June 2023

	Notes	Accumulated Funds $'000
Balance at 1 July 2022		**405,052**
Net result for the year		**103,248**
Other comprehensive income		**-**
Total other comprehensive income		**-**
Total comprehensive income for the year		**103,248**
Balance at 30 June 2023		**508,300**
Balance at 1 July 2021		**167,756**
Net result for the year		**(67,662)**
Other comprehensive income		**-**
Total other comprehensive income		**-**
Total comprehensive income (loss) for the year		**(67,662)**
Transactions with owners in their capacity as owners		
Increase in net assets from equity transfers	15	304,958
Balance at 30 June 2022		**405,052**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the period ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(312,378)	(176,742)	(128,207)
Grants and subsidies		(893,938)	(781,245)	(201,832)
Finance costs		-	-	(1,925)
Suppliers for goods and services		(321,162)	(242,124)	(454,355)
Total payments		**(1,527,478)**	**(1,200,111)**	**(786,319)**
Receipts				
Appropriations (excluding equity appropriations)		1,416,460	953,000	610,000
Sale of goods and services		5,595	92,959	70,223
Interest received		-	12,882	337
Grants and other contributions		294,074	297,070	81,167
Other		17,160	172	12,042
Total receipts		**1,733,289**	**1,356,083**	**773,769**
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	**205,811**	**155,972**	**(12,550)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Property, Plant & Equipment		72,239	-	-
Purchase of investment		-	(72,342)	-
Purchase of plant and equipment		(352,814)	(1,438)	(4,902)
Purchase of intangible assets		(29,772)	(2,756)	(2,112)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(310,347)**	**(76,536)**	**(7,014)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of principal portion of lease liabilities		-	-	(6,616)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**	**(6,616)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(104,536)**	**79,436**	**(26,180)**
Opening cash and cash equivalents		409,573	480,472	192,731
Cash transferred in / (out) as a result of administrative restructuring	15	-	-	313,921
CLOSING CASH AND CASH EQUIVALENTS	6	**305,037**	**559,908**	**480,472**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
30 June 2023

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 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.

Treasury is structured to meet the following outcomes:

- a strong, resilient and diverse economy
- a sustainable fiscal environment and robust financial management framework for the public sector
- a sustainable transition to a net-zero economy.

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

Treasury administers, but does not control, certain activities on behalf of the Crown in right of the State of New South Wales (the Crown). Treasury is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of Treasury's own objectives. Transactions and balances relating to the administered activities are not recognised as Treasury's income, expenses, assets, and liabilities, but are disclosed in Note 20.

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

- 1g) Insurance,
- 1l)(ii) Income recognition and measurement – Rendering of services,
- 1m) Plant and Equipment,
- 1n) Intangible Assets,
- 1p)(i) Employee benefits – Salaries and wages, annual leave and sick leave,
- 1w)(i) Equity and Reserves – Accumulated Funds,
- 1y) Budgeted amount.

For controlled items the notes not relevant are:

- 1j) Income recognition and measurement -(v) Dividends and distributions and (vi) Fines and regulatory fees,
- 1o) Advances paid,
- 1r)(iv) Employee benefits – LSL, defined benefit superannuation and related on-costs assumed by the Crown,
- 1s) Provisions – (iii) State's share of university superannuation and (iv) State's contribution to Commonwealth redress scheme,
- 1u) Contract assets and liabilities,
- 1v) Derivatives.

All other notes apply to both controlled and administered.

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

(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.

(c) Impact of COVID-19 on Financial Reporting for 2022-23

Management has considered the impact of COVID-19 and concluded that there is immaterial impact on Treasury's operations and preparation of the financial statements for the year ended 30 June 2023.

(d) Going Concern

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

(e) Statement of compliance

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

(f) 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.

(g) Insurance

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

(h) 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.

(i) 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).

1. Summary of Significant Accounting Policies (continued)

(j) Interest on borrowings

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

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

(k) Grants and subsidies

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

(l) Income recognition and measurement

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

(i) Parliamentary appropriations

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

(ii) Rendering of services

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

Recoupment of costs

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

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

Fee for services

The fee for services revenue from sale of goods and services mainly consists of revenue received from providing the rating services under National Australian Built Environment Rating systems (NABERS). This revenue stream has been transferred to Treasury as a result of 'Office of Energy and Climate change' (OECC) becoming part of Treasury. Revenue received mainly includes rating certificate fees, training and accreditation for assessors, accredited assessor renewal fees. The revenue is recognised when the performance obligation is satisfied by providing accreditation, certificates etc.

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).

Mediation fee

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 following a Machinery of Government change, this revenue stream has been transferred to the Department of Customer Service from 1 April 2022.

Notes to the Financial Statements
30 June 2023

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.

(iv) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset.

(v) Dividends and distributions

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

(vi) Fines and regulatory fees

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

(m) Plant and equipment

(i) Acquisition of plant and equipment

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

(ii) Capitalisation thresholds

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

(iii) Restoration costs

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

(iv) Maintenance

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

Notes to the Financial Statements
30 June 2023

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.

(n) 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 it's carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(o) 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)

(p) Advances paid

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.

(q) Equity investments in NSW public sector entities

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

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

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

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

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

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

(r) 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.

1. Summary of Significant Accounting Policies (continued)

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

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

(iii) Financial Liabilities - Payables

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

(iv) Derecognition of financial assets and financial liabilities

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

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

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

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

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

(s) 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.

(t) 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

1. Summary of Significant Accounting Policies (continued)

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 Treasury Circular TC18-10 *Accounting for Superannuation*. The expense for certain superannuation schemes (i.e., Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e., State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

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

(iii) Consequential on-costs

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

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

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

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

Provision for superannuation is the unfunded superannuation liability for the defined benefit schemes. It is the difference at the reporting date between the present value of employees' accrued benefits (gross liabilities) and the estimated net market value of the superannuation schemes' assets. Gross liabilities are calculated under AASB 119. The unfunded liabilities are actuarially assessed at the reporting date. More details are provided in Note 20.D.11. The Crown also assumes any additional defined benefit superannuation liability accruing on the annual leave liability for those agencies whose defined superannuation benefit liability is assumed by the Crown.

Expenses on these Crown assumed provisions including gains or losses on actuarial valuation are disclosed in Note 20.B.1 and B.2.

(u) 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

Notes to the Financial Statements
30 June 2023

1. Summary of Significant Accounting Policies (continued)

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.

(v) Borrowings

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

Borrowings from TCorp are interest bearing liabilities which are classified as financial liabilities at amortised cost. Gains and losses are recognised as administered income/administered expenses when the liabilities are derecognised, as well as through the amortisation process. The weighted average interest cost, including the amortisation of bond premium or discount, of the TCorp debt portfolio was 3.02 per cent (2022: 2.11 per cent).

(w) 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.

(x) 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.

(y) 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 15.

All Treasury administered equity transfers are recognised at fair value. Refer to Note 20.F.

Notes to the Financial Statements
30 June 2023

1. Summary of Significant Accounting Policies (continued)

(z) Fair value measurement and hierarchy

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

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

(aa) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfers of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements are explained in Note 18.

(bb) 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.

Notes to the Financial Statements
30 June 2023

2. Expenses Excluding Losses

	2023 $'000	2022 $'000
(a) Employee-related expenses		
Salaries and wages (including annual leave)	164,820	114,466
Superannuation		
- defined benefit plans	374	325
- defined contribution plans	13,304	7,947
Long service leave	4,387	(2,247)
Workers' compensation insurance	404	426
Payroll tax and fringe benefits tax	9,758	5,926
Redundancies	517	1,398
	193,564	**128,241**

The employee related expenses include $9.02 million (2022: $1.72million) for the personnel services provided to EnergyCo. The employee related expenses that have been capitalised in property, plant and equipment and intangible assets are excluded from the above.

	2023 $'000	2022 $'000
(b) Operating expenses include the following:		
Auditor's remuneration - review of the financial statements	1,785	1,680
Accommodation expense	8,208	509
COVID-19 expenses		
- Accommodation and security	-	361,828
- CBD Revitalisation	120	7,594
Contractors	30,433	23,002
Centralised corporate support charges	14,212	7,337
Consultants	11,944	25,376
Computers maintenance, licenses and information management	24,653	8,545
Small business advising	311	5,603
Fees for services	14,194	21,657
Staff recruitment	557	482
Training	2,244	1,460
Building management maintenance and utilities	1,368	1,563
Internal audit fees	212	311
Maintenance (i)	105	318
Printing and advertising	819	506
Crown Land waivers refunds and remissions	-	2,702
Travel	625	131
Event management	230	120
Minor plant, equipment and stores	1,626	630
Audit and Risk Committee & Board administration	1,046	284
Insurance	254	288
Legal fees	2,188	1,909
Other	3,963	685
	121,097	**474,520**

	2023 $'000	2022 $'000
Reconciliation - Total maintenance expense		
(i) Maintenance expense - contracted labour and other (non-employee related),	105	318
Employee related maintenance expenses included in Note 2(a)	-	-
Total maintenance expenses included in Note 2(a) and 2(b)	**105**	**318**

Notes to the Financial Statements
30 June 2023

2. Expenses Excluding Losses (continued)

	2023 $'000	2022 $'000
(c) Depreciation and amortisation		
Depreciation		
Plant & Equipment	1,258	873
Right of use assets	-	5,285
Leasehold improvements	1,883	1,878
	3,141	**8,036**
Amortisation of Software intangibles	5,742	4,982
	8,883	**13,018**

	2023 $'000	2022 $'000
(d) Grants and subsidies		
Grants paid to cluster agencies (i)	120,508	24,935
Grants - Energy (including low income household, pensioners, hardship) (ii)	296,667	81,525
Grants and subsidies - Federal Government (iii)	15,142	1,748
Grants and subsidies - NSW Government (iii)	180,162	75,978
Grants to non-government organisations (iii)	299,797	25,000
Other	29,326	537
	941,602	**209,723**

(i) Grants paid to EnergyCo and Infrastructure NSW during financial year 2022-23.

(ii) OECC administers various rebates programmes to provide electricity and gas rebates to eligible NSW residents.

(iii) OECC provides grants to support various Government and Non-Government agencies to build a net zero future by improving resource efficiency, developing net zero emission pathways and generating renewable energy on government owned assets. Grants to non-government organisations in 2022-23 include $268.2 million (2022: $0) of rebates to NSW coal-fired electricity generators to moderate electricity prices ("coal price cap") in accordance with the Commonwealth's Energy Price Relief Plan, the *Energy and Utilities Administration Act 1987* and *Energy and Utilities Administration (Declaration of Coal Market Price Emergency) Order 2022.*

	2023 $'000	2022 $'000
(e) Finance costs		
Interest expense on leases	-	1,925
Unwinding of discount rate	74	21
	74	**1,946**

Notes to the Financial Statements
30 June 2023

3. Revenue:

(a) Appropriations

Summary of Compliance	**2023 $'000**	**2022 $'000**
Amount appropriated per *Appropriation Act*	1,416,460	1,006,303
Other Appropriations		
Variations made to the appropriations during the financial year		
- Section 4.9 *GSF Act 2018* transfers of functions between entities	81,779	240,510
- 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
Total spending authority from parliamentary appropriations, other than deemed appropriations	**1,498,239**	**1,255,631**
Add:		
The spending authority from deemed appropriations during the current year	218,097	94,390
The unutilised spending authority from deemed appropriations in prior years	94,390	-
Transfers of deemed appropriations made during the financial year - Section 4.9A GSF Act (transfer of functions between GSF agencies)	-	-
Total	1,810,726	1,350,021
Less: total expenditure out of Consolidated Fund	(1,110,489)	(740,405)
Variance	**700,237**	**609,616**
Less: The spending authority from appropriations lapsed at 30 June	**(387,750)**	**(515,226)**
Deemed appropriations balance carried forward to following years	**312,487**	**94,390**

Notes to the Financial Statements
30 June 2023

3. Revenue (continued)

The *Appropriation Act 2022* (*Appropriations Act*) and the subsequent variations appropriate the sum of $1.5 billion to the Treasurer out of the Consolidated Fund for the services of Treasury for the year 2022–23. The spending authority of the Treasurer from the *Appropriations Act* has been delegated or subdelegated to officers of the Treasury and entities that it is administratively responsible for, including:

- Infrastructure NSW.

Note: The list of entities above does not include those that do not hold Consolidated Fund money.

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

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

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

The delegation/sub-delegations for FY22/23 and FY21/22, authorising officers of the Treasury to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but do not specify an aggregate expenditure limit for the Treasury. However, as they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of Treasury to spend monies appropriated under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the limit from the *Appropriations Act* and other sources is disclosed in the summary of compliance table above.

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

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

Treasury receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until September 2023. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2023-24 Appropriation Act.

3. Revenue (continued)

	2023 $'000	2022 $'000
(b) Sale of goods and services		
Rendering of services		
Recoupment of costs		
- Crown, residual entities & others	2,196	3,793
Mediation Fee	-	585
Recoveries of Quarantining costs from interstate jurisdictions and the Commonwealth Government	80,754	46,167
Education & Training	292	65
Fee for services	6,866	331
Other	1,676	757
	91,784	**51,698**
(c) Grants and contributions		
Grants with sufficiently specific performance obligations		
- Grants from other government agencies	7,961	3,092
- Grants from Federal government agencies	140	7,223
Grants without sufficiently specific performance obligations		
- Grants from other government agencies	55	614
- Grants from Federal government agencies	5,170	-
- Contributions from electricity distributors to CCF*	283,072	70,239
	296,398	**81,168**

*The Climate Change Fund (CCF) was transferred to the Treasury as a result of the administrative restructure in financial year 2021-22. CCF's purpose is to address the impact of climate change, encourage energy and water saving activities, increase public awareness and acceptance of climate change. The fund receives annual contributions from defined licensed electricity distributors, as per *the Energy and Utilities Administration (Energy Contributions) Order 2022.*

	2023 $'000	2022 $'000
(d) Personnel Services Revenue		
Personnel Services to EnergyCo	**9,029**	**1,726**
	9,029	**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).

3. Revenue (continued)

	2023 $'000	2022 $'000
(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	3,849	(1,996)
Superannuation - defined benefit	359	307
Payroll tax	12	15
	4,220	**(1,674)**
(f) Investment revenue		
Interest Income on other financial assets	12,882	337
	12,882	**337**
(g) Other income		
Other	1,072	946
	1,072	**946**

Notes to the Financial Statements
30 June 2023

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. 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.
A sustainable fiscal environment and robust financial management framework for the public sector	In its overall fiscal management role for the State, Treasury aims to ensure that the people of NSW have access to services and infrastructure that deliver social and economic benefits, underpinned by a strong and sustainable economic and financial position. Achieving this objective is supported by maintenance of key financial outcomes, including Maintaining the triple-A credit rating [(i)] and achieving the Fiscal Targets contained in the *Fiscal Responsibility Act 2012* (FRA) and an unqualified Audit Office report to Parliament. All of Treasury's administered activities conducted on behalf of the Crown relates to this outcome group, as such no separate disclosure is necessary.
A sustainable transition to a net-zero economy	Through the OECC, Treasury is future-proofing our economy by leading NSW's actions on climate change and energy reform to strengthen a growing economy. OECC is leading the delivery of the NSW Net Zero Plan and programs that will strengthen the prosperity and quality of life of the people of New South Wales, while helping to achieve the State's objective to deliver a 50% cut in emissions by 2030 compared to 2005 levels.

(i) In September 2022, Moody's reaffirmed a triple-A credit rating with a stable outlook. In November 2022, Fitch reaffirmed a triple-A credit rating with a stable outlook. S&P Global maintained NSW's credit rating at double-A plus with a stable outlook on 1 March 2023.

Notes to the Financial Statements
30 June 2023

4. Outcome Groups of Treasury (continued)

	A strong, resilient and diverse economy		A sustainable fiscal environment and robust financial management framework for the public sector		A Sustainable transition to a net-zero economy		*Not Attributable		Total	
TREASURY'S EXPENSES & INCOME	2023	***Restated 2022	2023	***Restated 2022	2023	***Restated 2022	2023	***Restated 2022	2023	***Restated 2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expenses excluding losses										
Employee-related expenses	24,036	22,749	96,202	91,076	73,326	14,416	-	-	193,564	128,241
Operating expenses	11,736	90,576	46,967	362,615	62,394	21,329	-	-	121,097	474,520
Depreciation and amortisation	1,505	2,500	6,023	10,010	1,355	508	-	-	8,883	13,018
Grants and subsidies *	2,114	9,295	8,462	37,203	927,676	163,225	3,350	-	941,602	209,723
Finance costs	13	389	51	1,557	10	-	-	-	74	1,946
Total expenses excluding losses	**39,404**	**125,509**	**157,705**	**502,461**	**1,064,761**	**199,478**	**3,350**	**-**	**1,265,220**	**827,448**
Revenue										
Appropriation **	-	-	-	-	-	-	953,000	610,000	953,000	610,000
Sale of goods and services	77,326	47,153	5,624	3,428	8,834	1,117	-	-	91,784	51,698
Grants and contributions	3,747	3,262	273	237	292,378	77,669	-	-	296,398	81,168
Personnel Services Revenue	-	-	-	-	9,029	1,726	-	-	9,029	1,726
Acceptance by the Crown of employee benefits and other liabilities	2,171	(1,329)	157	(97)	1,892	(248)	-	-	4,220	(1,674)
Investment revenue	-	-	-	-	12,882	337	-	-	12,882	337
Other income	999	404	73	29	-	513	-	-	1,072	946
Total revenue	**84,243**	**49,490**	**6,127**	**3,597**	**325,015**	**81,114**	**953,000**	**610,000**	**1,368,385**	**744,201**
Gains / (losses)										
Losses on disposal of plant and equipment	(8)	(202)	(33)	(809)	(3)	-	-	-	(44)	(1,011)
Reversal of /(Impairment losses) on ROU assets	-	97	-	389	-	-	-	-	-	486
Gain from the derecognition of lease arrangements with PNSW	-	2,875	-	11,510	-	-	-	-	-	14,385
Foreign exchange gains / (losses)	-	-	-	-	-	-	-	-	-	-
Gain on restoration provision	25	194	102	778	-	-			127	972
Gain on reversal of COVID-19 grant provision	-	150	-	603	-	-	-	-	-	753
Total gains / (losses)	**17**	**3,114**	**69**	**12,471**	**(3)**	**-**	**-**	**-**	**83**	**15,585**
Net result from continuing operations	**44,856**	**(72,905)**	**(151,509)**	**(486,393)**	**(739,749)**	**(118,364)**	**949,650**	**610,000**	**103,248**	**(67,662)**
TOTAL COMPREHENSIVE INCOME/LOSS	**44,856**	**(72,905)**	**(151,509)**	**(486,393)**	**(739,749)**	**(118,364)**	**949,650**	**610,000**	**103,248**	**(67,662)**

* *Not attributable grants and subsidies relate to grants to Infrastructure NSW.*
** *Appropriations are made on an entity basis and not to individual outcome groups. Consequently, appropriations must be included in the 'Not Attributable' column.*
*** Treasury has changed the structure of its Outcomes and methodology of allocating its financial results, assets and liabilities to its Outcomes in 2022-23. The comparative amounts for 2021-22 were restated accordingly. Outcome 3 solely reflects the financial results of OECC.

Notes to the Financial Statements
30 June 2023

4. Outcome Groups of Treasury (continued)

	A strong, resilient and diverse economy		A sustainable fiscal environment and robust financial management framework for the public sector		A Sustainable transition to a net-zero economy		Not Attributable		Total	
TREASURY'S ASSETS & LIABILITIES	2023 $'000	***Restated 2022 $'000	2023 $'000	***Restated 2022 $'000	2023 $'000	***Restated 2022 $'000	2023 $'000	***Restated 2022 $'000	2023 $'000	***Restated 2022 $'000
ASSETS										
Current assets										
Cash and cash equivalents		-	-	-	381,617	324,921	178,291	155,551	559,908	480,472
Receivables	2,005	2,490	9,268	11,505	53,706	13,481	-	-	64,979	27,476
Other financial assets	-	-	-	-	-	-	-	-	-	-
Total current assets	**2,005**	**2,490**	**9,268**	**11,505**	**435,323**	**338,402**	**178,291**	**155,551**	**624,887**	**507,948**
Non-current assets										
Receivables	-	-	-	-	61,529	-	-	-	61,529	-
Plant and equipment	1,551	1,855	7,169	8,571	148	189	-	-	8,868	10,615
Intangible assets	6,660	7,375	30,774	34,072	5,249	4,222	-	-	42,683	45,669
Total non-current assets	**8,211**	**9,230**	**37,943**	**42,643**	**66,926**	**4,411**	**-**	**-**	**113,080**	**56,284**
Total assets	**10,216**	**11,720**	**47,211**	**54,148**	**502,249**	**342,813**	**178,291**	**155,551**	**737,967**	**564,232**
LIABILITIES										
Current liabilities										
Payables	2,667	4,022	12,327	18,581	180,126	83,171	-	-	195,120	105,774
Provisions	2,534	6,358	11,709	29,375	7,105	6,126	-	-	21,348	41,859
Other current liabilities	580	299	2,680	1,383	1,097	79	-	-	4,357	1,761
Total current liabilities	**5,781**	**10,679**	**26,716**	**49,339**	**188,328**	**89,376**	**-**	**-**	**220,825**	**149,394**
Non-current liabilities										
Provisions	368	376	1,700	1,739	93	70	-	-	2,161	2,185
Other non-current liabilities	1,189	1,352	5,492	6,249	-	-	-	-	6,681	7,601
Total non-current liabilities	**1,557**	**1,728**	**7,192**	**7,988**	**93**	**70**	**-**	**-**	**8,842**	**9,786**
Total liabilities	**7,338**	**12,407**	**33,908**	**57,327**	**188,421**	**89,446**	**-**	**-**	**229,667**	**159,180**
Net assets	**2,878**	**(687)**	**13,303**	**(3,178)**	**313,828**	**253,367**	**178,291**	**155,551**	**508,300**	**405,052**

Notes to the Financial Statements
30 June 2023

5. Other Gains/(Losses)

	2023 $'000	2022 $'000
Gain / (loss) on right of use asset		
Derecognition of right-of-use assets (ROU) and lease liabilities with Property NSW*	-	14,385
	-	**14,385**

* The net gains(losses) reported in 2022 were 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.

Gain / (Loss) on Disposal

	2023 $'000	2022 $'000
Gain / (loss) on disposal of property, plant and equipment		
Written down value of assets disposed	(44)	(1,011)
Net gain / (loss) on disposal of property, plant and equipment	**(44)**	**(1,011)**
Reversal of Impairment of ROU assets	-	486
	-	**486**

6. Current Assets – Cash and Cash Equivalents

	2023 $'000	2022 $'000
Cash at bank	559,908	480,472
	559,908	**480,472**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank.

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

Cash and cash equivalents (per Statement of Financial Position)	559,908	480,472
Closing cash and cash equivalents (per Statement of Cash Flows)	**559,908**	**480,472**

Cash at bank includes $365.1 million (2022: $324.9 million) relating to CCF that is restricted cash and a special deposits account, refer to note 11.
Refer to Note 24 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. Current / Non-Current Assets – Receivables

	2023 $'000	2022 $'000
Current		
Trade receivables from contracts with customers	3,707	16,694
Accrued income	829	364
Receivables personnel services	1,587	606
GST	37,993	7,641
Loans Receivable (i)	10,813	-
Other	7,496	-
	62,425	**25,305**
Prepayments	2,554	2,171
Total current receivables	**64,979**	**27,476**
Non-Current		
Loans Receivable (i)	61,529	-
Total non-current receivables	**61,529**	**-**
Total receivables	**126,508**	**27,476**

(i) Treasury has provided a non-interest-bearing long-term loan to Scheme Financial Vehicle Pty Ltd (SFV) amounting to $86.5 million (nominal amount) in December 2022 under the *Electricity Infrastructure Investment Act 2020 (NSW) ("EIIA").* The first loan repayment is scheduled to be made on 1 June 2024.Treasury recorded the loan receivable at its Fair Value (PV of net future cash flows) and the difference between consideration paid on the loan is recorded as a grant expense to SFV.

Refer to Note 24 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 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**
At 30 June 2023 - fair value			
Gross carrying amount	8,567	19,507	28,074
Accumulated depreciation and impairment	(6,196)	(13,010)	(19,206)
Net carrying amount	**2,371**	**6,497**	**8,868**
Year ended 30 June 2023			
Net carrying amount at start of year	**2,432**	**8,183**	**10,615**
Additions	1,230	208	1,438
Disposals	(336)	(35)	(371)
Depreciation expense	(1,258)	(1,883)	(3,141)
Other movements:			
Write back on disposal	303	24	327
Net carrying amount at end of year	**2,371**	**6,497**	**8,868**

	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**

	Plant and Equipment $'000	Leasehold improvements $'000	Total $'000
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**

Notes to the Financial Statements
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9. Leases

Treasury as lessee

Treasury has not acted as a lessee during the financial year 2022-23. During financial year ended 30 June 2022 the entity had accepted the changes in the office accommodation arrangements with Property NSW (PNSW) so that it is no longer accounted for as a lease from 30 June 2022. The corresponding right of use assets and lease liabilities were 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 are recognised as expenses when incurred over the agreement duration.

10. Intangible Assets

	Software $'000	Capital Works in Progress $'000	Total $'000
At 1 July 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**
At 30 June 2023 - fair value			
Gross carrying amount	74,201	4,262	78,463
Accumulated amortisation and impairment	(35,780)	-	(35,780)
Net carrying amount	**38,421**	**4,262**	**42,683**
Year ended 30 June 2023			
Net carrying amount at start of year	**43,465**	**2,204**	**45,669**
Additions	96	2,660	2,756
Disposals	(835)	-	(835)
Amortisation	(5,742)	-	(5,742)
Transfers from WIP to software	602	(602)	-
Other movements:			
Write back on disposal	835	-	835
Net carrying amount at end of year	**38,421**	**4,262**	**42,683**

	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**
Year 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**

Notes to the Financial Statements
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11. Restricted Assets

	2023 $'000	2022 $'000
Climate Change Fund (CCF)	365,112	324,921
	365,112	**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

	2023 $'000	2022 $'000
Current		
Accrued salaries, wages and on-costs	5,048	2,846
Creditors [(i)]	190,072	102,928
Total payables	**195,120**	**105,774**

(i) Creditor payables as at 30 June 2023 include $92.4 million (2022: $0) of rebates payable to NSW coal-fired electricity generators to moderate electricity prices ("coal price cap").

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

Notes to the Financial Statements
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13. Current / Non-Current Liabilities – Provisions

	2023 $'000	2022 $'000
Current		
Employee benefits and related on-costs		
Annual Leave	15,395	14,844
Provision for on-costs on employee benefits	5,938	4,705
Provision for fringe benefits tax	15	26
	21,348	**19,575**
Other		
COVID-19 accommodation and security	-	22,284
	-	**22,284**
Total current provision	**21,348**	**41,859**
Non-current		
Employee benefits and related on-costs		
Provision for payroll tax on long service leave liability	116	79
Provision for on-costs on long service leave liability	219	217
	335	**296**
Other		
Restoration costs	1,826	1,889
Total non-current provision	**2,161**	**2,185**

Aggregate employee benefits and related on-costs		
Provisions-current	21,348	19,575
Provisions-non-current	335	296
Accrued salaries, wages and on-costs (Note 12)	5,048	2,846
	26,731	**22,717**

Movements in provisions (other than employee benefits)

Restoration costs		
Carrying amount at the beginning of financial year	1,889	2,804
Unwinding /change in the discount rate	64	21
Change in estimated restoration costs	(127)	(972)
Additions	-	36
Carrying amount at end of financial year	**1,826**	**1,889**
Other provisions		
Carrying amount at the beginning of financial year	22,284	12,445
Amounts used	(22,284)	(10,377)
Unused amounts reversed	-	(753)
Additions	-	20,969
Carrying amount at end of financial year	-	**22,284**

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

The restoration provision relates to the make good obligation for Treasury's office premises. It is calculated with reference to the current market price and discounted at 3.99 per cent (2022: 3.5 per cent), which is a pre-tax rate that reflects the current market assessments of the time value of money. The increase in the provision due to the passage of time (i.e., unwinding of discount rate) is recognised as a finance cost. The restoration provision is expected to be utilised at the end of the accommodation term.

14. Current / Non-Current Liabilities – Other Liabilities

	2023 $'000	2022 $'000
Current		
Occupancy agreement incentive	921	923
Unearned revenue	3,436	838
	4,357	**1,761**
Non-current		
Occupancy agreement incentive	6,681	7,601
	6,681	**7,601**
Total Other Liabilities	**11,038**	**9,362**

Notes to the Financial Statements
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15. Equity Transfer

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

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 resulted in the following transfers between Treasury and various other government agencies in financial year 2022.

30-Jun-22

	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	-	0	-	-
Provisions	10	1	(73)	(62)
Total non current liabilities	**10**	**1**		**(62)**
Total liabilities	**825**	**116**	**(21,754)**	**(20,813)**
Increase/(decrease) in net assets from equity transfer	**(691)**	**(87)**	**305,736**	**304,958**

Notes to the Financial Statements
30 June 2023

16. Commitments

	2023 $'000	2022 $'000
Capital Commitments		
Aggregate capital expenditure contracted for at balance date and not provided for:		
Not later than one year	1,006	5,616
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	**1,006**	**5,616**

17. Contingent Liabilities and Contingent Assets

As at 30 June 2023, Treasury has not identified any contingent liabilities, or contingent assets (2022: Nil).

18. Budget Review

Net Result

The actual net result for FY2022-23 was an operating profit of $103.2 million compared to a budget profit of $193.1 million. The key factors that contributed to the variance of $89.9 million include:

- $144.6m of budgeted operating loss for EnergyCo has been excluded from Treasury's actuals as EnergyCo is not consolidated in Treasury Financial Statements however for the purposes of the budget they are currently included in Treasury's budgeted amounts. Therefore, amounts below comparing actual and budgeted data in this note are adjusted for EnergyCo budgeted data for FY2022-23.
- lower appropriation revenue of $463.5 million
- higher revenue from the sale of goods and services by $95.4 million primarily relating to recoveries from other states and territories for hotel quarantining costs
- lower employee related expenses of $88.6 million some of which will be carried forward to the next financial year as a result of underspends and some relate to activities transferred to other agencies
- lower total operating expenses of $161.4 million as a result of underspends some of which are moved to the next financial year and some relate to activities transferred to other agencies
- higher grants and subsidies expenses of $133.3 million mainly attributable to $268.2 million for an NSW contribution following the introduction of the coal price cap partially offset by underspends some of which are moved to the next financial year
- higher investment revenue of $12.9 million mainly attributable to interest on CCF bank account balance
- lower other types of expenses and higher other types of revenues contribute to the balance of $4.1 million.

18. Budget Review (continued)

Assets and Liabilities

The net assets position was lower than budget by $85.3 million. Key factors that contributed to the variance include:

- Higher than budgeted cash by $254.9 million as a result of additional cash reserves in the CCF which is restricted for use under the *Energy and Utilities Administration Act 1987* and accumulation of cash in the Treasury operating account to pay grants in the first quarter of FY2023-24.
- Higher than budgeted by $55.9 million current receivables, primarily due to not budgeted coal cap price expenses resulting in higher than budgeted input GST receivable and not budgeted current portion of the loan to SFV
- Higher than budgeted non-current receivables by $61.5 million mainly due to not budgeted non-current portion of the loan to SFV
- Lower than budgeted infrastructure systems and land and buildings by $267.7 million because EnergyCo's assets and liabilities are included in budgeted amounts, but they are not included in actual amounts as Treasury does not consolidate EnergyCo
- Lower than budgeted other PPE and intangibles by $49.1 million
- Higher than budgeted current payables by $129.6 million primarily due to coal price cap grants payable of $92.4 million
- Higher than budgeted other liabilities by $11.2 million.

Cash Flow

The overall net cash flow for the period was $184 million higher than budget as a result of the following:

- lower net cash flows from operating activities by $49.8 million mainly due to reduced appropriation revenue drawn down, partially offset by lower costs and higher receipts mainly for recoupments from other states for quarantine costs.
- Higher net cash flows from investing activities by $233.8 million primarily because EnergyCo's cash flows are excluded from Treasury's actual cash flows but included into budgeted cash flows.

Notes to the Financial Statements
30 June 2023

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

	Notes	2023 $'000	2022 $'000
Net cash used on operating activities		**155,972**	**(12,550)**
Depreciation and amortisation expense	2(c)	(8,883)	(13,018)
Losses on disposal of plant and equipment	5	(44)	(1,011)
Reversal of/ (Impairment losses) on ROU assets	5	-	486
Gain on reversal of COVID-19 grant provision	13	-	753
Gain on derecognition of right of use asset	5	-	14,385
Increase / (decrease) in receivables		26,690	(33,582)
Decrease / (increase) in provisions		20,535	(10,357)
Decrease / (increase) in payables and other liabilities		(91,022)	(12,768)
Net result		**103,248**	**(67,662)**

20. 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 20.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.

20.A - Administered revenue

	Note	2023 $'000	2022 $'000
Administered revenue			
Grants and subsidies	A.1, A.6		
Commonwealth general purpose		26,023,528	23,296,650
Commonwealth specific purpose payments		4,093,534	3,955,881
Commonwealth national partnership payments		5,836,686	6,985,538
Interest		387,409	145,877
Fair value gains/(losses)	A.2	1,512,141	(2,564,888)
Dividends	A.3	439,285	381,252
Distributions	A.3	455,910	1,667,829
Fines, regulatory fees and other	A.4	329,828	383,910
Net gains/(losses) from equity investments	A.5	6,264,751	28,705,170
Total administered revenue		**45,343,072**	**62,957,219**

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 20.A.6. The related contract liabilities and obligations arising under the contracts with the Commonwealth are disclosed at Note 20.D.3 and Note 20.D.9.

A.2 - Fair value movements on the State's investments in managed funds (TCorpIM Funds) and derivative contracts. The fair value gains in 2023 were mainly driven by favourable performance in local and international financial markets.

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

A.4 - Treasury collects minimal fines and regulatory fees, the majority 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 – This represents the net gains/(losses) from the State's equity investment in government-controlled entities within the PNFC and PFC sectors.

Notes to the Financial Statements
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20. Administered Items (continued)

A.6 – Grants and subsidies revenue recognition approaches

	2023 $'000	2022 $'000
Grants and subsidies with sufficiently specific performance obligations (AASB 15)	114,088	98,934
Grants and subsidies relating to the acquisition or construction of recognisable non-financial assets (AASB 1058)	2,360,974	1,651,589
Grants and subsidies without sufficiently specific performance obligations (AASB 1058)	33,478,686	32,487,546
Total grants and subsidies	**35,953,748**	**34,238,069**

20.B - Administered expenses

	Note	2023 $'000	2022 $'000
Administered expenses			
Employee – long service leave	B.1	1,412,022	(336,247)
Superannuation – defined benefit plans	B.2		
Superannuation interest cost		1,579,250	857,767
Actuarial (gains)/losses		(524,831)	(15,854,173)
Actual return on Fund assets less interest income		(1,850,603)	823,218
Current service cost		199,115	289,717
Interest	B.3		
Interest on borrowings		3,191,696	1,994,513
Unwinding of discounts on provisions		49,314	27,132
Net (gains)/losses on settlement of borrowings	B.4	(43,462)	209,249
Other expense			
GST administration costs	B.5	202,878	188,507
Covid-19 disaster payments	B.6	69,304	212,798
Other		78,626	(204,509)
Grants to Transport Asset Holding Entity	B.7	1,622,951	-
Other grants and subsidies	B.8	326,281	417,116
Total administered expenses		**6,312,541**	**(11,374,912)**

B.1 - During the financial year 2022-23 it was identified that the long service leave entitlement for certain employees had not been correctly calculated and recognised, resulting in an under accrual and underpayment of long service leave entitlements in previous years. This has been adjusted in the current financial year and the long service expense and liability as a result of this under accrual and underpayment increased by $121.5 million.

The prior year long service costs were a benefit assumed by the Crown as a result of actuarial gains mainly arising from the movement in the 10-year Commonwealth bond rate as 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 rate of CPI increase and movement in the 10-year Commonwealth bond rate at 30 June 2023.

20. Administered Items (continued)

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

B.4 - The State repaid $3,339.2 million of its Borrowings during the year and incurred early retirement break costs/benefit.

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

B.6 - The State's reimbursement to the Commonwealth for the COVID-19 disaster payments and pandemic leave disaster payments.

B.7- In prior years, Treasury recognised cash contributions paid to Transport Asset Holding Entity (TAHE) as an equity contribution. The equity contribution was recognised on the basis that there was a reasonable expectation to earn a sufficient rate of return on the investment in TAHE.

During 2022-23, the government changed its intent and expectations in relation to the future operating model of TAHE. The change in direction and impact to TAHE's future operating model means that there is no longer a reasonable expectation of earning a sufficient rate of return on the contribution made to TAHE. As a result, the cash contribution for the year has been reported as capital grants paid to TAHE.

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

20.C - Administered assets

	Note	2023 $'000	2022 $'000
Administered assets			
Cash and cash equivalents	C.1, C.8	2,820,305	5,130,945
Receivables	C.2		
Dividends and contributions		442,245	435,705
Government guarantee fees		335,475	320,414
Other		19,817	10,547
Investments, loans and placements			
Financial assets at fair value	C.3	26,671,477	26,621,504
Other financial assets	C.4	-	1,500,000
Advances paid	C.5	1,043,677	1,081,846
Derivatives	C.6	113,172	67,082
Equity investment in NSW public sector entities	C.7	123,003,031	117,025,394
Total administered assets		**154,449,199**	**152,193,437**

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

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

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

	2023 $'000	2022 $'000
Restart NSW Fund	7,430,044	8,846,457
Social and Affordable Housing NSW Fund	1,576,346	1,513,778
NSW Generations (Debt Retirement) Fund	16,019,736	14,709,458
Snowy Hydro Legacy Fund	1,645,351	1,551,811
	26,671,477	**26,621,504**

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20. Administered Items (continued)

C.4 – The other financial assets held in 2022 consisted of term deposits at amortised cost. These term deposits had a maturity greater than 3 months and were held with TCorp.

C.5 - Treasury manages advances made by the Crown to government agencies. The advances have a face value of $1,272 million as at 30 June 2023 (2022: $1,315 million) and stated interest rate of 0.0 – 6.0 per cent and mature in 1 - 19 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.

C.7 - The State's equity investment in the PNFC and PFC sectors is administered by Treasury on behalf of the State and is accounted for as an equity investment based on the State's proportional share of the carrying amount of net assets of those sectors.

20. Administered Items (continued)

20.C - Administered assets (continued)

C.8 - 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 20.D.8).

	2022-23				2021-22			
	Opening balance $'000	Receipts $'000	Payments $'000	Closing balance $'000	Opening balance $'000	Receipts $'000	Payments $'000	Closing balance $'000
NSW Policyholders Protection Fund	157,554	-	-	**157,554**	104,345	53,209	-	**157,554**
Crown Long Service Leave Pool	31,189	10,020	(3,656)	**37,553**	25,621	8,888	(3,320)	**31,189**
Structured Finance Activities	485	14	-	**499**	522	-	(37)	**485**
Confiscated Proceeds Account	110,264	45,378	(36,524)	**119,118**	101,596	62,562	(53,894)	**110,264**
Restart NSW Fund [1]	399,829	2,001,434	(1,580,626)	**820,637**	403,292	2,951,153	(2,954,616)	**399,829**
Electricity Network Residual Liabilities Fund	198,415	5,871	-	**204,286**	198,064	351	-	**198,415**
Social and Affordable Housing NSW Fund	12,294	76,054	(76,141)	**12,207**	13,417	60,148	(61,271)	**12,294**
ERIC -A Fund	324	50,624	(49,784)	**1,164**	477	701	(854)	**324**
ERIC -E Fund	3,169	163,704	(146,368)	**20,505**	1,994	24,597	(23,422)	**3,169**
Snowy Hydro Legacy Fund	536,547	90,000	(134,595)	**491,952**	2,226,331	115,000	(1,804,784)	**536,547**
NSW Generations (Debt Retirement) Fund	3,363,413	98,160	(3,339,254)	**122,319**	2,866	11,021,322	(7,660,775)	**3,363,413**
NSW Generations (Community Services and Facilities) Fund	32,264	510,835	(7,544)	**535,555**	33,253	368	(1,357)	**32,264**

[1] In the financial year 2021-22, $20 million was paid to the Department of Education (DoE) out of the Restart NSW Fund's bank account but were yet to be paid to suppliers or delivering entities for the approved projects. The amount has not been paid in the financial year 2022-23. These amounts continue to form part of the Restart NSW Fund and represent monies available for immediate use for the purposes of the Restart NSW Fund, until they are paid to suppliers or delivering entities.

20. Administered Items (continued)

20.D - Administered Liabilities

	Note	2023 $'000	2022 $'000
Administered liabilities			
Bank overdraft	D.1, D.10	11,927,030	19,650,397
Payables	D.2	920,094	586,688
Contract liabilities	D.3	-	11,552
Borrowings	D.2		
Borrowings from TCorp		117,799,442	92,745,137
Borrowings from Commonwealth		457,000	505,860
Derivatives	D.4	6,018	5,821
Employee provisions	D.5	10,127,339	9,619,703
Superannuation Provision	D.6, D.11		
Plan assets		(33,739,009)	(33,955,065)
Present value of obligation		75,297,359	77,388,688
Other Provisions	D.7		
State's share of University superannuation		988,067	1,027,333
State's contribution to Commonwealth redress scheme		335,000	317,700
Land remediation, restorations and other claims		94,983	93,973
Other Liabilities			
Confiscated proceeds	D.8, C.8	119,118	110,264
Obligations related to Commonwealth grants	D.9	166,620	532,421
Other		9,954	31,538
Total administered liabilities		**184,509,015**	**168,672,010**

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 Treasury Corporation, and manages the State's borrowings from the Commonwealth. Payables comprise interest charges and long service leave under payment arising from previous years. The long service leave under payment is expected to be paid within 12 months of the financial year end.

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

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

D.5 - The Crown assumes the long service leave obligation of most GGS agencies, together with consequential on-costs. During financial year 2022-23 it was identified that the long service leave entitlement for certain employees had not been correctly calculated and recognised. This has resulted in an under accrual of long service leave entitlements for certain employees in previous years. This has been corrected in the current financial year and the long service liability as a result of this under accrual and underpayment increased by $121.5 million.

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

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

D.8 - Monies recovered until used in accordance with the *Criminal Assets Recovery Act 1990*.

D.9 - Obligations related to Commonwealth grants represent the Commonwealth capital funding with the obligation to acquire or construct sufficiently specific non-financial assets. The obligation primarily relates to construction or upgrade of transport and road infrastructure assets.

Notes to the Financial Statements
30 June 2023

20. Administered Items (continued)

D.10 – ConFund bank account transactions

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

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

	2023 $'000	2022 $'000
Opening bank balance	**(19,650,397)**	**(14,936,386)**
Receipts		
Retained taxes, fees and fines	41,565,198	40,174,992
Commonwealth grants [2]	35,570,625	34,332,714
Mining royalities	4,912,799	3,337,718
Financial distributions	540,359	621,257
Other	553,490	270,779
	83,142,471	**78,737,460**
Payments		
Appropriations paid to:		
Principal departments and special offices [1]	(96,868,090)	(100,799,624)
NSW Treasury for administered items	(8,914,865)	(9,821,150)
	(105,782,955)	**(110,620,774)**
Other cash transfers		
Proceeds from borrowings	28,104,538	26,723,961
Proceeds from other financial assets	1,500,000	-
Interest receipts	389,166	149,589
Advance repayments	128,176	240,148
Other	241,971	55,605
	30,363,851	**27,169,303**
Closing bank balance	**(11,927,030)**	**(19,650,397)**

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

[2] Includes transfer payments to non-government schools and local governments with corresponding receipts from the Commonwealth government. Refer to Note 22.

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

Appropriated amounts hypothecated to certain Special Deposit Accounts

Authority	Special Deposit Accounts	2023 $'000	2022 $'000
NSW Generation Fund Act 2018	NSW Generations (Debt Retirement) Fund	4,582,033	4,582,033
Digital Restart Fund Act 2020	Digital Restart Fund	102,000	102,000
Transport Administration Act 1988	Transport for NSW Fund	6,341,881	6,341,881
		11,025,914	**11,025,914**

D.11 - Superannuation provision

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

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

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

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

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

- the rate used to discount future benefits determined by reference to the government bond rate at the reporting date
- latest available scheme membership data
- demographic assumptions of the 2021 Triennial Valuation of the Pooled Fund schemes
- an additional allowance for staff reductions
- AASB 119 *Employee Benefits* applies (for reporting purposes) and AASB 1056 *Superannuation Entities* (for funding purposes) to employee benefits as at the reporting date.

Regulatory framework

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

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

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

20. Administered Items (continued)

D.11 - Superannuation provision (continued)

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

An actuarial investigation of the Pooled Fund schemes is performed every three years. The last actuarial investigation was performed as at 30 June 2021 and reflected in 2021-22 financial statements. The next actuarial investigation will be performed as at 30 June 2024.

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 next triennial actuarial investigation will be performed as at 30 June 2023 and the results reflected in the financial year 2023/24.

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.

The next triennial actuarial investigation will be performed in 2024 and the results reflected in the financial year 2023/24.

Notes to the Financial Statements
30 June 2023

20. Administered Items (continued)

D.11 - Superannuation provision (continued)

Reconciliation of the defined benefit obligation	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	2023 Total $'000	2022 Total $'000
Value at beginning 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
Transfers in/(out) through equity and other	1,563	63	12,160	-	-	-	13,787	318,200
Current service cost	96,324	37,330	7,362	-	58,000	100	199,115	289,717
Interest cost	463,905	67,750	1,693,045	485,645	45,300	21,200	2,776,846	1,397,580
Contributions from participants	84,269	-	9,378	2,647	-	200	96,494	111,392
Actuarial (gains)/losses arising from:								
Changes in demographic assumptions	-	-	-	-	-	-	-	-
Changes in financial assumptions	(2,428)	14,476	(754,953)	(359,571)	(139,700)	(66,700)	(1,308,876)	(16,565,447)
Liability experience	353,173	43,152	272,998	138,467	(17,645)	(6,100)	784,045	711,275
Benefits paid	(1,363,720)	(208,773)	(2,458,447)	(566,859)	(51,100)	(28,400)	(4,677,299)	(4,493,268)
Taxes, premiums & expenses paid	(33,552)	(7,643)	55,959	11,395	-	(1,600)	24,559	341,854
Value at end of the year	**12,678,465**	**1,871,550**	**45,948,175**	**13,139,913**	**1,149,855**	**509,400**	**75,297,359**	**77,388,688**

Reconciliation of the fair value of fund assets	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	2023 Total $'000	2022 Total $'000
Value at beginning of the year	8,942,758	1,294,786	18,660,763	4,736,659	-	320,099	33,955,065	38,055,883
Transfers in/(out) through equity and other	23,257	264	4,777	-	-	-	28,298	153,128
Interest income	314,431	45,064	657,513	169,189	-	11,400	1,197,596	539,813
Actual return on Fund assets less interest income	477,524	70,578	1,015,581	259,521	-	27,400	1,850,603	(823,218)
Employer contributions	170,739	31,228	773,392	230,934	51,100	6,300	1,263,693	69,481
Contributions from participants	84,269	-	9,378	2,647	-	200	96,494	111,392
Benefits paid	(1,363,720)	(208,773)	(2,458,447)	(566,859)	(51,100)	(28,400)	(4,677,299)	(4,493,268)
Taxes, premiums & expenses paid	(33,552)	(7,643)	55,959	11,395	-	(1,600)	24,559	341,854
Value at end of the year	**8,615,706**	**1,225,504**	**18,718,916**	**4,843,486**	**-**	**335,399**	**33,739,009**	**33,955,065**
Total net defined benefit liability	**4,062,759**	**646,046**	**27,229,259**	**8,296,427**	**1,149,855**	**174,001**	**41,558,350**	**43,433,623**

Member numbers	SASS	SANCS	SSS	PSS	JPS	PCSS	2023 Total	2022 Total
Contributors	9,355	10,169	501	313	137	5	20,480	23,944
Deferred benefits	7,908	8,280	363	60	-	3	16,614	17,774
Pensioners	3,969	-	46,102	6,757	229	250	57,307	57,736
Pensions fully commuted	-	-	12,083	-	-	-	12,083	12,604

Notes to the Financial Statements
30 June 2023

20. Administered Items (continued)

D.11 - Superannuation provision (continued)

The weighted average duration of defined benefit obligations is 10.3 years for the Pooled Fund, 14 years for JPS and 13 years for PCSS.

Key actuarial assumptions

	30 June 2023			30 June 2022		
	Pooled Fund %	PCSS %	JPS %	Pooled Fund %	PCSS %	JPS %
Discount rate	4.07	4.07	4.07	3.69	3.69	3.69
Salary increase rate (excluding promotional increases)	5.74% for 23/24, 3.65% for 24/25, 3.20% pa thereafter	0.0% for 23/24, 0.0% for 24/25, 2.74% for 25/26, 3.20% pa thereafter	0.0% for 23/24, 0.0% for 24/25, 3.20% 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	2.00% 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
Rate of CPI increase	6.60% for 22/23 (actual) ; 4.75% for 23/24; 3.00% for 24/25; 2.75% for 25/26, 2.50% pa thereafter	N/A	N/A	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
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 used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report on the trustee's website. The report shows the pension mortality rates for each age.	as per 2020 triennial actuarial valuation	as per 2021 triennial actuarial valuation

Key economic assumptions

	30 June 2023			30 June 2022		
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	6.1	7.0	6.2	6.2
Expected rate of return on Fund assets backing other liabilities	6.2	N/A	N/A	6.2	N/A	N/A
Expected salary increase rate (excluding promotional salary increases)	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter	0.0% for 23/24, 0.0% for 24/25, 2.74% for 25/26, 3.20% pa thereafter	0.0% for 23/24, 0.0% for 24/25, 3.20% pa thereafter	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
Expected rate of CPI increase	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter	N/A	N/A	4.8% for 21/22 and 2.5% pa thereafter	N/A	

Notes to the Financial Statements
30 June 2023

20. Administered Items (continued)

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

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	2023 $'000	2022 $'000
Opening net administered assets		**(16,478,573)**	**(39,964,505)**
Increases/(decrease) in net assets			
Administered revenue	A	45,343,072	62,957,219
Transfers of State revenues collected by other agencies	E.1	46,526,192	43,543,186
Transfers of asset sale proceeds	E.2	1,504	7,937
Contributions from general government agencies	E.3	215,437	19,595
Administered expenses	B	(6,312,541)	11,374,912
Appropriations	E.4	(96,868,090)	(100,799,624)
Grants to agencies from SDAs and other	E.5	(1,375,752)	(2,385,588)
Grants to NSW Self Insurance Corporation	E.6	(742,125)	(1,895,483)
Grants to fund agency redundancies	E.7	(64,714)	(85,579)
Grants to First Home Owners Grant Scheme		(31,347)	(52,463)
Grants to Builders Grant Scheme		(50,676)	(211,250)
Equity transfers			
Capital injections into government owned businesses	F	-	(63,387)
Other equity transfers in/out with government agencies	E.8, F	(272,603)	11,027,562
Interest paid to agencies under Treasury Banking System	E.9	(258,318)	(22,870)
Other		308,718	71,765
Net increase/(decrease) in net administered assets		**(13,581,243)**	**23,485,932**
Closing net administered assets		**(30,059,816)**	**(16,478,573)**

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

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

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

E.4 - Appropriations paid out of the ConFund bank account to agencies in accordance with decisions of Government effected by the State's Budget process.

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

E.6 - Treasury transfers funds to NSW Self Insurance Corporation in accordance with the Net Asset Holding Level Policy (NAHLP) authorised by Government. The grants also include payments to the Home Building Compensation Fund and the Emergency and Rescue Workers Compensation Fund.

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

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

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

Notes to the Financial Statements
30 June 2023

20. Administered Items (continued)

20.F – Equity transfers

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

All other equity transfers are recognised at fair value.

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

	$'000
2023	
Other administrative restructure	(287,114)
Net superannuation assets/(liabilities) transferred in	14,511
	(272,603)
2022	
Capital injection into Roads Retained Interest Pty Limited	(63,387)
Distributions from Roads Retained Interest Pty Ltd	684,099
Net superannuation assets/(liabilities) transferred in	(171,923)
Transfers from sale of government businesses	10,288,530
Other administrative restructure	226,856
	10,964,175

21. 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.

Notes to the Financial Statements
30 June 2023

21. 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 International Convention, Exhibition and Entertainment Precinct
M2 Motorway	Sydney Light Rail[2]
Macarthur Water Filtration Plant[2]	Sydney Metro City & Southwest: Operations, Trains & Systems[2]
Mater Hospital[2]	VISY Mill: Tumut Timber Supply Agreement
New Grafton Correctional Centre	Waratah Rolling Stock[2]
Newcastle Integrated Service Operator	WestConnex[2]
North West Rail Link – Operations, Trains and Systems[2]	Western Sydney Orbital
NorthConnex[2]	Western Sydney Airport – Stations, Systems, Trains, Operations & Maintenance[2]
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.

Sale of Delta Electricity's Western Assets

- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Mt Piper power station site to minimum legal standards. The State also retains the costs for remediating contamination at certain legacy/end of life sites, including Wallerawang power station and associated ash dams as the power station ceased operation prior to the end of 2018.

Sale of Colongra Power Station

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

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

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

Sale of Macquarie Generation

- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Bayswater and Liddell power station sites to minimum legal standards. The State's obligations end (in respect of each station) 18 months after decommissioning, demolition and remediation of each power station site. While Liddell power station ceased operating in 2023, Bayswater power station is still operating at the reporting date.

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

- *Defined benefit superannuation guarantee* – The State has provided a guarantee to the SAS Trustee Corporation to make good any reserve shortfall in relation to the transferring defined benefits employees if the private sector employer becomes insolvent.
- *Barnard river scheme native title indemnity* – The State has indemnified AGL for costs related to any native title claims affecting a parcel of Crown land related to the Barnard River Scheme.

Sale of Vales Point power station

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

Sale of Eraring Energy

- *Pre-completion contamination liability* - the State retains the liability for remediating pre-existing contamination at Eraring and Shoalhaven power station sites to minimum legal standards. The State's obligations end (in respect of each station) three years after decommissioning or the end of the Shoalhaven lease in 2070 (or later if there are further legal obligations to remediate identified during subsequent monitoring).
- *Coal haul road liability* - if existing Aboriginal land right claims affect Crown Land titles over the coal haul road from Newstan Colliery to the Eraring Power station, compensation will be payable by the State to the native title holders to negotiate a continued right to use. The State's obligations end (in respect of each existing Aboriginal Land Claim): 12 months after the date on which the Minister or Court (as applicable) determines that Crown Land subject to an existing Aboriginal Land Claim is not claimable land or an easement or similar

  for the purposes of the Coal Haul Road is granted to the indemnified party; or the date on which an existing Aboriginal Land Claim is withdrawn or terminated.
- *Ash dam liability* - the State will pay half the incremental cost of implementing an alternative arrangement for ash disposal if the existing proposal (as at 1 August 2013) for further backfilling at the ash dam cannot be implemented.

Treasury Corporation (TCorp)

Guarantees issued by TCorp

The State guaranteed the securities, borrowings and derivative liabilities issued by TCorp with a market value of $148.2 billion (2022: $124.2 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 $1,020.3 million (2022: $977.7 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 $66.4 million (2022: $53.9 million).

Notes to the Financial Statements
30 June 2023

22. 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.

	2023 $'000	2022 $'000
Payments		
Non-government schools - recurrent	(5,559,564)	(5,162,676)
Local government - financial assistance	(840,600)	(767,490)
Local government - roads	(347,414)	(310,607)
	(6,747,578)	**(6,240,773)**
Receipts		
Non-government schools - recurrent	5,559,564	5,162,676
Local government - financial assistance	840,600	767,490
Local government - roads	347,414	310,607
	6,747,578	**6,240,773**

23. Trust Fund

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

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

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

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

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

	30 June 2023			30 June 2022		
	Common Fund $'000	Interest Account $'000	Total $'000	Common Fund $'000	Interest Account $'000	Total $'000
Cash balance at the beginning of the financial year	4,363	12,220	16,583	4,363	12,192	16,555
Add: Receipts	-	490	490	-	28	28
Cash balance at the end of the financial year	**4,363**	**12,710**	**17,073**	**4,363**	**12,220**	**16,583**

Notes to the Financial Statements
30 June 2023

24. Financial Instruments

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

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

(a) Financial instrument categories

	Note	Category	Carrying Amount 2023 $'000	Carrying Amount 2022 $'000
Financial assets				
Cash and cash equivalents	6	Amortised cost	559,908	480,472
Receivables (i)	7	Amortised cost	85,961	17,664
Financial liabilities				
Payables (ii)	12	Financial liabilities measured at amortised cost	194,244	105,315

(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 2023 and 30 June 2022 was determined using a combination of factors including history of payments, receivables written off and debtor management. The review excluded statutory receivables and prepayments, as these are not within the scope of AASB 7.

24. Financial instruments (continued)

The Treasury is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2023.

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 2023 ($'000)						
Expected credit loss rate	n/a	0%	0%	0%	0%	0%
Total gross carrying amount	2,302	1,122	344	98	87	3,953
Expected credit loss	-	-	-	-	-	-

	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	-	-	-	-	-	-

Treasury recognises an allowance for Expected Credit Losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that Treasury expects to receive, discounted at the original effective interest rate. Refer to Note 7 for further details on the ECLs of other financial assets.

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

(c) Liquidity risk

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11-12: *Payment of Accounts*. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Interest is awarded for late payment. No interest for late payment was paid during the year (2022: $Nil).

24. 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**
2023					
Financial liabilities					
Payables	-	194,244	194,244	-	-
2022					
Financial liabilities					
Payables	-	105,315	105,315	-	-
Borrowings					
Lease Liabilities	0.00%	-	-	-	-

(d) Market risk

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

- Interest rate risk on cash and cash equivalents

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which Treasury operates and the time frame for the assessment (i.e., until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2022. 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 +1.0 -1.0 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The following table demonstrates the sensitivity to a reasonably possible change in interest rates.

24. Financial instruments (continued)

Interest rate risk					
		-1%		+1%	
	Carrying amount $'000	Net Result $'000	Equity $'000	Net Result $'000	Equity $'000
2023					
Financial assets					
Cash and cash equivalents	559,908	(5,599)	(5,599)	5,599	5,599
Total Increase / (decrease)		**(5,599)**	**(5,599)**	**5,599**	**5,599**
		-0.50%		**+1.5%**	
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**

Foreign currency risk

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

(e) Fair value

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

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

25. Related Party Disclosures

(a) Ultimate parent

The NSW Government is the ultimate parent of Treasury.

(b) Compensation of key management personnel (KMP)

KMPs are those considered to have the authority and responsibility for planning, directing and controlling of the Treasury's activities. KMP of Treasury includes the Treasurer (paid by the Legislature), the Treasury Secretary, Treasury Deputy Secretaries, Chief of Staff and Executive Director - Finance and Operations.

Treasury has developed a framework that supports the identification, recording and authorisation of the related party transactions. All identified KMP are required to complete annual declarations in relation to the related party transactions. During the reporting period there were no material transactions between key management personnel or their associates and Treasury .

	2023 $'000	2022 $'000
Short-term employee benefits:		
Salaries	3,608	3,104
Other monetary allowances	54	40
Non-monetary benefits	2	-
Other long-term benefits	62	136
Termination benefits	825	447
Total remuneration	**4,551**	**3,727**

25. Related Party Disclosures (continued)

During the year, Treasury incurred $631,050 (2022: $231,797) in respect of the key management personnel services that are provided by other government entities including the Department of Planning & Environment (DPE) and the Commonwealth Department of Industry, Science, Energy and Resources.

(c) Transactions with other related parties

Terms and conditions with related parties

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

Treasury interacts with other government agencies in delivering services to the general public. Services provided by other government agencies are provided to Treasury in the same commercial terms as the general public. This includes property rented from Property NSW, insurance arrangements with the NSW Self Insurance Corporation, Department of Customer Service for ICT and corporate shared services, DPE for corporate shared services and reimbursement of costs incurred in relation to energy operations.

26. Prior Period Error - Accounting for Equity Investment in Public Sector Entities

Equity investments in public sector entities represent the State's equity investment in government-controlled entities within the PNFC and PFC sectors.

Prior to 2022-23, Treasury made contributions from the ConFund to entities within the PNFC and PFC sectors. These contributions were made as investments on behalf of the State, and Treasury recognised these as either 'distributions to owners' directly in equity or capital grants expenditure. No investment assets were recognised by Treasury for these contribution payments provided to government-owned entities. Treasury also received dividends and distributions from these entities.

During the financial year 2022-23, Treasury reassessed its interpretation of the scope of administered items under *AASB 1050 Administered Items* and concluded that Treasury is investing into PNFC and PFC entities on behalf of the State. This means that Treasury should therefore recognise the State's equity investment in government-controlled entities in the PFC and PNFC sectors as an administered equity investment based on the State's proportional share of the carrying amount of net assets of those entities.

The following table summarises the impacts on Treasury's Note 20 Administered Items disclosures.

Note 20.A Administered Revenue Disclosure (extract)

		As previously reported	Correction of prior period error	As restated
30 June 2022	**Notes**	**$'000**	**$'000**	**$'000**
Administered Revenue				
Net gains/(losses) from equity investments	A.5	-	28,705,170	28,705,170
Other reported revenue		34,252,049	-	34,252,049
Total Administered Revenue		**34,252,049**	**28,705,170**	**62,957,219**

Notes to the Financial Statements
30 June 2023

26. Prior Period Error - Accounting for Equity Investment in Public Sector Entities - (continued)

Note 20.C Administered Assets Note Disclosure (extract)

1 July 2021	Notes	As previously reported $'000	Correction of prior period error $'000	As restated $'000
Administered Assets				
Equity investments in public sector entities	C.7	-	85,778,341	85,778,341
Other reported assets		35,651,096	-	35,651,096
Total Administered Assets		**35,651,096**	**85,778,341**	**121,429,437**
30 June 2022				
Administered Assets				
Equity investments in public sector entities	C.7	-	117,025,394	117,025,394
Other reported assets		35,168,043	-	35,168,043
Total Administered Assets		**35,168,043**	**117,025,394**	**152,193,437**

Note 20.E Reconciliation of Net Assets Note Disclosure (extract)

1 July 2021	Notes	As previously reported $'000	Correction of prior period error $'000	As restated $'000
Total net administered assets		**(125,742,849)**	**85,778,341**	**(39,964,505)**
30 June 2022				
Opening net administered assets		**(125,742,849)**	**85,778,341**	**(39,964,505)**
Increases/(decreases) in net assets				
Administered revenue	A	34,252,049	28,705,170	62,957,219
Capital injections into government owned businesses	F	(2,366,723)	2,303,336	(63,387)
Other equity transfers in/out with government agencies	E.8, F	10,789,016	238,546	11,027,562
Other reported net administered assets		(50,435,460)	-	(50,435,460)
Total Net Administered Assets		**(133,503,967)**	**117,025,393**	**(16,478,573)**

27. Events after the Reporting Period

On 18 August 2023 the NSW Premier announced that the Department of Planning and Environment will become two new departments. From 1 January 2024, the Department of Planning and Environment will be split into two new dedicated entities, the Department of Climate Change, Energy, the Environment and Water, and the Department of Planning, Housing and Infrastructure.

The new departments will be joined by the OECC which is currently in Treasury.

End of the Financial Statements

7 Appendices

Human resources statistics

FTEs per group and actual total headcount

On 22 June 2023 Treasury had 1256.14 full-time equivalent (FTE) staff. This equates to a headcount of 1339 staff.

Treasury function	2020-21	2021-22	2022-23
Economic Strategy & Productivity	188.29	123.77	149.20
Policy & Budget	146.51	175.71	166.55
Commercial & Procurement	187.74	174.80	175.63
Financial Management and Services	n/a	n/a	217.81
Corporate Services	213.03	167.54	n/a
Office of General Counsel	n/a	18.60	16.2
Office of the Secretary	n/a	7.00	5
EnergyCo	Joined Treasury through machinery-of-government April 2022	33.51	63.71
Energy, Climate Change & Sustainability	Joined Treasury through machinery-of-government April 2022	365.05	462.04
FTE	**735.57**	**1065.98**	**1256.14**

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

Headcount by age group

Age group	2020-21	2021-22	2022-23
20-24	26	32	46
25-29	125	147	193
30-34	141	220	263
35-39	137	203	262
40-44	104	172	191
45-49	91	125	151
50-54	50	80	101
55-59	51	71	79
60+	30	49	53

Non-executive full-time/part-time staff by classification and grade

Non-executive full-time and part-time staff by classification and grade	Full-time equivalent	Actual staff number
Grade 1/2	36.31	37
Grade 3/4	62.7	68
Grade 5/6	118.45	124
Grade 7/8	253.57	266
Grade 9/10	375.28	408
Grade 11/12	273.09	293
Other	0.57	1

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

Senior executive grades and remuneration

Senior executives (headcount)	2020-21		2021-22		2022-23	
	Female	Male	Female	Male	Female	Male
Executive Band 4	-	1	-	1	-	1
Executive Band 3	2	3	3	4	4	3
Executive Band 2	13	9	11	12	12	13
Executive Band 1	32	51	45	59	48	61
Other	-	1	-	-	-	-
Total	**47**	**65**	**66**	**76**	**64**	**78**
Combined total	**112**		**142**		**142**	

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

Senior executives / average remuneration	2020-21	2021-22	2022-23
Executive Band 4	$599,000	$614,000	$623,300
Executive Band 3	$452,947	$470,935	$462,309
Executive Band 2	$321,263	$333,896	$334,943
Executive Band 1	$237,150	$242,910	$249,217

For the reporting period 2022-23, the monetary value and value of employment benefits paid to contracted senior executives represented 26.38 per cent of Treasury salary-related expenses. In the previous year (2021-22), this figure was 28.52 per cent.

Workforce diversity - responses

Staff profile / respondents	2020-21	2021-22	2022-23
Full-time equivalent	735.57	1065.98	1256.14
Responses to question on ethnicity	513	852	1086
Responses to question on language	506	840	1082
Responses to question on disability	513	850	1064
Responses to question on identifying as First Nations	521	884	1097

Workforce diversity - performance versus benchmark (percentage)

Workforce diversity group	Benchmark	2021	2022	2023
Women	50%	55.40%	57.00%	62.6%
Aboriginal and/or Torres Strait Islander People	3.30%	1.30%	1.10%	1.8%
People whose First Language Spoken as a Child was not English	23.20%	29.70%	27.60%	36.1%
People with Disability	5.60%	3.90%	2.50%	2.9%
People with Disability Requiring Work-Related Adjustment	N/A	1.50%	1.10%	1.4%

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 - performance versus benchmark (distribution index)

Workforce diversity group	Benchmark	2021	2022	2023
Women	100	95	95	96
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	97	95
People with Disability	100	103	104	n/a
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

Our Work, Health and Safety (WHS) plan has been refreshed with a focus on three priorities:

1. Reducing psychosocial hazards in the workplace.
2. Enabling a mentally healthy workplace environment.
3. Embedding a greater level of safety awareness and accident prevention across Treasury through consultation and communication

Annual WHS mandatory training is conducted yearly and for all new employees. Respectful workplace behaviours training has been delivered Treasury wide both online and via facilitated sessions to create an awareness of how to work safely and respectfully with each other. Bi-monthly WHS Committee meetings continue to discuss and facilitate WHS consultation and communication throughout the organisation.

The Chief People Officer's people leader email has been utilised for the regular communication on WHS check ins and divisional meetings were held ensuring commitment to health and safety remains a priority. Workforce planning sessions at a divisional level are now a regular human resources calendar event to ensure we are resourcing effectively to core work and priority areas. This was established to reduce burnout, fatigue and workload pressures that were evident in the 2022 People Matter Employee Survey (PMES) results. There were 16 incidents reported in the 2022-23 financial year.

NSW Procurement Board 2022-23 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 (WofG) arrangements are in place. The process of ensuring agencies are capable and appropriately resourced to undertake their procurement activities is managed through the Accreditation Program for Goods and Services Procurement and the Accreditation Program for Construction Procurement. Accreditation is granted and overseen by the Board.

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

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

The *Public Works and Procurement Amendment (Enforcement) Act* was assented to on 22 November 2018. It provides for the enforcement of the Board of 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 was subject to the direction and control of the Minister for Finance and Employee Relations for the period 1 July 2022 to 25 March 2023 and the Minister for Finance and Natural Resources for the period 26 March 2023 to 30 June 2023.

The Board's major achievements in 2022-23 include:

- Setting agency group targets in the Aboriginal Procurement Policy (APP) for procurement spend and goods and services contracts with recognised Aboriginal businesses, with mid-year progress figures indicating all agency groups will exceed their targets.
- Holding six Gather and Grow events held across NSW to provide opportunities for Aboriginal businesses to learn about procurement opportunities and network with NSW Government buyers and suppliers.
- Completing the first audit of 5 per cent of contracts with Aboriginal participation commitments through a First Nations auditing firm, which found all projects completed at the time of the audit had met their Aboriginal participation targets.
- Directing agencies to prioritise local SMEs for repair and rectification works in communities impacted by floods in June and July 2022.
- Supporting NSW Government agencies to procure from social enterprises by providing access to the Social Traders register of verified social enterprises.
- Supporting the NSW Anti-slavery Commissioner to develop a Shared Implementation Framework for government agencies to prevent the occurrence of modern slavery in NSW Government supply chains.
- 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 Organisation Agreement on Government Procurement.
- Facilitating Fiscal Repair savings through the procurement savings programs.
- Continuing to support NSW Government agencies to undertake Emergency Procurement activities to meet the ongoing demands of the COVID-19 pandemic.
- Launching the workplan for NSW Procurement to increase the proportion of gender equitable and women-owned businesses in the NSW Government supply chain, a commitment in the Women's Opportunity Statement published with the 2022 Budget.

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 (APP)

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

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

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

Procurement spend and contracting results for the 2022-23 financial year demonstrate that NSW government agencies are continuing to increase procurement spend with recognised Aboriginal businesses in NSW under the APP.

Members and deputies

The following NSW Government officers were members of the Board in 2022-23:

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 2022-23, all Secretaries were represented by delegates appointed by the then Minister for Finance and Employee Relations.

Meetings

The Board held four scheduled meetings in 2022-23:

1. 7 September 2022
2. 30 November 2022
3. 22 February 2023
4. 31 May 2023

The Board met for a half day strategic planning session on 16 May 2023.

The Board held an extraordinary meeting on 26 June 2023 to discuss the divestment of PwC's government consulting business.

In addition, in 2022-23 nine matters were considered out-of-session by email.

Agency accreditation program status

A. Goods and services procurement

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

As at June 2023, there were 17 accredited entities, including a combined Level 2 accreditation for NSW Treasury and its sub-entity NSW Procurement.

All accredited agencies except for the Department of Education completed their annual self-reporting for FY21/22.

The Department of Education Trigger Event Action Plan following the merging of the goods and service procurement team with the construction procurement team is ongoing and expected to be completed by December 2023.

On 28 October 2022 Venues NSW completed the Trigger Event Action Plan, merging Sydney Cricket and Sports Ground Trust and Venues NSW.

B. Construction procurement

The Accreditation Program and Assurance Process for Construction Procurement (Construction Program) 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 Construction Program and is accountable for assessing accreditation applications with a coordinated whole of-agency group and government strategic lens, ensuring agencies meet specified criteria, monitoring performance to ensure compliance and approving any modifications to the programs to improve its effectiveness.

NSW Public Works manages the Construction Program on behalf of the Board, in consultation with the Construction Leadership Group (CLG).
Key management responsibilities include ensuring the Construction Program remains 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 2023, 15 agencies hold current full construction procurement accreditation.

The amalgamation of Transport for NSW (TfNSW) and Roads & Maritime Services (RMS) in 2019 resulted in the union of the two construction procurement accreditations. Due to the scale of the change projects associated with the ongoing merger, TfNSW and RMS have maintained their separate accreditations and have submitted a trigger event management plan to the CLG.

Venues NSW signalled their intent to purse construction procurement accreditation via the submission of a Statement of Intent (SoI) to the CLG in November 2022. The CLG endorsed the SoI at the November meeting and Venues NSW commenced and completed the assessment process and submitted their accreditation application for consideration to the Board in May 2023.
The application was considered by the Board and a decision on the granting of accreditation is pending subject to further information.

Assurance Process for Construction Procurement

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

Administration

The Board's administrative support and its costs for 2022-23 were met by NSW Treasury.

Statutory reporting requirements

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

- The Minister gave the Board the following direction on 28 July 2022:

  The NSW Procurement Board to issue Procurement Board Direction 2022-01 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 floods occurring in NSW in June and July 2022.
- The Minister gave the Board the following direction on 21 November 2022:

  The Board to issue "Procurement Board Direction 2022-03 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 floods occurring in NSW in November 2022 and any future flood event through to 31 March 2023.

Board subcommittees and advisory groups

The Act allows the Board to establish subcommittees and advisory groups to assist its work. The Board is supported by the Procurement Leadership Group (PLG), the CLG, and the International Procurement Agreements Steering Committee (IPASC). The Risk and Compliance Subcommittee was formed but did not meet in 2022-23. All-of-government Category Management Working Groups have also been established under the PLG.

Procurement Leadership Group

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

As at 30 June 2023 the PLG's members included the Chief Procurement Officers or equivalents from each agency group. 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 2022 and 30 June 2023.

Monthly meetings:

- 28 July 2022
- 25 August 2022
- 29 September 2022
- 27 October 2022
- 24 November 2022
- 16 February 2023
- 23 March 2023
- 20 April 2023
- 18 May 2023

Stand-alone sessions:

- 15 July 2022 – Human Resourcing Issues in Procurement
- 27 July 2022 – Global Supply Chain Issues
- 3 March 2023 – Election Commitments
- 25 May 2023 – buy.nsw simple procurement module

Construction Leadership Group (CLG)

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

Key achievements for 2022-23 via the CLG and its three subcommittees include:

- Providing transparency and accountability through the publication of the 2022 Progress Report against the 10 Point Commitment.
- Development and launch of a digital reporting dashboard to simplify reporting of Implementation Statements which document progress against the 10 Point Commitment.
- Transparency and visibility of upcoming procurements via publication and regular updates of the NSW Major Infrastructure Project Pipeline.
- Regular engagement with the construction industry through the Infrastructure Industry Forum, the Construction Industry Culture Taskforce and the Construction Industry Leadership Forum.

- Cross-government collaboration on procurement policy reform, including standardising terms and conditions for Infrastructure Advisory Services and developing the Financial Capacity Framework.
- Quarterly WofG Contractor Performance Reporting for major projects.
- Development of Commercial Guidelines for infrastructure projects, including WofG principles on key matters including escalation risk, reliance on pre-contract information, liability arrangements, professional indemnity insurance, interface risk management, timely resolution of issues, contracting out from being bound by legislation.
- Monthly Case Study Forum showcasing examples of best practice and lessons learned in major infrastructure projects across government.
- WofG training on the international best practice standard PAS2080 – Carbon Management in Infrastructure.
- Updates to the Infrastructure Skills Legacy Program to address skills shortages and increase diversity in the construction sector.
- Coordination and liaison of flood recovery efforts with infrastructure agencies on behalf of State Recovery Committee via Infrastructure Recovery Sub-Committee.
- Launch of the Women in Construction Program to increase the number of women working in construction trade and non-traditional roles and improve culture and diversity in the construction sector.

International Procurement Agreements Steering Committee

The IPASC is an advisor to the Board on procurement requirements relevant to international procurement agreements. The IPASC did not meet in 2022-23.

Procurement board directions

The Act gives the Board the authority to issue directions to agencies. During 2022-23 the Board issued three directions covering:

- Engagement of infrastructure advisory services (updated).
- Support for flood affected communities (updated and issued twice).

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 five complaints during 2022-23. Four complaints have been resolved by the relevant agency and the remaining complaint is being investigated.

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 issue *Procurement Board Direction 2022-01 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 June and July 2022.

Dated at Sydney this 26 day of July 2022

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

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The NSW Procurement Board to issue *Procurement Board Direction 2022-03 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 November 2022 and any future flood event through to 31 March 2023.

Dated at Sydney this 21st day of November 2022

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

Multicultural plan

Treasury has been developing a Multicultural Action Plan (MAP) under the *Multicultural NSW Act 2000*. This is scheduled for implementation in the coming year.

A brief around this MAP has been approved by Treasury's Executive Board. This project brief highlights the approach and key strategy objectives of the MAP, which aims to align with Treasury's Diversity, Inclusion and Belonging (DIB) strategy objectives, as well as the Multicultural Policies and Services Plan Framework.

Significant work and engagement continues to take place through Treasury's internal Culturally and Linguistically Diverse stream under the organisation's DIB branch.

Overseas trips and promotion

- The former Secretary of Treasury, Paul Grimes PSM, accompanied the former Treasurer and Minister for Energy, the Hon Matt Kean MP, on one overseas trip to the United Kingdom and Egypt from 1-11 November 2022.

  According to the Minister's Official Overseas Travel Report, travel to the United Kingdom was to meet with financial market participants with a focus on ESG investors and Credit Rating Agencies, and to Cairo to meet with energy and climate change stakeholders prior to COP27.

  Travel to Egypt was to attend engagements in Cairo, and to attend the 27th Conference of the Parties (COP27) to the United Nations Framework Convention on Climate Change (UNFCCC) in Sharm El Sheik. This travel enabled engagement with national and subnational governments at the Ministerial level and with senior civil society representatives.

  Travel to Egypt also enabled the visibility and growth of the Net Zero Futures Policy Forum announced by then-Minister Kean at COP26. This Forum is a voluntary international collaboration designed to help sub-national jurisdictions address the practical challenges of achieving net zero emissions, including through taskforces focused on specific policy topics.

- In June 2023, one Office of Energy and Climate change director travelled to Denmark and the United Kingdom to represent Australia on the Executive Committee of the International Energy Agency (IEA) Energy in Buildings and Communities (EBC) Programme.

Risk management and related activities

Risk management and fraud and corruption prevention

The Treasury Risk Management Framework, and 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 enterprise risk register, along with any fraud and corruption matters when required.

The Treasury Risk, Compliance and Audit (RCA) team engage with all Treasury executives, along with operational and project risk owners, through periodic risk and control workshops. The Treasury Executive Board (TEB) monitor material risks through a quarterly dashboard and through on-going stakeholder engagement.

Compliance

Several NSW Treasury compliance-related policies were reviewed and refreshed in the past financial year, to reflect further uplift in compliance activities.

All staff in Treasury undertook mandatory e-learning training on various topics including Risk and Compliance Management, Fraud and Corruption, Cyber Security, Procurement practices, Privacy, and Confidentiality. The RCA team has refreshed the content of these training modules in the past year to enable staff to better understand their obligations relating to Treasury and NSW Government policies, procedures, and legislative requirements.

Other compliance activities include incident management, private interest declaration reporting, and other senior executive services compliance attestations. Staff declarations for any gifts and benefits given or received, as well as conflict of interest declarations, were continually reviewed by the RCA team throughout the year. Thematic analysis of these activities was reported to the ARC on a quarterly basis.

Audit

Treasury has a three-year internal audit plan which is reviewed annually by the ARC.

The RCA team continually monitor progress in addressing recommendations arising from internal and external audit and assurance activities, and report quarterly to the ARC and TEB.

Business continuity planning

Treasury continues to enhance its Business Continuity Plan by continuously reviewing policies and accompanying documents to ensure our readiness in the event of a disruptive incident. The Business Continuity Policy and the Pandemic Plan Policy were reviewed this year to ensure they remain current.

Government Information (Public Access)

Review of proactive release program

The *Government Information (Public Access) Act 2009* (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 efficiently and effectively. Treasury reviews its programs to ensure that the information that is in the public's interest and assists people with access to services is made publicly available on the Treasury website.

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

Number of access applications received

Treasury received 42 formal access applications under the GIPA Act. Two applications had two decisions made. Consequently, although Treasury received 42 applications, there were 44 decisions made.

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	0	3	1	5	0	0	0	0
Members of Parliament	1	4	2	2	0	0	0	0
Private Sector Business	2	2	0	3	0	0	0	0
Not–for–profit organisations or community groups	0	2	0	0	0	0	0	0
Members of the public (application by legal representative)	0	3	0	3	0	0	0	1
Members of the public (other)	2	4	0	2	0	2	0	0

*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

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	1	0	0	0	0	0	0
Access applications (other than personal information applications)	5	17	3	15	0	2	0	1
Applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

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

Table C: Invalid applications

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

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

Type of consideration	Number of times consideration used*
Overriding secrecy laws	1
Cabinet information	8
Executive Council information	0
Contempt	1
Legal professional privilege	1
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

* 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 GIPA Act

Matters listed in table to Section 14 of the Act	Number of occasions when application not successful
Responsible and effective government	5
Law enforcement and security	0
Individual rights, judicial processes and natural justice	11
Business interests of agencies and other persons	8
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timelines

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	42
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	**42**

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	1	0	1
Review by Information Commissioner	0	2	2
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	0	0
Total	**1**	**2**	**3**

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	3
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–initiated transfers	6
Agency-initiated transfers in part	1
Applicant–initiated transfers	0

Public interest disclosures

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

- corruption
- maladministration
- serious and substantial waste of public money
- government information public access contravention.

The Public Interest Disclosures Act 1994 (PID Act 1994) 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 people of New South Wales deserve. Treasury is committed to protecting staff that make public interest disclosures (PIDs).

The Secretary of Treasury has ensured staff are aware of their responsibilities under the PID Act 1994 by:

- publishing and endorsing Treasury's internal reporting policy and commitment to the objectives of the PID Act 1994
- 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'.
- On 1 October 2023, the *Public Interest Disclosures Act 2022* (PID Act 2022) will commence and changes to the PID regime will come into effect. The most significant change is that public officials will be able to make PIDs directly to their manager to normalise whistleblowing and encourage a speak up culture within agencies. Other notable changes include defining PIDs into three categories (voluntary, mandatory and witness), introducing privacy contraventions as a reportable act, broadening the government information contravention to cover the GIPA Act as well as the *Government Information (Information Commissioners) Act 2009* and the *State Records Act 1998*, and enhancing requirements around policies, training, and reporting to the Ombudsman.

Treasury has prepared for the PID Act 2022 by:

- establishing a Governance, Ethics, and Integrity branch within the Office of General Counsel to be responsible for public interest disclosures and other governance, corruption and fraud prevention, and regulatory engagement functions
- authorising Treasury's managers and people leaders to receive public interest disclosures in advance of the commencement of the PID Act 2022
- trained Treasury's managers and people leaders in their responsibilities and obligations as receivers of public interest disclosures under the PID Act 1994 and awareness of the PID Act 2022 changes.

Section 31 of the PID Act 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 2022-23:

Section 4 of the Public Interest Disclosures Regulation 2011	**2022-23**
Number of public officials who made public interest disclosures to NSW Treasury	2
Number of public interest disclosures received by NSW Treasury	4
Of public interest disclosures received, how many were primarily about:	
Corrupt conduct	2
Maladministration	0
Government information contravention	2
Local government pecuniary interest contravention	0
Number of public interest disclosures (received since 1 Jan 2012) that have been finalised in this reporting period	2

Protecting privacy and personal information

Treasury respects the privacy of members of the public who use our services and of our employees. As an NSW Government agency, 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*.

From 28 November 2023, amendments to the PPIP Act will come into effect which establish a mandatory notification of data breach (MNDB) scheme. Under the MNDB scheme, in the event of a suspected data breach, Treasury will be required to: (1) contain the breach and assess whether it involves personal or health information that is likely to result in serious harm; (2) notify the Privacy Commissioner and impacted individuals; and (3) issue a public notification. Treasury will also be required to have a publicly available data breach management policy.

The Treasury Policy and Guidelines TPG23-10 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, Treasury has a Privacy Management Plan. The Privacy Management Plan is published on both the Treasury intranet and website.

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 Governance, Ethics and Integrity Branch.

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

One Internal Privacy Review was conducted.

Funds granted to non-government community organisations

During the 2022-23 financial year, NSW Treasury administered grants to the following:

Grant details	Description (including what is the grant, who it targeted and the outcome)	Amount ($)
Coal Price Cap Initiative	NSW Government introduced a temporary cap on the price of coal for NSW power stations, as part of the Commonwealth's Energy Price Relief Plan, which commit to provide downward pressure on electricity and gas prices. The grant recipients included coal fired power stations operated by Delta Electricity, Energy Australia and Origin Energy.	268,194,358.19
Funding for Electricity Infrastructure Roadmap	NSW Government provided $15.7 million of grant as part of a $86.5 million recoverable loan to fund a scheme financial vehicle, Scheme Financial Vehicle Pty Ltd to support the ongoing operation of the Electricity Infrastructure Roadmap entities.	15,703,365.54
Funding Agreement for Dispatchable Capacity - Tallawarra B Power Station	To enhance energy market security, NSW Government provided funding to Energy Australia for the development of a gas-fired open cycle power station at Tallawarra, adjacent to the existing Tallawarra A Project, together with the development of capability for co-firing the plant with green hydrogen.	14,000,000.00
Drive Electric NSW EV Fast Charging	The electric vehicle (EV) Fast Charging grants support recipients to build, own and operate fast charging stations throughout metro and regional NSW. The NSW Government committed to co-fund up to 50% of the total project value to support the growth of the EV market. The grant recipients included Tesla Motors Australia, NRMA, Ampol Australia, BP Australia, Zeus Renewables and Fast Cities (Evie Networks).	7,860,163.40
NSW Hydrogen Strategy - Hydrogen Hub Initiative	NSW Government Hydrogen Hub Initiative sets out a plan to develop a hydrogen hub that will demonstrate 'end to end' green hydrogen supply chains including production, distribution and use, in the Hunter and Illawarra region.	2,887,540.00

Grant details	Description (including what is the grant, who it targeted and the outcome)	Amount ($)
Carbon Abatement -Kooragang Island Decarbonisation Project	NSW Government contributed to the Net Zero Industry and Innovation Program -Kooragang Island Decarbonisation Project, which will install tertiary abatement systems (EnviNOx) at three nitric acid plants located at Orica's Kooragang Island facility in NSW.	2,350,800.00
Electric Vehicle Fleet Incentive	Under the NSW Electric Vehicle Strategy, NSW Government provided grants to businesses, local councils and non-government organisations to procure electric vehicles through competitive, reverse auction bidding process. Successful fleet managers also received a fixed amount per vehicle of EV Smart base charging equipment to be installed at their business premises.	1,939,004.63
Regional Community Energy Fund	The Regional Community Energy Fund provided grants to community energy projects that create innovative and/or dispatchable renewable energy and benefit the local community.	1,454,960.76
Transformative Industry Projects Scoping Study	A part of NSW Government Net Zero Industry and Innovation Program, the Transformative Industry Projects' (TIP) first step was to fund TIP Scoping Studies to explore both the commercial and technical viability of decarbonisation opportunities in NSW highest emitting manufacturers.	522,663.68
Electric Vehicle Destination Charging Grants	Under the NSW Electric Vehicle Strategy, NSW Government provided grants to assist eligible regional NSW businesses by co-funding the purchase and installation of EV chargers. The grants aim to overcome range anxiety and help to create a world-class EV charging network.	455,497.71

Grant details	Description (including what is the grant, who it targeted and the outcome)	Amount ($)
Low Income Household - Empowering Homes Program	NSW Government provided grants to 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 to purchase a solar battery system or up to $9,000 for the addition of a battery to an existing solar system.	452,362.51
Submetering Grant	Submetering grants up to $20,000 were provided to NSW businesses to install new submeters. Submetering can help understand how much energy uses by an equipment. These grants have helped businesses in making informed decision about equipment maintenance and upgrade.	293,785.05
EV Charging Infrastructure	The NSW Government co-funded $50,000 of the capital works for the installation of EV infrastructure and chargers at Rhodes House, 1 Missenden Road, Camperdown, NSW 2050.	50,000.00
Total funds granted to Non-Government Community Organisation		**$316,164,501.47**

Accounts payable performance 2022-23

NSW Treasury outsources various services including financial services. During 2022-23, 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 2022-23 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 currently set at 5 days and factors affecting the payment performance include errors in the tax invoice information and verification of invoice receipt. Analysis of payment terms at 10 days would have resulted in small business supplier payments being 93 per cent compliant on average across the 2023 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 2022	428	55	197	-	75
December 2022	584	173	345	-	3
March 2023	905	153	-	33	1
June 2023	2,960	3,584	37	-	12
Small business suppliers					
September 2022	3	55	-	-	-
December 2022	-	77	91	-	-
March 2023	10	39	-	-	-
June 2023	67	311	6	-	-

* Aged invoices for inter-government transactions are included in this data, with aged payment discussed and agreed upon between agencies. Data as of 30 September 2022 does not include OECC.

Accounts due or paid within each quarter

Measure	Sep-22	Dec-22*	Mar-23	Jun-23
All suppliers				
Number of accounts due for payment	8,776	3,715	1,838	10,197
Number of accounts paid on time	5,426	1,677	1,637	9,045
Actual percentage of accounts paid on time (based on number of accounts)	62%	45%	89%	89%
Dollar amount of accounts due for payment	120,759,910	250,917,386	271,134,882	608,308,633
Dollar amount of accounts paid on time	108,364,586	200,135,652	262,629,476	532,210,664
Actual percentage of accounts paid on time (based on $)	90%	80%	97%	87%
Number of payments for interest on overdue accounts	–	–	–	–
Interest paid on overdue accounts	–	–	–	–
Small business suppliers				
Number of accounts due for payment	173	299	343	547
Number of accounts paid on time	77	189	216	406
Actual percentage of accounts paid within 5 days (based on number of accounts)	45%	63%	63%	74%
Dollar amount of accounts due for payment	3,042,631	7,161,047	4,339,122	6,038,576
Dollar amount of accounts paid on time	1,871,090	4,857,858	2,883,802	4,669,315
Actual percentage of accounts paid within 5 days (based on $)	61%	68%	66%	77%
Number of payments for interest on overdue accounts	–	–	–	–
Interest paid on overdue accounts	–	–	–	–

* Payment performance in October-December 2022 was affected by OECC moving to the new accounting system.

Note 1: For June 23, accounts paid on time (based on number of accounts) Traditional Treasury was 94%, OECC 88%

Note 2: For June 23, accounts paid on time (based on dollars) Traditional Treasury was 100%, OECC 82%

Note 3: For June 23, small business suppliers paid on time (based on number of accounts) Traditional Treasury was 88%, OECC 72%

Note 4: For June 23, small business suppliers paid on time (based on dollars) Traditional Treasury was 92%, OECC 72%

Expenditure on consultants

Costing $50,000 or more

Consultant	Project Description	Amount (excl GST) $
Finance and Accounting/Tax		
DELOITTE TOUCHE TOHMATSU	Accounting advice in relation to accounting for investments in the TCorp IM Funds	100,000.00
ENERGETICS PTY LTD	Strategic advice on electricity procurement-retail supply of electricity (large and small sites) with capacity services contract	161,361.00
Economic Services		
L.E.K. CONSULTING AUSTRALIA PTY LTD	Advice on the Toll Road Pricing and Relief Reform Review	1,943,594.46
ALEX HENLEY LLJIN	Toll Road Pricing and Relief Reform Review	126,000.00
APPLIED ECONOMICS PTY LTD	Advice to augment Treasury's capacity for the assessment of complex proposals, support development of economic frameworks and sector capability building	64,500.00
AUSTRALIA ONLINE RESEARCH P/L	Market research and analysis on households' barriers and preferences for early childhood education and care services	201,400.00
BEHAVIOURAL INSIGHTS (AUSTRALIA) PTY	Research and analysis of barriers to regulatory innovation	98,300.00
BENED PTY LIMITED	Review of the State's investment funds from an environmental, social and governance perspective	94,162.50
CENTRE FOR INTERNATIONAL ECONOMICS	Advice to augment Treasury's capacity for the assessment of complex proposals, support development of economic frameworks and sector capability building	218,038.00
ECONOMIC ALTERNATIVES PTY LTD	Advisory services for the Independent Toll Review	150,000.00
FRONTIER ADVISORS PTY LTD	Review of the State's investment funds from an environmental, social and governance perspective	152,620.00
GRANT THORNTON AUSTRALIA LTD	Advisory services to support whole of government commercial negotiations with Card Schemes	81,159.10
INDEPENDENT PRICING &REGULATORY TRI	Review of NSW's competitive neutrality policies and processes	210,000.00

Consultant	Project Description	Amount (excl GST) $
INSIDE POLICY PTY LTD	Economic and social policy research; coordination and management of data analytics.	150,950.00
KPMG AUSTRALIA PTY LTD	Review of claims made by The Star in relation to casino duties	117,575.61
P.I. RESEARCH PTY. LTD., BULLEEN	Advisory services for the Independent Toll Review	287,874.72
PRICEWATERHOUSECOOPERS SECURITY	Toll Road Pricing and Relief Reform Review	353,341.00
RISK FRONTIERS HOLDINGS PTY LTD	Modelling services provided to estimate the risks and costs of natural disasters to the NSW Government	159,500.00
Engineering		
IT POWER (AUSTRALIA) P/L	Feasibility assessment for smart batteries at five facilities	105,340.80
WSP AUSTRALIA PTY LTD	Development of a Net Zero diagnostic for agencies to understand where they are in the NetZero journey	113,699.39
Enviromental		
2XE PTY LTD	Carbon footprint assessment and advice for two hospitals	99,000.00
ACCENTURE AUSTRALIA PTY LTD	Advice on defining strategic benefits to NSW from enhanced local renewable energy supply	172,480.00
ADVISIAN PTY LTD	Delivery of Green Ammonia market study under Action 43 of the NSW Hydrogen Strategy	196,800.00
ANDITI PTY LTD	Utilising spatial data for carbon sequestration assessment	201,506.00
ARUP AUSTRALIA PTY LTD	Advice on the delivery of NSW Hydrogen Infrastructure Masterplan	109,992.00
ARUP AUSTRALIA PTY LTD	Whole of Life Carbon Assessment for Ryde Hospital Redevelopment	72,033.40

Consultant	Project Description	Amount (excl GST) $
AURECON AUSTRALASIA PTY LTD	Development of an evidence base around the carbon abatement potential and feasibility of different waste avoidance and recycling activities	122,316.00
BLUE TRIBE CO PTY LTD	Advice on innovative Circular Economy that aims to support businesses and councils in Western Sydney	208,500.00
COMMON CAPITAL	Carbon Dioxide Removal methods brief and preliminary findings workshop	142,157.00
COMMON CAPITAL	Development of a model and report on the Renewable Fuel Scheme impacts on NSW Gas users	104,461.00
COMMON CAPITAL	Advice on Carbon Dioxide removal opportunities and removal methods in NSW.	71,079.00
CORBETTPRICE	Advice on improvement of collaboration between two teams within Primary Industries Productivity and Abatement Program	62,100.00
DELOITTE TOUCHE TOHMATSU	Solar Program - market analysis of solar PV inverter manufacturers and design monitoring solutions to pilot with key government agencies	190,000.00
IT POWER (AUSTRALIA) P/L	Solar Program - solar photovoltaic and battery financial evaluations for 200 Infrastructure NSW sites	86,000.00
IT POWER (AUSTRALIA) P/L	Solar Program - Solar & Battery Feasibility Assessment for 140 TAFE NSW sites	54,500.00
LUCID CONSULTING ENGINEERS (NSW) PT	NSW Police Force Energy Efficiency assessment	60,709.12
MINTER ELLISON	Delivery of the Climate Risk Governance Review Project	90,000.00
STEENSEN VARMING (AUST) PTY LTD	Hunter New England LHD Electrification Study	72,170.00
Governance and Policy		
HADRON GROUP PTY LTD	Review of Energy Corporation of NSW procurement activities	75,100.00
Information Technology		
TIGERSPIKE PTY LTD	Design and development of the Carbon Zero Accelerator application	540,981.00

Consultant	Project Description	Amount (excl GST) $
Management services		
3E NET ZERO GROUP PTY LTD	Solar Program - site inspections to inform Solar & Battery Feasibility Assessment reports for TAFE NSW, NSW Department of Primary Industries and Fire & Rescue NSW	70,935.00
ADVISIAN PTY LTD	Advice to support the Hume Hydrogen Highway Initiative through assessment of applications and negotiation of the funding agreement	217,888.06
ARGENTI CLOUD	Review of the OECC CASPER database	54,000.00
ARUP AUSTRALIA PTY LTD	Advice on the delivery of NSW Hydrogen Infrastructure Masterplan	351,151.95
ARUP AUSTRALIA PTY LTD	Net Zero advice on the strategy and pathway for North Sydney Health District	73,328.06
GHD PTY LTD	Solar Feasibility Assessment and advice for expanded solar target programs	97,011.00
GLOBAL SUSTAINABLE ENERGY SOLUTIONS	Solar Program - site inspections to inform Solar & Battery Feasibility Assessment reports for TAFE NSW, NSW Department of Primary Industries and Fire & Rescue NSW	67,641.91
HOUSTON KEMP PTY LTD	Advice on the impacts of early closure of coal power plants in NSW and development of orderly exit management framework	92,150.00
KPMG AUSTRALIA	Advice on the service delivery plan for Energy Management Systems	216,244.00
KPMG AUSTRALIA PTY LTD	Technical, Commercial and Financial Advice for Applicants as part of the advisory services for the Hydrogen Hubs Initiative	552,480.72
NEWGRANGE ADVISORY	Solar Program - Project Management support for the procurement and implementation of Solar PV and monitoring solutions across 12 Office of Sport sites	73,500.00
POINT ADVISORY PTY. LTD.	NetZero strategy for Central Coast Local Health District	105,000.00
PRESYNC	Solar Feasibility Assessment and advice for expanded solar target programs	87,012.30
PRICEWATERHOUSECOOPERS CONSULTING	Review of the Renewable Energy Sector Board's plan	105,267.80
PRICEWATERHOUSECOOPERS CONSULTING	Advice on design and delivery of the whole of government customer-centric payments	230,599.24

Consultant	Project Description	Amount (excl GST) $
Organisational Review		
IPART NSW	Advisory services provided by IPART to conduct compensation determination under the Port of Newcastle Act 2022	225,000.00
WSP AUSTRALIA PTY LIMITED	Development of a strategic business case for a future state Whole of Government Facilities Management Strategy	272,986.50
Consultants costing less than $50,000		
FINANCE AND ACCOUNTING/TAX	12 PROJECTS	216,180.66
LEGAL	6 PROJECTS	116,281.52
ORGANISATIONAL REVIEW	3 PROJECTS	17,505.00
ECONOMIC SERVICES	28 PROJECTS	142,173.82
MANAGEMENT SERVICES	22 PROJECTS	524,264.81
ENVIRONMENTAL SERVICES	17 PROJECTS	346,744.64
INFORMATION TECHNOLOGY	1 PROJECTS	20,000.00
OTHER		47,686.53
Total Expenditure on Consultants		**11,944,344.62**

Treasurer's Directions and Treasury Policy Guidelines

Reference number	Name of Instrument	Date Issued / Updated	Year Issued
TPG23-16	TPG23-16 Related Party Disclosure	30/06/2023	2023
TD21-02	TD21-02 Agency guidelines for the Mandatory Annual Returns to Treasury	7/06/2023	2023
TPG23-13	TPG23-13 Agency Direction for the 2022-23 Mandatory Annual Returns to Treasury	7/06/2023	2023
TPG23-14	TPG 23-14 Agency Guidelines for the 2022-23 Mandatory Annual Returns to Treasury for NSW Public Sector Entities that are not included in TD21-02	7/06/2023	2023
TPG23-09	TPG23-09 Guidance when performing valuations of physical non-current assets	29/03/2023	2023
TPG23-08	TPG23-08 NSW Government Guide to Cost Benefit Analysis	2/03/2023	2023
TD19-02	TD19-02 Mandatory Early Close as at 31 March each year	27/02/2023	2023
TD23-01	TD23-01 Exemption from paying certain unclaimed money into the Consolidated Fund	17/02/2023	2023
TPG23-03	TPG23-03 Financial Reporting Code for NSW General Government Sector Entities	10/02/2023	2023
TPG23-04	TPG23-04 Mandates of options and major policy decisions under Australian Accounting Standards	10/02/2023	2023
TPG22-22	TPG22-22 Policy and Guidelines: Evaluation	9/02/2023	2023
TD22-30	TD22-30 Management of Cash, Payments and Banking	23/12/2022	2022
TPG22-34	TPG22-34 Privacy Management Plan and Guidelines	20/12/2022	2022
TPG22-21	TPG22-21 NSW Public Private Partnership Policy and Guidelines	1/10/2022	2022
TPG22-28	TPG22-28 Returns on Equity Investment	6/09/2022	2022
TC22-14	TC22-14 Commonwealth-NSW Funding Agreements	1/08/2022	2022
TPG22-23	TPG22-23 Agencies with Occupancy Agreements with Property NSW	12/07/2022	2022

As of 30 June 2023, Treasury has 118 current policies, 58 were issued within the last 5 years (1 July 2019 to 30 June 2023).

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 easily identify the purpose of the information and understand what (if any) mandatory obligations the instrument imposes.

Total external costs incurred in the production of this report

No external costs were incurred in the production of this report.

Exemptions

No exemptions were requested for this report.

Combined annual reports

This annual report does not include any combined annual reporting information.

Application for extension of time

An extension of time was requested to finalise preparation of the report.

Implementation of price determination

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

There were no machinery-of-government changes.

Crown Related Entities Annual Reports

Alpha Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

Alpha Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

STATEMENT BY ACCOUNTABLE AUTHORITY

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

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

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

Michael Coutts-Trotter
Secretary

20 October 2023

Alpha Distribution Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	Budget 2023 $000	Actual 2023 $000	Actual 2022 $000
Expenses excluding losses				
Operating expenses	4	9,411	7,883	9,050
Total expenses excluding losses		**9,411**	**7,883**	**9,050**
Revenue				
Investment revenue	5(a)	11,319	11,389	10,643
Contract service revenue	5(b)	9,598	7,899	9,165
Total Revenue		**20,917**	**19,288**	**19,808**
Gains/(losses) on disposal	6	-	(9,096)	(13,276)
Net result		**11,506**	**2,309**	**(2,518)**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent periods:				
Superannuation actuarial gains/(losses)	12(ii)	9,721	799	6,181
Total other comprehensive income		**9,721**	**799**	**6,181**
Total comprehensive income		**21,227**	**3,108**	**3,663**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2023

	Notes	Budget 2023 $000	Actual 2023 $000	Actual 2022 $000
Assets				
Current assets				
Cash and cash equivalents	7	27,833	28,563	27,361
Receivables	8	23	24	23
Total current assets		**27,856**	**28,587**	**27,384**
Non-current assets				
Other financial assets	9	183,929	165,489	164,019
Total non-current assets		**183,929**	**165,489**	**164,019**
Total assets		**211,785**	**194,076**	**191,403**
Liabilities				
Current liabilities				
Payables	10	40	50	46
Contract liabilities	13	245	262	245
Total current liabilities		**285**	**312**	**291**
Non-current liabilities				
Provisions	11	3,080	8,820	9,276
Total non-current liabilities		**3,080**	**8,820**	**9,276**
Total liabilities		**3,365**	**9,132**	**9,567**
Net assets		**208,420**	**184,944**	**181,836**
Equity				
Accumulated funds		208,420	184,944	181,836
Total equity		**208,420**	**184,944**	**181,836**

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 2023

	Accumulated funds $000	Total $000
Balance at 1 July 2022	**181,836**	**181,836**
Net result for the year	2,309	2,309
Other comprehensive income		
Superannuation actuarial gains/(losses)	799	799
Total other comprehensive income	**799**	**799**
Total comprehensive income for the year	**3,108**	**3,108**
Balance at 30 June 2023	**184,944**	**184,944**
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**

The accompanying notes form part of these financial statements.

Alpha Distribution Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2023

	Notes	Budget 2023 $000	Actual 2023 $000	Actual 2022 $000
Cash flows from operating activities				
Payments				
Suppliers for goods and services		(10,301)	(1,124)	(1,199)
Total Payments		**(10,301)**	**(1,124)**	**(1,199)**
Receipts				
Sale of goods and services		10,615	1,503	1,548
Interest received		232	823	46
Total Receipts		**10,847**	**2,326**	**1,594**
Net cash flows from operating activities	17	**546**	**1,202**	**395**
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase in cash and cash equivalents		**546**	**1,202**	**395**
Opening cash and cash equivalents		27,287	27,361	26,966
Closing cash and cash equivalents	7	**27,833**	**28,563**	**27,361**

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 2023

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Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

1. INFORMATION ON THE ALPHA DISTRIBUTION MINISTERIAL HOLDING CORPORATION

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

- to hold on behalf of the State, assets, rights and liabilities acquired 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 acquired a 16.8 per cent interest in Ausgrid from Australian Super and became an investor in the Ausgrid network and party to the Long-Term Ausgrid network lease.

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.

Going concern

The ADMHC's financial statements have been prepared on a going concern basis. It is expected that the Corporation has adequate cash holdings and cash inflows to continue operations for the foreseeable future. If required, the State will provide the necessary financial support to ADMHC to meet its debts as and when they become due and payable through the annual State Budget and the Appropriation Bill when required. Section 6.21 (2) and (5) of the GSF Act states that the Treasurer may provide funding to or repay debts of ADMHC (being a GSF agency) if required.

The ADMHC has not received grant funding from Treasury, which receives appropriations from the Consolidated Fund, in financial year 2022-23 and is not expected to do so in the 2023-24 budget year. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until September 2023 and is not expected to impact ADMHC's ability to continue as a going concern.

Statement of compliance

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

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

i. Effective for the first time in FY2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year.

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

ii. Issued but not yet effective

As mandated by NSW Treasury Policy and Guidelines TPG23-04 *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)

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2021-2 *Amendments to Australian Accounting Standard – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative for annual periods beginning on or after 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).
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024).
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024).
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024).

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2023

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

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 Benefits 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

	2023 $'000	2022 $'000
Superannuation - defined benefit expense	343	228
Lease outgoing expenditures	7,288	8,584
Administrative charge	188	182
Audit fees - audit of financial statements	64	56
Total	**7,883**	**9,050**

5. REVENUE

(a) Investment revenue		
Interest income	823	46
Finance income on the net investment in the lease (i)	10,566	10,597
	11,389	**10,643**
(b) Contract service revenue		
Lease outgoing recoupment (ii)	7,288	8,584
Contract service income (iii)	611	581
	7,899	**9,165**
Total revenue	**19,288**	**19,808**

(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 obligations are specified under the enforceable network lease contract.

6. GAINS/(LOSSES) ON DISPOSAL

	2023 $'000	2022 $'000
Loss on disposal of assets for which finance lease is entered into as a lessor	(9,096)	(13,276)
	(9,096)	**(13,276)**

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	28,563	27,361
Total	**28,563**	**27,361**

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)	28,563	27,361

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

8. RECEIVABLES

Current		
GST receivable	24	23
Total	**24**	**23**

The net amount of GST recoverable from the ATO is included within GST receivable. Details regarding credit risk, liquidity risk and market risk, including the financial assets that are either past due or impaired, are disclosed in Note 18.

9. OTHER FINANCIAL ASSETS

	2023 $'000	2022 $'000
Non-current		
Finance lease receivable (i)	165,489	164,019
Total	**165,489**	**164,019**

(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 $54.5 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 (2022: $10.6 million) was recognised in the year (refer to Note 5(a)).

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

The lease contains three clauses:

1. any improvements made by the lessee to the existing land, or acquisition of additional land for network use are treated as transactions by the ADMHC. However, the State does not benefit from these improvements during the term of the lease as all risks and rewards are with the lessee;
2. acquisitions or the lease of additional land by the lessee are subject to an option which allows the ADMHC to acquire or lease the additional land for nominal consideration with nil rentals. As an option to buy non-financial items that will not be settled net in cash, the option has been classified as an executory contract which will only be accounted for on exercise; and
3. the ADMHC has the option to extend the lease for a further 99 years at expiration of the current lease or allow the current lease to expire. Such notice must be given 10 years prior to the end of the lease term. The lease extension is not factored into the current calculation as exercise is not certain at this stage.

Reconciliation of net investment in lease

Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	54,497,846	57,510,291
Less: unearned finance income	54,332,357	57,346,272
Net investment in finance leases	**165,489**	**164,019**

Reconciliation of unguaranteed residual amounts (undiscounted)

Opening balance	57,510,291	62,233,475
Less disposal - partial surrender of the lease	(3,012,445)	(4,723,184)
Closing balance	**54,497,846**	**57,510,291**

10. PAYABLES

	2023	2022
Current	**$'000**	**$'000**
Accruals	50	46
Total	**50**	**46**

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))	8,820	9,276
Total	**8,820**	**9,276**

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

12. UNFUNDED SUPERANNUATION

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

Significant events

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

On 12 May 2023 the defined benefit plan that remained with the ADMHC was transferred from the Energy Industries Superannuation Scheme (EISS) to the Construction and Building Unions Superannuation Fund (Cbus) by way of a successor fund transfer. As a result, all EISS members as at 12 May 2023 are now members of Cbus. The Trustee of Cbus is United Super Pty Ltd. Mercer continues to be the Actuary for the defined benefit plans transferred from EISS to Cbus. Aside from the transfer of EISS to Cbus, there were no fund amendments, curtailments or settlements during the year.

Nature of benefits

The defined benefit members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. A component of the defined benefit member's final benefit is derived from a multiple of salary and years of membership. The defined benefit members were members of Pool B of EISS, which in turn comprised Divisions B, C and D. A similar structure has been set up under Cbus. These Divisions are closed to new members except for members of eligible schemes who can transfer their entitlements into Cbus.

Disclosures below are prepared in relation to defined benefit superannuation members formerly part of EISS Divisions B, C and D only, which are now Cbus members. The Cbus fund that has now assumed the liability of these former Divisions is referred to as "the Fund" hereafter.

12. UNFUNDED SUPERANNUATION (continued)

Regulatory framework

The former EISS scheme was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees of certain Energy Industries bodies in NSW. Following legislative amendment contained in the Treasury and Energy Legislation Amendment Act 2022 and making of the Superannuation Administration (Cbus Transitional Provisions) Regulation 2022 all EISS members were transferred to Cbus in May 2023. The former EISS scheme is regulated primarily by the Superannuation Industry (Supervision) Act 1993 (Cth) ("the SIS legislation"), and some provisions of the Superannuation Administration Act 1996 (NSW) also apply to it.

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.

EISS had previously received an APRA exemption from conducting annual actuarial valuations and consequently was able to conduct triennial valuations. The last EISS triennial valuation was conducted as at 30 June 2021. APRA has, however, determined that Cbus is required to conduct annual actuarial valuations, at least for the foreseeable future. The first valuation under Cbus will be performed as at 30 June 2023.

Governance

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

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

Risks

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

- Investment risk - The risk that investment returns will be lower than assumed and the employers will need to increase contributions to offset this shortfall.
- Longevity risk - The risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested by Cbus and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

12. UNFUNDED SUPERANNUATION (continued)

	2023	2022
Member Numbers		
Contributors	-	-
Deferred benefits	1	1
Pensioners	110	113

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

	2023 $'000	2022 $'000
Net interest	343	228
Total net expense	**343**	**228**

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

	2023	2022
Actuarial gains/(losses) on liabilities	(1,344)	12,086
Actuarial gains/(losses) on assets	2,143	(5,905)
Total actuarial gains/(losses)	**799**	**6,181**

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

	2023	2022
Net asset/(liability) at the beginning of the year	(9,276)	(15,229)
Net interest income/(expense) on the net defined benefit asset/(liability)	(343)	(228)
Return on plan assets, excluding amounts included in interest expense/(income)	2,143	(5,905)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	(9,775)
Actuarial gains/(losses) arising from changes in financial assumptions	2,917	21,416
Actuarial gains/(losses) arising from liability experience	(4,261)	445
Net asset/(liability) at the end of the year	**(8,820)**	**(9,276)**

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

	2023	2022
Present value of defined benefit obligations at the beginning of the year	(83,043)	(98,087)
Interest income/(expense)	(2,979)	(1,438)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	(9,775)
Actuarial gains/(losses) arising from changes in financial assumptions	2,917	21,416
Actuarial gains/(losses) arising from liability experience	(4,261)	445
Benefits paid	4,440	4,154
Taxes, premiums and expenses paid	215	242
Present value of defined benefit obligations at the end of the year	**(82,711)**	**(83,043)**

12. UNFUNDED SUPERANNUATION (continued)

(v) Reconciliation of the fair value of fund assets

	2023 $'000	2022 $'000
Fair value at the beginning of the year	73,767	82,858
Interest income/(expense)	2,636	1,210
Actual return on fund assets less interest income	2,143	(5,905)
Benefits paid	(4,440)	(4,154)
Taxes, premiums and expenses paid	(215)	(242)
Fair value at the end of the year	**73,891**	**73,767**

Fair value of fund assets

Previously all EISS Division B, C and D assets were held in Pool B of EISS. Pool B, in turn, held units invested in the Energy Investment Fund, a pooled superannuation trust. As such, assets were 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.

	2023	2022
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,794,453	1,766,548
Level 3 - Unobservable inputs	-	-
Total	**1,794,453**	**1,766,548**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi-government and corporate bonds and unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

Alpha Distribution Ministerial Holding Corporation

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12. UNFUNDED SUPERANNUATION (continued)

Some of the Fund's 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 investment asset allocation decision. The percentage invested in each asset class at the end of the reporting period is:

Asset Category	30 June 2023	30 June 2022
Alternatives	13%	15%
International equities	23%	20%
Australian equities	14%	14%
Infrastructure	10%	12%
Property	16%	17%
Private equity	3%	3%
Cash	10%	9%
Fixed income	11%	10%
Total	**100%**	**100%**

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

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

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

12. UNFUNDED SUPERANNUATION (continued)

Significant actuarial assumptions at the end of the reporting period

	2023	2022
Discount rate	4.07% p.a.	3.69% p.a.
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	6.65% for 2023/24, 3.5% for 2024/25, 3% for 2025/26, then 2.5% p.a.	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.
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 investigation 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 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.

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 2023

	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	4.07% p.a.	3.07% p.a.	5.07% p.a.
Rate of CPI increase	as above	as above	as above
Defined benefit obligation ($'000)	82,711	94,203	73,175
	Base case	**Scenario C +0.5% rate of CPI**	**Scenario D -0.5% rate of CPI**
Discount rate	4.07% p.a.	4.07% p.a.	4.07% p.a.
Rate of CPI increase	as above	as above +0.5% p.a.	as above -0.5% p.a.
Defined benefit obligation ($'000)	82,711	87,971	77,836
	Base case	**Scenario E Lower pensioner mortality rates***	**Scenario F Higher pensioner mortality rates****
Defined benefit obligation ($'000)	82,711	84,051	82,587

* Assumes the short-term pensioner mortality improvement factors for years 2021-2027 also apply for years after 2027.
** Assumes the long-term pensioner mortality improvement factors for years post 2027 also apply for years 2021 to 2027.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, 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 2022

	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	3.69% p.a.	2.69% p.a.	4.69% p.a.
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.

Asset/Liability matching strategies

The assets of the Fund 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 an actuarial review, which were done in the past on a triennial basis. Funding arrangements were last reviewed following completion of the triennial actuarial 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*:

	2023 $'000	2022 $'000
Net market value of Fund assets	73,891	73,767
Accrued benefits	(63,032)	(65,507)
Net surplus	**10,859**	**8,260**

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12. UNFUNDED SUPERANNUATION (continued)

Please note that the above AASB 1056 *Superannuation Entities* results are based on the financial assumptions used for the 30 June 2022 annual funding update. 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:

	2023	2022
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	2023	2022
Expected rate of return on Fund assets backing current pension liabilities	6.1%	5.3%
Expected rate of return on Fund assets backing other liabilities	6.1%	5.3%
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.5% p.a.	2.2% p.a.

Expected contributions

As at 30 June 2023

	$'000
Expected employer contributions to be paid in the period 1 July 2023 to 30 June 2024	-

As at 30 June 2022

	$'000
Expected employer contributions to be paid in the period 1 July 2022 to 30 June 2023	-

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12 years (2022: 14 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 uncertain economic environment with high inflation and increasing interest rates, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 *Employee Benefits* Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

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

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on the Fund's assets in current financial conditions, sensitivities to this assumption for the AASB 1056 results in the table below (results for 2022 shown for comparative purposes).

2023	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets	6.1% p.a.	5.6% p.a.	6.6% p.a.
Rate of CPI increase	2.5% p.a.	2.5% p.a.	2.5% p.a.
Accrued Benefits ($000)	63,032	66,131	60,167
2022	**Base case**	**Scenario A -0.5% discount rate**	**Scenario B +0.5% discount rate**
Expected rate of return on Fund assets	5.3% p.a.	4.8% p.a.	5.8% p.a.
Rate of CPI increase	2.2% p.a.	2.2% p.a.	2.2% p.a.
Accrued Benefits ($000)	65,507	68,946	62,339

13. CONTRACT LIABILITIES

	2023 $'000	2022 $'000
Current contract liabilities		
Unearned revenue	262	245
Total	**262**	**245**

	2023	2022
Contract liabilities reconciliation		
Opening balance	245	238
Contract service invoiced/received	628	588
Revenue recognised upon performance obligation fulfilled	(611)	(581)
Closing balance	**262**	**245**

	2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the year	245	238
Revenue recognised from performance obligation satisfied in previous periods	-	-
Transaction price allocated to the remaining performance obligations from the contract with customers	262	245

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 2023-24 financial year.

14. COMMITMENTS

The ADMHC does not have capital expenditure commitments as at the reporting date (2022: 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. This matter is still ongoing.

Other than the matter above, there are no other contingent assets or contingent liabilities as at 30 June 2023 (2022: 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 2023 ADMHC made a net operating profit of $2.3 million which was $9.2 million lower than the budget due to loss incurred on land disposals in 2023, mainly resulting from the surrender of properties transferred to Ausgrid's newly created Aurora Property Partnership. The Aurora Property Partnership was established to hold surplus properties held by the Ausgrid group. The properties transferred to the Aurora Property Partnership were surrendered from the Ausgrid distribution lease.

Operating expenses of $7.9 million and total revenue of $19.3 million were $1.5 million and $1.6 million below the budget respectively, due to lower lease outgoing expenses and recoupment as a result of significant property sales, which net off.

Other comprehensive income of $0.8 million is $8.9 million lower than budget. The $0.8 million actuarial gains on superannuation liabilities are driven by the following:

- Actuarial gains on superannuation liabilities of $2.9 million driven by an increase in the discount rate to 4.1 per cent (2022: 3.7 per cent) and increment on inflation assumptions.
- Actuarial loss on superannuation liabilities of $4.3 million driven by a change on liability experience.
- Investment gains of $2.2 million on fund assets.

Assets and Liabilities

Net assets for the year were $184.9 million, $23.5 million lower than the budget.

Total assets were $194.1 million and $17.7 million below the budget mainly due to the unanticipated land disposal in 2023 noted above.

There has been an increase in the total liabilities of $5.8 million compared to budget, mainly due to a higher than expected opening balance of superannuation liabilities in 2023, resulting from less actual actuarial gains in 2022.

Cash flows

The actual net cash flows from operating activities resulted in an inflow of $1.2 million, $0.7 million above the budgeted net operating cash flows.

Cash and cash equivalents held at reporting date was $28.6 million, $0.7 million above budget. This is mainly due to higher interest revenue on cash deposits as a result of higher interest rates.

The ADMHC's activities are shown as "Fiscal Planning, Reporting and Performance Management" program group and aggregated in the State Budget outcomes.

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash Flows from Operating Activities to Net Result

	2023 $'000	2022 $'000
Net cash flow from operating activities	1,202	395
Adjustments for non-cash items		
Gains/(losses) on disposal of assets	(9,096)	(13,276)
Superannuation actuarial (gains)/losses	(799)	(6,181)
Finance lease income	10,566	10,597
Net changes in assets and liabilities during the financial year		
(Decrease)/increase in receivables	1	(2)
Decrease/(increase) in payables	(4)	4
Decrease in provisions	456	5,953
(Increase) in contract liabilities	(17)	(8)
Net result	**2,309**	**(2,518)**

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	2023 $'000	2022 $'000
Financial Assets				
Cash and cash equivalents	7	N/A	28,563	27,361
Receivables	8	Amortised cost	-	-
Financial Liabilities				
Payables	10	Financial liabilities measured at amortised cost	50	46

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

18. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Overview

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

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

As at 30 June 2023, the ADMHC has exposure to the following risks:

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

Credit Risk

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

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

Cash

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

Receivables

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

The ADMHC applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historic loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

Market risk

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

The effect on the ADMHC's net result and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +1 / -1 per cent is used (FY2022: +1.5 / -0.5 per cent).

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.

2023		-1%		+1%	
	Carrying amount $'000	Net result $'000	Equity $'000	Net result $'000	Equity $'000
Cash and cash equivalents	28,563	(286)	(286)	286	286
2022		**-0.5%**		**+1.5%**	
	Carrying amount $'000	Net result $'000	Equity $'000	Net result $'000	Equity $'000
Cash and cash equivalents	27,361	(137)	(137)	410	410

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.

	Weighted average effective interest rate	Nominal amount	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2023								
Payables	-	50	-	-	50	50	-	-
Total financial liabilities	-	**50**	-	-	**50**	**50**	-	-
2022								
Payables	-	46	-	-	46	46	-	-
Total financial liabilities	-	**46**	-	-	**46**	**46**	-	-

Alpha Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

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 $207,232 inclusive of GST (2022: $200,099) 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 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

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

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

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.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Epsilon Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

Epsilon Distribution Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

STATEMENT BY THE ACCOUNTABLE AUTHORITY

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

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

Michael Coutts-Trotter

Secretary

30 October 2023

Epsilon Distribution Ministerial Holding Corporation

Statement of Comprehensive Income as at 30 June 2023

	Notes	Budget 2023 $000	Actual 2023 $000	Restated Actual 2022 $000
Expenses excluding losses				
Operating expenses	4	2,538	2,974	2,734
Total expenses excluding losses		**2,538**	**2,974**	**2,734**
Revenue				
Investment revenue	5(a)	2,145	2,347	1,990
Contract service revenue	5(b)	2,854	3,072	2,957
Total Revenue		**4,999**	**5,419**	**4,947**
Gains/(losses) on disposal	6	-	(19)	(1,741)
Net result		**2,461**	**2,426**	**472**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent periods				
Superannuation actuarial gains/(losses)	15(ii)	4,756	1,505	802
Total other comprehensive income		**4,756**	**1,505**	**802**
Total comprehensive income		**7,217**	**3,931**	**1,274**

The accompanying notes form part of these financial statements.

Epsilon Distribution Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2023

	Notes	Budget 2023 $000	Actual 2023 $000	Restated Actual 2022 $000
Assets				
Current assets				
Cash and cash equivalents	7	10,762	10,391	10,397
Receivables	8	-	707	-
Total current assets		**10,762**	**11,098**	**10,397**
Non-current assets				
Other financial assets	9	34,718	33,238	31,217
Total non-current assets		**34,718**	**33,238**	**31,217**
Total assets		**45,480**	**44,336**	**41,614**
Liabilities				
Current liabilities				
Payables	10	81	92	84
Contract liabilities	11	561	613	571
Total current liabilities		**642**	**705**	**655**
Non-current liabilities				
Provisions	12	407	5,401	6,660
Total non-current liabilities		**407**	**5,401**	**6,660**
Total liabilities		**1,049**	**6,106**	**7,315**
Net assets		**44,431**	**38,230**	**34,299**
Equity				
Accumulated funds		44,431	38,230	34,299
Total equity		**44,431**	**38,230**	**34,299**

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 2023

	Notes	Restated Accumulated funds $000	Restated Total equity $000
Balance at 1 July 2022		**34,299**	**34,299**
Net result for the year		2,426	2,426
Other comprehensive income			
Superannuation actuarial gains/(losses)	15(ii)	1,505	1,505
Total other comprehensive income		1,505	1,505
Total comprehensive income for the year		**3,931**	**3,931**
Balance at 30 June 2023		**38,230**	**38,230**
Balance at 1 July 2021		**33,025**	**33,025**
Net result for the year		472	472
Other comprehensive income			
Restated superannuation actuarial gains/(losses)	15(ii)	802	802
Total other comprehensive income		802	802
Total comprehensive income for the year		**1,274**	**1,274**
Balance at 30 June 2022		**34,299**	**34,299**

The accompanying notes form part of these financial statements.

Epsilon Distribution Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2023

	Notes	Budget 2023 $000	Actual 2023 $000	Actual 2022 $000
Cash flows from operating activities				
Employee Related		(14)	-	-
Suppliers for goods and services		(2,536)	(1,188)	(499)
Total Payments		**(2,550)**	**(1,188)**	**(499)**
Receipts				
Sale of goods and services		2,872	875	854
Interest received		91	307	17
Total Receipts		**2,963**	**1,182**	**871**
Net cash flows from operating activities	14	**413**	**(6)**	**372**
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		**413**	**(6)**	**372**
Opening cash and cash equivalents		10,349	10,397	10,025
Closing cash and cash equivalents	7	**10,762**	**10,391**	**10,397**

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 2023

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Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

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 (AAS) (which include 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.

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.

Going concern

The EDMHC's financial statements have been prepared on a going concern basis. It is expected that the EDMHC has adequate cash holdings and cash inflows to continue operations for the foreseeable future. If required, the State will provide the necessary financial support to EDMHC to meet its debts as and when they become due and payable through the annual State Budget and the Appropriation Bill when required. Section 6.21 (2) and (5) of the GSF Act states that the Treasurer may provide funding to or repay debts of EDMHC (being a GSF agency) if required.

EDMHC has not received grant funding from Treasury, which receives appropriations from the Consolidated Fund, in financial year 2022-23 and is not expected to do so in the 2023-24 budget year. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until October 2023 and is not expected to impact EDMHC's ability to continue as a going concern.

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.

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 FY2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year.

There were no new or amended standards commencing in FY22-23 which have a material impact on EDMHC. Management has assessed all new or revised accounting standards (including those issued but not yet effective) and has concluded these do not have a material impact on the financial statements of the EDMHC.

ii. Issued but not yet effective

As mandated by Policy and Guidelines TPG23-04 *Mandates of options and major policy decisions under Australian Accounting Standards*, EDMHC has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* (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).
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024).
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024).
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024).

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

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*.

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.

<u>Liabilities</u>

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 or when the payment is due (whichever is earlier) and is reduced by the amounts recognised as contract service income which is allocated over time based on the straight-line labour input method.

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 Benefits 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 2023

4. OPERATING EXPENSES

	2023 $000	2022 $000
Superannuation - defined benefits expense	246	110
Lease outgoing expenditure	2,471	2,382
Administrative charge	188	182
Audit fees - audit of financial statements	69	60
Total	**2,974**	**2,734**

5. REVENUE

(a) Investment revenue		
Interest income	307	17
Finance income on the net investment in the lease (i)	2,040	1,973
	2,347	**1,990**
(b) Contract service revenue		
Lease outgoing recoupment (ii)	2,471	2,382
Contract service income (iii)	601	575
	3,072	**2,957**
Total revenue	**5,419**	**4,947**

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

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

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

6. GAINS/(LOSSES) ON DISPOSAL

Loss on disposal of assets for which finance leases are entered into as a lessor	(19)	(1,741)
Total	**(19)**	**(1,741)**

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

7. CASH AND CASH EQUIVALENTS

	2023 $000	2022 $000
Cash at bank	10,391	10,397
Total	**10,391**	**10,397**

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

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

Cash and cash equivalents (per Statement of Financial Position)	10,391	10,397
Closing cash and cash equivalents (per Statement of Cash Flows)	10,391	10,397

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

8. RECEIVABLES

Current		
Other receivables	707	-
Total	**707**	**-**

Details regarding credit risk, liquidity risk and market risk of the above receivables are disclosed in Note 13.

9. OTHER FINANCIAL ASSETS

Non-current		
Finance lease receivable (i)	33,238	31,217
Total	**33,238**	**31,217**

(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 (2022: $2.0 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 2023

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

Reconciliation of net investment in lease	**2023 $000**	**2022 $000**
Future undiscounted rentals receivable	-	-
Unguaranteed residual amounts - undiscounted	11,955,790	11,962,820
Less: unearned finance income	(11,922,552)	(11,931,603)
Net investment in finance leases	**33,238**	**31,217**
Reconciliation of unguaranteed residual amounts (undiscounted)		
Opening balance	11,962,820	12,649,961
Less disposal - partial surrender of the lease	(7,030)	(687,141)
Closing balance	**11,955,790**	**11,962,820**

10. PAYABLES

Current		
Accruals	53	48
GST payable	39	36
Total	**92**	**84**

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	613	571
Total	**613**	**571**

11. CONTRACT LIABILITIES (continued)

	2023 $'000	2022 $'000
Contract liabilities reconciliation		
Opening balance	571	547
Contract service invoiced/received	643	599
Revenue recognised upon performance obligation fulfilled	(601)	(575)
Closing balance	**613**	**571**
Revenue recognised that was included in the contract liability balance at the beginning of the year	571	547
Revenue recognised from performance obligation satisfied in pevious periods	-	-
Transaction price allocated to the remaining performance obligations from the contract with customers	613	571

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 FY2023-24.

12. PROVISIONS

	Actual 2023 $000	Restated Actual 2022 $000
Non-Current		
Superannuation Liability	5,401	6,660
Total	**5,401**	**6,660**

Refer to Note 15(iii) for more details. On completion of the Transaction on 13 June 2017, all provisions with the exception of the defined benefit superannuation balance relating to retired employees were disposed and transferred to the Endeavour Energy partnerships.

13. FINANCIAL INSTRUMENTS

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

			Carrying Amount	
	Note	Categories	2023 $000	2022 $000
Financial assets				
Cash and cash equivalents	7	N/A	10,391	10,397
Receivables [(i)]	8	Amortised cost	707	-
Financial liabilities				
Payables	10	Financial liabilities measured at amortised cost	53	48

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

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 2023, 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 -1.0 per cent and +1.0 per cent were used (FY2022: +1.5 / -0.5 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.

2023			-1.0%		+1.0%
	Carrying amount $'000	Net result $'000	Equity $'000	Net result $'000	Equity $'000
Cash and cash equivalents	10,391	(104)	(104)	104	104
2022			**-0.5%**		**+1.5%**
	Carrying amount $'000	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Cash and cash equivalents	10,397	(52)	(52)	156	156

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
2023								
Payables	-	53	-	-	53	53	-	-
Total financial liabilities	**-**	**53**	**-**	**-**	**53**	**53**	**-**	**-**
2022								
Payables	-	48	-	-	48	48	-	-
Total financial liabilities	**-**	**48**	**-**	**-**	**48**	**48**	**-**	**-**

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2023

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:

	2023 $000	Restated 2022 $000
Net cash flows from operating activities	(6)	372
Adjustments for non-cash items		
Superannuation actuarial (gains) / losses	(1,505)	(802)
Finance lease income	2,040	1,973
Gains / (losses) on disposal of assets	(19)	(1,741)
Net changes in assets and liabilities during the financial year		
(Decrease) / increase in receivables	707	(1)
Decrease / (increase) in payables	(8)	2
Decrease / (increase) in provisions	1,259	693
Decrease / (increase) in contract liabilities	(42)	(24)
Net result	**2,426**	**472**

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 superannuation defined benefit funds are provided by the funds' Actuary, Mercer Consulting (Australia) Pty Ltd.

Significant events

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

On 12 May 2023 the defined benefit plan that remained with the EDMHC was transferred from the Energy Industries Superannuation Scheme (EISS) to the Construction and Building Unions Superannuation Fund (Cbus) by way of a successor fund transfer. As a result, all EISS members as at 12 May 2023 are now members of Cbus. The Trustee of Cbus is United Super Pty Ltd. Mercer continues to be the Actuary for the defined benefit plans transferred from EISS to Cbus.

Aside from the transfer of EISS to Cbus, there were no fund amendments, curtailments or settlements during the year.

Nature of the benefits provided by the Fund

The defined benefit members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. A component of the defined benefit member's final benefit is derived from a multiple of salary and years of membership. The defined benefit members were members of Pool B of EISS, which in turn comprised Divisions B, C and D. A similar structure has been set up under Cbus. These Divisions are closed to new members except for members of eligible schemes who can transfer their entitlements into Cbus.

Disclosures below are prepared in relation to defined benefit superannuation members formerly part of EISS Divisions B, C and D only, which are now Cbus members. The Cbus fund that has now assumed the liability of these former Divisions is referred to as "the Fund" hereafter.

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Regulatory Framework

The former EISS scheme was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees of certain Energy Industries bodies in NSW. Following legislative amendment contained in the *Treasury and Energy Legislation Amendment Act 2022* and making of the *Superannuation Administration (Cbus Transitional Provisions) Regulation 2022* all EISS members were transferred to Cbus in May 2023. The former EISS scheme is regulated primarily by the *Superannuation Industry (Supervision) Act 1993* (Cth) ("the SIS legislation"), and some provisions of the *Superannuation Administration Act 1996* (NSW) also apply to it.

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.

EISS had previously received an APRA exemption from conducting annual actuarial valuations and consequently was able to conduct triennial valuations. The last EISS triennial valuation was conducted as at 30 June 2021. APRA has, however, determined that Cbus will be required to conduct annual actuarial valuations, at least for the foreseeable future. The first valuation under Cbus will be performed as at 30 June 2023.

Governance

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

- Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund's rules
- Management and investment of the Fund assets
- Compliance with other applicable regulations
- Compliance with the Trust Deed.

Risk exposure

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

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

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Member numbers	2023	2022
Contributions	-	-
Deferred benefits	2	2
Pensioners	91	91

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

	2023 $000	2022 $000
Net interest	(246)	(110)
Total net expense	**(246)**	**(110)**

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

	2023 $000	Restated 2022 $000
Actuarial gains/(losses) on liabilities	(117)	5,272
Actuarial gains/(losses) on assets	1,622	(4,470)
Total actuarial gains/(losses)	**1,505**	**802**

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

Net asset/(liability) at the beginning of the period	**(6,660)**	**(7,353)**
Net interest income/(expense) on the net defined benefit asset/(liability)	(246)	(110)
Return on plan assets, excluding amounts included in interest income	1,622	(4,470)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	(7,577)
Actuarial gains/(losses) arising from liability experience	(1,295)	(2,465)
Actuarial gains/(losses) arising from changes in financial assumptions	1,178	15,315
Net Asset/(Liability) at the end of the period	**(5,401)**	**(6,660)**

(iv) Reconciliation of the defined benefit obligation

Present value of defined benefit obligations at the beginning of the period	**(62,488)**	**(70,072)**
Benefits paid	3,399	3,154
Taxes, premiums and expenses paid	162	183
Interest income/(expense)	(2,240)	(1,026)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	(7,577)
Actuarial gains/(losses) arising from changes in financial assumptions	1,178	15,315
Actuarial gains/(losses) arising from liability experience	(1,295)	(2,465)
Present value of defined benefit obligations at the end of the period	**(61,284)**	**(62,488)**

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

(v) Reconciliation of the fair value of fund assets

	2023 $000	2022 $000
Fair value at the beginning of the period	**55,828**	**62,719**
Benefits paid	(3,399)	(3,154)
Taxes, premiums and expenses paid	(162)	(183)
Interest income/(expense)	1,994	916
Actual return on fund assets less interest income	1,622	(4,470)
Fair value at the end of the period	**55,883**	**55,828**

Fair value of fund assets

Previously all EISS Division B, C and D assets were held in Pool B of EISS. Pool B, in turn, held units invested in the Energy Investment Fund, a pooled superannuation trust. As such, assets were 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 previously held in EISS and as of 12 May 2023 are part of Cbus.

Energy Investment Fund

	2023 $000	2022 $000
Fair value of fund assets - Energy Investment Fund		
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,794,453	1,766,548
Level 3 - Unobservable inputs	-	-
Total	**1,794,453**	**1,766,548**

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 of the Fund's 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	**2023 %**	**2022 %**
Australian Equities	14	14
International Equities	23	20
Property	16	17
Private Equity	3	3
Infrastructure	10	12
Alternatives	13	14
Fixed Income	11	11
Cash	10	9
Total	**100**	**100**

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2023

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

	2023	2022
Discount rate	4.07% pa	3.69% p.a.
Expected salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI increase	6.60% for 2023/24, 4.75% for 2024/25, 3.00% for 2025/26, 2.75% for 2026/27, then 2.50% pa	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.
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 investigation 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 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.

Sensitivity analysis

The EDMHC's total defined benefit obligation as at 30 June 2023 under several scenarios is presented below. Scenarios A to D relate to sensitivity of the total defined benefit obligation to economic assumptions, while scenarios E and F relate to sensitivity to demographic assumptions.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

As at 30 June 2023

	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	4.07% p.a.	3.07% pa	5.07% pa
Rate of CPI increase	as above	as above	as above
Defined benefit obligation ($000)	61,284	69,508	54,565
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	4.07% p.a.	4.07% p.a.	4.07% p.a.
Rate of CPI increase	as above	as above + 0.5% pa	as above - 0.5% pa
Defined benefit obligation ($000)	61,284	65,056	57,780
	Base Case	**Scenario E Lower pensioner mortality rates***	**Scenario F Higher pensioner mortality rates****
Defined benefit obligation ($000)	61,284	62,233	61,183

* Assumes short-term pensioner mortality improvement factors for the years 2021 to 2027 also apply for the years after 2027.

** Assumes long-term pensioner mortality improvement factors for the years post 2027 also apply for the years 2021 to 2027.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, while retaining all other 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)	62,488	71,067	55,347
	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)	62,488	66,707	58,584
	Base Case	**Scenario E Lower pensioner mortality rates***	**Scenario F Higher pensioner mortality rates****
Defined benefit obligation ($000)	62,488	63,319	61,777

* 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.

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Asset – liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of an actuarial review, which were done in the past on a triennial basis. Funding arrangements were last reviewed following completion of the triennial actuarial 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*

	2023 $000	2022 $000
Accrued benefits	(46,517)	(47,946)
Net market value of Fund assets	55,883	55,828
Net surplus	**9,366**	**7,882**

Please note that the above AASB 1056 results are based on the financial assumptions used for the 30 June 2022 annual funding update. 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

	2023	2022
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.

	2023	2022
Expected rate of return on fund assets backing current pension liabilities	6.1% pa	5.3% p.a.
Expected rate of return on fund assets backing other liabilities	6.1% pa	5.3% p.a.
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.5% pa	2.2% p.a.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2023

15. SUPERANNUATION – DEFINED BENEFITS PLAN (continued)

Expected contributions

As at 30 June 2023

	$'000
Expected employer contributions to be paid in the period 1 July 2023 to 30 June 2024	-

As at 30 June 2022

	$'000
Expected employer contributions to be paid in the period 1 July 2022 to 30 June 2023	-

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 11 years (2022: 13 years).

Nature of asset/liability

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

Sensitivity analysis

In light of the current uncertain economic environment of high inflation and increasing interest rates, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 *Employee Benefits* Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

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

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on the Fund's assets in current financial conditions, sensitivities to this assumption for the AASB 1056 results in the table below (results for 2022 shown for comparative purposes).

2023	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	6.1% pa	5.6% pa	6.6% pa
Rate of CPI increase	2.5% pa	2.5% pa	2.5% pa
Accrued Benefits ($000)	46,517	48,731	44,465
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% pa	4.8% pa	5.8% pa
Rate of CPI increase	2.2% pa	2.2% pa	2.2% pa
Accrued Benefits ($000)	47,946	50,387	45,693

16. COMMITMENTS

The EDMHC does not have capital expenditure commitments as at the reporting date (2022: 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 (2022: 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 2023, EDMHC made a net profit of $2.4 million which was in line with the budget.

Operating expenses of $3.0 million was $0.4 million above the budget. Total revenue of $5.4 million was $0.4 million above the budget, due to increased interest income from cash rate increases and higher lease outgoing expenses.

Other comprehensive income of $1.5 million is $3.3 million lower than budget, mainly due to changes in financial assumptions and actual return on Fund assets less interest income. The $1.5 million actuarial gains on superannuation liabilities are driven by the following:

- Actuarial gains on superannuation liabilities of $1.2 million driven by and an increase in the discount rate to 4.07 per cent (2022: 3.7 per cent) and increment on inflation assumptions.
- Actuarial losses on superannuation liabilities of $1.3 million (2022: $2.5 million loss) driven by a deterioration of liability experience.
- There was no actuarial loss on superannuation liabilities (2022: $7.6 million loss) driven by a change in demographic assumption.
- Investment profit of $1.6 million (2022: $4.5 million loss) on fund assets.

Assets and Liabilities

Net assets for the year were $38.2 million, $6.2 million lower than the budget.

Total assets were $44.3 million and $1.1 million below the budget mainly due to the unanticipated land disposal in 2022 after the 2023 budget was prepared.

There was an increase in the total liabilities of $5.1 million compared to budget. This is mainly attributable to increases in the superannuation liabilities driven by higher inflation assumptions.

Cash flows

The actual net cash flows from operating activities and cash held at reporting date was $0.4 million below budget mainly due to the timing of the annual rent payment being made in July 2023 instead of June 2023.

The EDMHC's activities are shown as "Fiscal Planning, Reporting and Performance Management" program group and aggregated in the State Budget outcomes.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

19. CORRECTION OF PRIOR PERIOD ERRORS

EDMHC's actuary identified a prior period error in the FY2021-22 calculation of defined benefit superannuation relating to an omission of an expense loading of 3.4% applied on deferred and pension liabilities. The 3.4% expense loading is for the administration costs of managing the pensions, and the omission of this has resulted in the defined benefit net liability being understated.

As this error was made in the prior period, the Statement of Comprehensive Income as at 30 June 2022 was restated as follows:

	30 June 2022 Actual $'000	30 June 2022 Correction of prior period error $'000	30 June 2022 Restated Actual $'000
Other comprehensive income			
Superannuation actuarial gains/(losses)	3,181	(2,379)	802
Total other comprehensive income	**3,181**	**(2,379)**	**802**
Total comprehensive income	**3,653**	**(2,379)**	**1,274**

The Statement of Financial Position for the year ended 30 June 2022 was restated as follows:

	30 June 2022 Actual $'000	30 June 2022 Correction of prior period error $'000	30 June 2022 Restated Actual $'000
Non-Current Liabilities			
Provisions	4,281	2,379	6,660
Total Non-Current Liabilities	**4,281**	**2,379**	**6,660**
Total Liabilities	**4,936**	**2,379**	**7,315**
Net Assets	**36,678**	**(2,379)**	**34,299**
Equity			
Accumulated funds	36,678	(2,379)	34,299
Total Equity	**36,678**	**(2,379)**	**34,299**

20. 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.

Epsilon Distribution Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

20. RELATED PARTIES (continued)

(c) Transactions with related parties

Transactions with KMP

The EDMHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP are required to complete annual declarations in relation to the related party transactions. 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 $207,232 inclusive of GST (2022: $200,099) and is shown as an administrative charge exclusive of GST in Note 4.

21. 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 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

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

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

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.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

Electricity Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

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.

Michael Coutts-Trotter
Secretary

30 October 2023

Electricity Assets Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
Expenses				
Operating expenses	3	1,736	655	3,786
Grants and subsidies	4	12,059	10,500	6,700
Finance costs	10	20	638	(7)
Total expenses		**13,815**	**11,793**	**10,479**
Revenue				
Investment revenue	5	1,019	3,696	231
Contract revenue	6	166	351	285
Other revenue	6	-	(116)	1,924
Total revenue		**1,185**	**3,931**	**2,440**
Net result		**(12,630)**	**(7,862)**	**(8,039)**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**(12,630)**	**(7,862)**	**(8,039)**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
ASSETS				
Current assets				
Cash and cash equivalents	7	116,521	123,823	134,215
Receivables	8	758	811	441
Total current assets		**117,279**	**124,634**	**134,656**
Non-current assets				
Receivables	8	2,634	3,057	3,276
Total non-current assets		**2,634**	**3,057**	**3,276**
Total assets		**119,913**	**127,691**	**137,932**
LIABILITIES				
Current liabilities				
Payables	9	65	81	83
Provision for outstanding claims	10	4,358	4,398	5,151
Total current liabilities		**4,423**	**4,479**	**5,234**
Non-current liabilities				
Provision for outstanding claims	10	40,461	45,244	46,868
Total non-current liabilities		**40,461**	**45,244**	**46,868**
Total liabilities		**44,884**	**49,723**	**52,102**
Net assets		**75,029**	**77,968**	**85,830**
Equity				
Accumulated funds		75,029	77,968	85,830
Total equity		**75,029**	**77,968**	**85,830**

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 2023

	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2022	**85,830**	**85,830**
Net result for the year	(7,862)	(7,862)
Other comprehensive income	-	-
Total comprehensive income for the year	**(7,862)**	**(7,862)**
Balance at 30 June 2023	**77,968**	**77,968**
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**

The accompanying notes form part of these financial statements.

Electricity Assets Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
Cash flows from operating activities				
Payments				
Claim payments	10	(4,419)	(2,952)	(4,000)
Grants and subsidies	4	(12,059)	(10,500)	(6,700)
Other		(1,374)	(1,226)	(1,216)
Total payments		**(17,852)**	**(14,678)**	**(11,916)**
Receipts				
Interest received	5	1,019	3,696	231
Other		842	590	2,839
Total receipts		**1,861**	**4,286**	**3,070**
Net cash flows used in operating activities	11	**(15,991)**	**(10,392)**	**(8,846)**
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net (decrease)/increase in cash		**(15,991)**	**(10,392)**	**(8,846)**
Opening cash and cash equivalents		132,512	134,215	143,061
Closing cash and cash equivalents	7	**116,521**	**123,823**	**134,215**

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 2023

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Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

1. ELECTRICITY ASSETS MINISTERIAL HOLDING CORPORATION INFORMATION

The Electricity Assets Ministerial Holding Corporation (EAMHC) was established on 5 June 2012 by the *Electricity Generator Assets (Authorised Transactions) Act 2012* (the Act). The Act authorises and provides for the transfer of the State's electricity generator assets to the private sector and between public sector agencies.

The Act also establishes the EAMHC to hold electricity generator assets acquired by it or transferred to it by or under this Act or any other Act, and to carry on any activities or business that relate to any electricity generator assets held by it, including demanding, collecting, and receiving charges, levies, rates and fees, and such other functions for the purposes of an authorised transaction as may be prescribed by the regulations. The EAMHC may, for the purposes of an authorised transaction, acquire certain land by agreement or by compulsory process in accordance with the *Land Acquisition (Just Terms Compensation) Act 1991*.

On 31 July 2013, the Treasurer authorised the transfer of specific assets, rights and liabilities relating to the pre-existing dust disease and non-dust disease liabilities from Eraring Energy, Delta Electricity and Macquarie Generation to the EAMHC. The EAMHC appointed Insurance and Care NSW (icare) to undertake the claims management functions. From 2015, the residual assets, rights and liabilities of the Green State Power (GSP), Macquarie Generation and Delta Electricity Vales Point power station were vested in the EAMHC through various vesting orders. On 21 November 2016, the State dissolved Delta Electricity, and established a general government sector transaction company in the name of Generator Property Management Pty Ltd (GPM) to carry out the demolition and remediation work of the Delta Electricity Munmorah power station. The residual assets, rights and liabilities of Delta Electricity were vested to the EAMHC and GPM. *Electricity Generator Assets (Authorised Transactions) Regulation 2016* provide the EAMHC with additional functions under the Act to provide funding to the GPM and carry out residual entity business transactions.

The EAMHC is a NSW Government entity and is controlled by the State of New South Wales, which is the ultimate parent. The EAMHC is a not-for-profit entity (as profit is not its principal objective). Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

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 except 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* states that the Treasurer may provide funding to EAMHC in any way that the Treasurer considers appropriate.

The EAMHC has not received grant funding from Treasury, which receives appropriations from the Consolidated Fund, in financial year 2022-23 and is not expected to do so in the 2023-24 budget year. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until September 2023 and is not expected to impact EAMHC's ability to continue as a going concern.

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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i. Effective for the first time in FY2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year.

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

ii. Issued but not yet effective

As mandated by NSW Treasury Policy and Guidelines TPG23-04 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, EAMHC has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024).
- AASB 2021-2 *Amendments to Australian Accounting Standard – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative for annual periods beginning on or after 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).
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024).
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024).
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* (operative date 1 July 2026).
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024).

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 credit term.

Other revenue

Recovery revenue

Recovery revenue is insurance recoveries in respect of the claims paid. It is recognised as revenue when it is virtually certain that recovery will be made. Claim recovery revenue also includes actuarial revisions to the outstanding claim recoveries receivable.

Other revenue

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

Investment revenue

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

EXPENSES

Expenses are recognised when incurred.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating expenses

Claims expenses

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

Management Fees

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

Other expenses

Other expenses are recognised as they accrue.

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

Grants and subsidies

Grants and subsidies expenses comprise of cash contributions provided to GPM. They are recognised as an expense when they are paid.

Finance costs

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

ASSETS

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 2023, the lifetime ECL is $Nil (2022 - $ 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 Benefits Tax and the Goods and Services Tax (GST).

Accounting for the Goods and Services Tax

Revenues, expenses, and assets are recognised net of the amount of GST, with the following exceptions:

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

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

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in the Note 14.

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

3. OPERATING EXPENSES

	Notes	2023 $'000	2022 $'000
Claims expenses			
Adjustment to existing outstanding claims[1]	10	(63)	3,154
		(63)	**3,154**
Management fees			
Management fees		231	129
		231	**129**
Other operating expenses			
Actuarial expenses		101	97
Audit fees - audit of financial statements		66	64
Data Warehouse		57	94
Administrative charge		188	182
Storage costs		33	26
Other		42	40
		487	**503**
Total operating expenses		**655**	**3,786**

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. In 2023, a decrease of approximately $2,400,000 in the outstanding claim liabilities led to an actuarial gain and overall negative claim expense amount.

4. GRANTS AND SUBSIDIES

Grants and subsidies		
Grants to GPM	10,500	6,700
	10,500	**6,700**

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

5. INVESTMENT REVENUE

Bank interest	3,696	231
	3,696	**231**

6. CONTRACT AND OTHER REVENUE

	2023 $'000	2022 $'000
Contract revenue		
Petroleum exploration royalty	351	285
	351	**285**
Other revenue		
Recovery revenue[1]	(116)	827
Insurance settlement[2]	-	1,097
	(116)	**1,924**

1. Includes actuarial revisions to the outstanding claim recoveries which represents an increase/(decrease) in the outstanding claim recoveries receivable. In 2023, a decrease of approximately $295,000 in the outstanding claim recoveries receivable led to an overall negative other revenue amount.

2. In 2022 the insurance settlement received was in respect of a fire incident at the GSP site due to a supplier negligence conduct.

7. CASH AND CASH EQUIVALENTS

Cash at bank	123,823	134,215
	123,823	**134,215**

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)	123,823	134,215
Closing cash and cash equivalents (per Statement of Cash Flows)	123,823	134,215

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

8. RECEIVABLES

	2023 $'000	2022 $'000
Receivables		
Expected future recoveries (discounted)	3,346	3,642
Petroleum exploration royalty	29	22
GST receivables	493	53
	3,868	**3,717**
Current	811	441
Non-current	3,057	3,276
	3,868	**3,717**

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

	2023 $'000	2022 $'000
Claims payable	24	23
Other	57	60
	81	**83**

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	2023 Total $'000	2022 Total $'000
Opening balance	46,361	5,658	52,019	52,873
Payments	(2,426)	(526)	(2,952)	(4,001)
Actuarial (gain)/loss	67	996	1,063	11,143
Change in the discount rate	(1,019)	(107)	(1,126)	(7,989)
Unwinding of discounts	511	127	638	(7)
Closing balance	**43,494**	**6,148**	**49,642**	**52,019**

	Dust Disease $'000	Non Dust Disease $'000	2023 Total $'000	2022 Total $'000
Current	3,672	726	4,398	5,151
Non-current	39,822	5,422	45,244	46,868
	43,494	**6,148**	**49,642**	**52,019**

(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 (2022: 7.17 – 8.9 years) for dust disease liabilities and 6.83 years (2022: 6.58 years) for non-dust disease liabilities.

(b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims.[1]

	Dust Disease		Non Dust Disease	
	2023 %	2022 %	2023 %	2022 %
Not later than one year				
Inflation rate	3.58 - 5.54	3.15 - 3.79	3.58 - 4.39	3.15 - 4.35
Discount rate	4.23 - 4.38	1.52 - 2.90	4.36	2.38
Superimposed inflation	1.50 - 2.00	1.50 - 2.00	-	-
Later than one year				
Inflation rate	2.93 - 4.17	2.50 - 3.49	2.43 - 3.45	2.00 - 2.96
Discount rate	3.78 - 4.95	3.10 - 4.17	3.79 - 4.95	3.34 - 4.16
Superimposed inflation	1.50 - 2.00	1.50 - 2.00	-	-

1. Source of information is derived from the PwC and Finity actuarial valuation of outstanding claims liability.

Sensitivity Analysis

The outstanding claims liabilities are the best estimate derived from actuarial assumptions regarding future experience. Sensitivity analysis can be used to measure the change in the outstanding claims estimate that would result from a change in the assumptions. Sensitivity analysis of the key valuation

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 2023

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		40,224		
Discount rate	+1%	37,190	-3,033	-7.6%
	-1%	43,724	3,501	8.7%
Inflation rate	+1%	43,696	3,472	8.7%
	-1%	37,155	-3,069	-7.6%
Superimposed inflation rate	+1%	43,709	3,486	8.7%
	-1%	37,144	-3,080	-7.7%
Seed Reports[2]	+1 claim	45,024	4,800	12.0%
	-1 claim	35,424	-4,800	-12.0%
Incidence Curves[3]	+15% IBNR claims	45,820	5,596	13.9%
	-15% IBNR claims	34,628	-5,596	-13.9%
Average Claim Size	+10%	43,954	3,731	9.3%
	-10%	36,493	-3,730	-9.3%

(b) 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%

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 2023

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		6,072		
Discount rate	+1%	5,694	-378	-6.2%
	-1%	6,495	423	7.0%
Inflation rate	+1%	6,496	424	7.0%
	-1%	5,686	-386	-6.4%
Reactivation[2]	+20%	6,324	251	4.1%
	-20%	5,821	-251	-4.1%
Life expectancy[3]	+5	7,773	1,701	28.0%
	-5	4,256	-1,816	-29.9%
IBNR seed reports	+100%	7,067	994	16.4%
	-50%	5,575	-497	-8.2%

(d) 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%

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 reactivations for periodic medical hearing aids replacement for people who suffer from industrial deafness. The liability projection has allowed explicitly for this risk. Two key assumptions underlying the projection are:

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

	2023 $'000	2022 $'000
Net cash flows from operating activities	**(10,392)**	**(8,846)**
Adjustments for:		
Decrease in provisions	2,377	854
Decrease / (increase) in payables	2	75
(Decrease) / increase in receivables	151	(122)
Net result	**(7,862)**	**(8,039)**

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 2023 $'000	Carrying amount 2022 $'000
Financial assets				
Cash and cash equivalents	7	N/A	123,823	134,215
Receivables[1]	8	Amortised cost	29	22
Financial liabilities				
Payables[2]	9	Financial liabilities measured at amortised cost	81	83

1. Excludes statutory receivables of $0.5 million (2022: $0.05 million) and expected recoveries receivable of $3.3 million (2022: $3.6 million) which are not within the scope of AASB 7 *'Financial Instruments'*.
2. There were no statutory payables (2022: Nil) which are excluded from the scope of AASB 7 *'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 2022. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

The following table provides the sensitivity analysis of interest rate risk affecting applicable financial assets on the operating result and equity of the EAMHC. A reasonably possible change of +1% to -1% (2022: +1.5% to -0.5%) is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

		$'000			
	Carrying amount $'000	-1% Net result $'000	-1% Equity $'000	+1% Net result $'000	+1% Equity $'000
2023					
Cash and cash equivalents	123,823	(1,238)	(1,238)	1,238	1,238
	Carrying amount $'000	**-0.5% Net result $'000**	**-0.5% Equity $'000**	**+1.5% Net result $'000**	**+1.5% Equity $'000**
2022					
Cash and cash equivalents	134,215	(671)	(671)	2,013	2,013

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

The EAMHC does not receive any collateral for receivables.

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

(c) Liquidity risk

Liquidity risk is the risk that the EAMHC will be unable to meet payment obligations when they fall due.

During the current and prior years, there were no defaults on payables. No assets have been pledged as collateral. The EAMHC's exposure to liquidity risk is deemed insignificant based on prior period data and the current assessment of risk.

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

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

			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
2023								
Payables	-	81	-	-	81	81	-	-
Total financial liabilities	**-**	**81**	**-**	**-**	**81**	**81**	**-**	**-**
2022								
Payables	-	83	-	-	83	83	-	-
Total financial liabilities	**-**	**83**	**-**	**-**	**83**	**83**	**-**	**-**

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

(d) Fair value measurement

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

Electricity Assets Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The EAMHC was set up to facilitate the transfer of the State's electricity generator assets to the private sector. On 15 November 2012, the New South Wales Government issued an announcement outlining its plan to dispose of the New South Wales electricity generators. In preparation for the sale, the Treasurer issued various vesting orders which transferred specific assets, rights and liabilities from Eraring Energy, Delta Electricity, GSP and Macquarie Generation to the EAMHC. The assets, rights and liabilities vested in the EAMHC have exposures to various contingent assets and contingent liabilities.

Contingent Assets

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

Sale of Macquarie Generation

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

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

Sale of Green State Power

Under the Sale and Purchase Agreement and vesting order effective from 8 December 2014, the EAMHC is liable for all present and future Workers Compensation and dust diseases claims by any employee, former employee of GSP or by any other Workers Compensation claimant in relation to their employment with or service provided to GSP prior to the sale. It is not reasonably possible to estimate the liabilities for future claims at the reporting date. However, in the event any claim arises, the EAMHC is able to recoup the cost of claims from a third-party insurer as the liabilities were insured by GSP and the insurance entitlement was also transferred to the EAMHC prior to the sale.

Contingent Liabilities

The EAMHC has exposures to the following contingent liabilities as at reporting date. It is not reasonably possible to estimate the liabilities at the reporting date.

Directors' indemnity deeds

Eraring Energy entered into directors' indemnity deeds with its directors and officers which indemnified the directors and officers from public liabilities and negligence claims. The deeds have been transferred to the EAMHC which exposes the EAMHC to potential future claims.

Sale of Green State Power

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

The EAMHC is also liable for liabilities associated with any formal dispute resolution proceeding and the termination of employees to which GSP is a party. There are no known claims at reporting date.

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 2023.

14. BUDGET REVIEW

Net result

The EAMHC's net result is a loss of $7.9 million and is $4.8 million favourable compared to budget due to recurrent funding provided to GPM lower than budgeted for the 2023 financial year and higher investment returns due to increased cash rates.

Total expenses were $2.0 million lower than budget mainly due to the following:

- The overall claim costs were $0.9 million lower than budget largely attributable to the change in actuarial assumptions associated with an increase in discount rate and decrease in average claim size. The decrements were partially offset by higher inflation which increases the outstanding claim costs.
- Recurrent funding to GPM for Munmorah power station demolition works were $1.6 million below the budget estimate.
- Finance cost was $0.6 million higher than budget mainly due to higher cash rates in the 2023 financial year which increased the interest costs on the outstanding claims liabilities.

Total revenue was $3.9 million which was $2.7 million higher than budget driven by higher interest income of $2.7 million due to cash rate increases.

Assets and Liabilities

Total assets for the year were $127.7 million which is $7.8 million higher than budget, contributed by:

- Higher cash balance of $7.3 million mainly due to $1.6 million lower grant funding provided to GPM, $2.7 million higher interest income received and $1.5 million lower claim payments than expected..

14. BUDGET REVIEW (continued)

- 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.

Total liabilities were $49.7 million and were $4.8 million higher than budget due to $4.8 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 $10.4 million, $5.6 million lower than budget.

Cash payments were $14.7 million and were $3.2 million lower than budget largely due to $1.6 million lower recurrent grant payments made to GPM and $1.5 million lower claim payments than expected. Cash receipts were $4.3 million and were higher than budget by $2.4 million contributed by higher interest income received in 2023.

Closing cash and cash equivalents were $123.8 million, $7.3 million higher than budget of $116.5 million.

Being a residual entity, the EAMHC's activities are shown as part of the "Fiscal Planning, Reporting and Performance Management" 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

15. RELATED PARTY DISCLOSURES (continued)

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 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 $207,232 inclusive of GST (2022: $200,099) and is shown as an administrative charge in Note 3.

The EAMHC has provided $10.5 million (2022: $6.7 million) cash funding to GPM to cover operational, demolition and remediation costs in 2023. 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 the 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 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

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

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

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.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

Electricity Transmission Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

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.

Michael Coutts-Trotter
Secretary

20 October 2023

Electricity Transmission Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Restated Actual 2022 $'000
Expenses excluding losses				
Employee related expenses	4	2,757	3,760	2,121
Other operating expenses	5(a)	2,291	2,618	1,110
Finance costs	5(b)	3	65	(1)
Total expenses excluding losses		**5,051**	**6,443**	**3,230**
Revenue				
Investment revenue	6	2,831	7,210	2,764
Contract service revenue	7(a)	3,297	2,422	2,454
Other Income	7(b)	-	1,001	-
Total revenue		**6,128**	**10,633**	**5,218**
Other gains/(losses)	8	-	(62)	-
Net result		**1,077**	**4,128**	**1,988**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent period				
Superannuation actuarial gains/(losses)	14(ii)	-	5,151	41,634
Total other comprehensive income		**-**	**5,151**	**41,634**
Total comprehensive income		**1,077**	**9,279**	**43,622**

The accompanying notes form part of these financial statements

Electricity Transmission Ministerial Holding Corporation

Statement of Financial Position as at 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Restated Actual 2022 $'000
Current Assets				
Cash and cash equivalents	9	154,523	157,892	153,115
Receivables	10	611	1,028	607
Total Current Assets		**155,133**	**158,920**	**153,722**
Non-Current Assets				
Receivables	10	1,261	1,686	1,766
Other financial assets	11	43,353	43,287	40,684
Total Non-Current Assets		**44,614**	**44,973**	**42,450**
Total Assets		**199,747**	**203,893**	**196,172**
Current Liabilities				
Payables	12	44	59	46
Provisions	13	989	996	989
Other liabilities	15(a)	56	54	53
Contract liabilities	15(b)	279	293	274
Total Current Liabilities		**1,367**	**1,402**	**1,362**
Non-Current Liabilities				
Provisions	13	86,671	104,587	106,185
Total Non-Current Liabilities		**86,671**	**104,587**	**106,185**
Total Liabilities		**88,038**	**105,989**	**107,547**
Net Assets		**111,709**	**97,904**	**88,625**
Equity				
Accumulated funds		111,709	97,904	88,625
Total Equity		**111,709**	**97,904**	**88,625**

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 2023

	Restated Accumulated funds $'000	Restated Total equity $'000
Balance at 1 July 2022	**88,625**	**88,625**
Net result for the year	**4,128**	**4,128**
Other comprehensive income		
Superannuation actuarial gains/(losses)	5,151	5,151
Total other comprehensive income	**5,151**	**5,151**
Total comprehensive income for the year	**9,279**	**9,279**
Balance at 30 June 2023	**97,904**	**97,904**
Balance at 1 July 2021	**45,003**	**45,003**
Net result for the year	**1,988**	**1,988**
Other comprehensive income		
Restated Superannuation actuarial gains/(losses)	41,634	41,634
Restated Total other comprehensive income	**41,634**	**41,634**
Restated Total comprehensive income for the year	**43,622**	**43,622**
Restated Balance at 30 June 2022	**88,625**	**88,625**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
Cash flows from operating activities				
Cash receipts from customers		3,885	3,611	3,696
Cash paid to suppliers and employees		(3,278)	(3,379)	(3,692)
Interest received	6	162	4,545	259
Net cash flows from operating activities	18	769	4,777	263
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase in cash and cash equivalents		769	4,777	263
Opening cash and cash equivalents		153,753	153,115	152,852
Closing cash and cash equivalents	9	**154,522**	**157,892**	**153,115**

The accompanying notes form part of these financial statements.

Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

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Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

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 (AAS) (which include 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. Discrepancies between totals and the sum of components reflect rounding.

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

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.

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The residual value in 99 years is estimated using an annual indexation of 4 percent. The present value of the lease is discounted at nominal pre-tax discount rate of 6.6 percent. Details regarding indexation and discount rate used are disclosed in Note 11.

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

Workers' Compensation Provision

The liability for workers' compensation is based on an independent actuarial assessment, supplemented by management considerations, to arrive at a best estimate of the expenditure required to settle present obligations at the end of the reporting period.

The expected future payments are estimated on the basis of the ultimate cost of the settling of claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Superimposed inflation is the growth in average claim size over time above normal wage and cost inflation. It includes trends in judicial precedents and increases in the costs of obtaining medical services.

The liability for claims includes:

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

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

Judgements, key assumptions and estimations management has made are disclosed in Note 13 Provision for Outstanding Claims.

Superannuation liabilities

The defined benefit superannuation valuation is performed annually by an independent actuary using the projected unit credit method. It is measured as the present value of the estimated future payments required to settle the defined benefit obligation at the reporting date less the fair value of plan assets. The expected future payments are estimated on the basis of ultimate cost to settle the superannuation obligations, which includes actuarial assumptions such as risk-free interest rate (discount rate), CPI, salary growth and pensioner mortality rates. Changes in assumptions relating to these factors could affect the superannuation valuation reported.

In calculating the superannuation funding requirements under the AASB 1056 *Superannuation Entities*, economic assumptions about the investment return on the superannuation fund assets and the expected CPI increment were made. As these assumptions are generally subject to a degree of uncertainty and are largely driven by the fluctuations in the financial market and economic cycles, the actual results may differ from the estimates. Details regarding assumptions and superannuation fund assets allocation are disclosed in Note 14.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

The financial statements have been prepared on a going concern basis. It is expected that the ETMHC has adequate cash holding and cash inflows to continue operations for the foreseeable future. If required, the State will provide the necessary financial support to ETMHC to meet its debts as and when they become due and payable through the annual State Budget and the Appropriation Bill. Section 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.

The ETMHC has not received grant funding from Treasury, which receives appropriations from the Consolidated Fund, in financial year 2022-23 and is not expected to do so in the 2023-24 budget year. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until September 2023 and is not expected to impact ETMHC's ability to continue as a going concern.

Statement of compliance

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

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

i. Effective for the first time in FY2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year.

There were no new or amended standards commencing in FY22-23 which have a material impact on ETMHC. Management has assessed all new or revised accounting standards (including those issued but not yet effective) and has concluded these do not have a material impact on the financial statements of the ETMHC.

ii. Issued but not yet effective

As mandated by Policy and Guidelines *TPG23-04 Mandates of options and major policy decisions under Australian Accounting Standards*, ETMHC has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2021-2 Amendments to Australian Accounting Standard – Disclosure of Accounting Policies and Definition of Accounting Estimates (operative for annual periods beginning on or after 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).
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024).
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024).

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector (operative date 1 July 2026).
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024).

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of monies from the reinsurance of outstanding workers compensation claims.

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Superannuation

The defined benefit superannuation valuation is performed annually by an independent actuary using the projected unit credit method. The net superannuation defined benefit liabilities or assets are recognised as present value of the defined benefit obligation less the fair value of plan assets, adjusted for an asset ceiling. Asset ceiling refers to present value of economic benefits available as refunds from the fund or reduction in future contributions to the fund.

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

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

Insurance

The ETMHC maintains a mix of external insurance policies and internal provisioning in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The treatment of risks and associated liabilities are determined in conjunction with independent insurance advisers and loss adjusters.

The provision for outstanding claims includes claims incurred up to 30 June 2012 which were transferred to ETMHC from TransGrid as part of the lease agreement.

Provisions for outstanding claims

Provisions are recognised when:

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 21.

Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

4. EMPLOYEE RELATED EXPENSES

	2023 $'000	2022 $'000
Superannuation - defined benefit expense	3,760	2,121
Total	**3,760**	**2,121**

5. OPERATING EXPENSES

a) Other operating expenses		
Audit fees - audit of financial statements	70	56
Self-insured workers compensation(i)	383	(1,181)
Admininistrative charge	188	182
Management fees	87	97
Claims handling expense	45	50
Council rates	1,807	1,863
Other	38	43
Total	**2,618**	**1,110**

b) Finance Cost		
Unwinding of discount rate	65	(1)
Total	**65**	**(1)**

(i) In FY2023, there was a deterioration in the claims experience, actuarial assumptions, claims handling expense and economic assumptions. The main driver of the favourable result in FY2022 was due to claims experience as actual ages for new claimants were higher than previous estimates.

6. INVESTMENT REVENUE

Interest income	4,545	259
Finance income(i)	2,665	2,505
Total	**7,210**	**2,764**

(ii) 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

	2023 $'000	2022 $'000
Council rate recoupment[(i)]	1,800	1,863
Contract service income[(ii)]	622	591
Total	**2,422**	**2,454**

b) Other income

Insurance and other recoveries	1,001	-
Total	**1,001**	**-**

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

8. OTHER GAIN/(LOSSES)

Impairment loss on finance lease receivable	(62)	-
Total	**(62)**	**-**

During the year, parcels of land forming part of the leased assets were sold by the lessee to external purchasers. The sale of land is permitted under the lease agreement and constitutes a partial surrender of the lease in respect of the land sold. Under the lease agreement, sales proceeds were paid directly to the lessee by the purchasers. The ETMHC has no claim on the proceeds. Following the sales, the net present value of the relevant land was derecognised from the finance lease receivable as part of annual impairment process, resulting in an impairment loss on the leased assets.

9. CASH AND CASH EQUIVALENTS

Cash at bank	157,892	153,115
Total	**157,892**	**153,115**

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank. Refer to Note 19 regarding credit risk and market risk arising from financial instruments.

10. RECEIVABLES

	2023 $'000	2022 $'000
Current		
Trade receivables	432	-
GST receivable	24	30
Claim recovery receivables	572	577
Total	**1,028**	**607**
Non-Current		
Claim recovery receivables	1,686	1,766
Total	**1,686**	**1,766**

GST receivable and payable were netted off for current and comparative period. Details regarding credit risk, liquidity risk and market risk, including the financial assets that are either past due or impaired, are disclosed in Note 19.

11. OTHER FINANCIAL ASSETS

Non-current		
Finance lease receivable(i)	43,287	40,684
Total	**43,287**	**40,684**

(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 $26.8 million ($27 million at inception), discounted at nominal pre-tax discount rate of 6.6 percent. Finance income of $2.7 million (2022: $2.5 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 besides the impairment from the sale of land.

11. OTHER FINANCIAL ASSETS (continued)

The lease contains two clauses:

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

	2023 $'000	2022 $'000
Reconciliation of net investment in leases		
Unguaranteed residual amounts - undiscounted	14,459,047	14,480,944
Less: unearned finance income	(14,415,760)	(14,440,260)
Net investment in finance leases	**43,287**	**40,684**
Reconciliation of unguaranteed residual amounts (undiscounted)		
Opening balance	14,480,944	14,480,944
Less disposal - partial surrender of the lease	(21,897)	-
Closing balance	**14,459,047**	**14,480,944**

12. PAYABLES

Current		
Creditors and accruals	59	46
Total	**59**	**46**

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

13. PROVISIONS

	2023 $'000	Restated 2022 $'000
Current		
Outstanding claims (i)	996	989
	996	989
Non-Current		
Outstanding claims (i)	4,068	4,276
Superannuation liability (Note 14)	100,519	101,909
	104,587	106,185
Total	**105,583**	**107,174**

13. PROVISIONS (continued)

(i) Workers' Compensation outstanding claims provision movements

	2023 $'000	2022 $'000
Opening balance	5,265	7,844
Payments	(558)	(729)
Actuarial (gains)/losses[1]	336	(1,486)
Change in the discount rate	(44)	(363)
Unwinding of discounts	65	(1)
Closing balance	**5,064**	**5,265**

1. In 2023, change in actuarial and economic assumptions led to an overall actuarial loss compared to the actuarial gain in 2022.

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be 5.58 years (2022: 5.83 years).

(b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims.[2]

	Workers' Compensation	
	2023 %	2022 %
Not later than one year		
Inflation rate	0 - 1.5	0 - 1.5
Discount rate	4.36	2.38
Later than one year		
Inflation rate	0 - 1.5	0 - 1.5
Discount rate	3.79 - 4.95	3.34 - 4.16

2. Source of information is derived from the PwC actuarial valuation of outstanding claims liability.

13. PROVISIONS (continued)

Sensitivity Analysis

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

a) as at June 2023

Variable	Movement in variable	Net Central Estimate $'000	Impact of Change $'000	% Impact
Net Central Estimate[1]		2,807		
Discount rate	+1%	2,664	-143	-5.1%
	-1%	2,966	159	5.7%
Inflation rate	+1%	2,967	159	5.7%
	-1%	2,661	-146	-5.2%
Industrial deafness claims				
Life expectancy of reactivation[2]	+5 years	3,230	423	15.1%
	-5 years	2,345	-463	-16.5%
Reactivation Seed[3]	+10%	2,824	17	0.6%
	-10%	2,791	-17	-0.6%
Average Claim Size	+10%	2,946	138	4.9%
	-10%	2,678	-129	-4.6%
Proportion reactivate	+1%	2,881	74	2.6%
	-1%	2,734	-74	-2.6%
Dust disease claims				
Seed Reports[3]	+50%	3,050	243	8.7%
	-50%	2,564	-243	-8.7%
Incidence curves[4]	+15% IBNR claims	2,880	73	2.6%
	-15% IBNR claims	2,734	-73	-2.6%
Average claim size[5]	+10%	2,872	64	2.3%
	-10%	2,736	-71	-2.5%

13. PROVISIONS (continued)

b) as at 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%
Inflation rate	+1%	3,094	173	5.9%
	-1%	2,764	-158	-5.4%
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%

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

14. UNFUNDED SUPERANNUATION

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

14. UNFUNDED SUPERANNUATION (continued)

Significant events

On completion of the 99-year lease transaction, all current employees and their respective defined benefit plans were transferred to NSWENO. The defined benefit plan that remains with the ETMHC relates to retired employees.

On 12 May 2023 the defined benefit plan that remained with the ETMHC was transferred from the Energy Industries Superannuation Scheme (EISS) to the Construction and Building Unions Superannuation Fund (Cbus) by way of a successor fund transfer. As a result, all EISS members as at 12 May 2023 are now members of Cbus. The Trustee of Cbus is United Super Pty Ltd.

Aside from the transfer of EISS to Cbus, there were no fund amendments, curtailments or settlements during the year.

Nature of the benefits provided by the fund

The defined benefit members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. A component of the defined benefit member's final benefit is derived from a multiple of salary and years of membership. The defined benefit members were members of Pool B of EISS, which in turn comprised Divisions B, C and D. A similar structure has been set up under Cbus. These Divisions are closed to new members, with the exception of members of certain 'eligible schemes' who can transfer their entitlements into Cbus.

Disclosures below are prepared in relation to defined benefit superannuation members formerly part of EISS Divisions B, C and D only, which are now Cbus members. The Cbus fund that has now assumed the liability of these former Divisions is referred to as "the Fund" hereafter.

Regulatory framework

The former EISS scheme was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees of certain Energy Industries bodies in NSW. Following legislative amendment contained in the Treasury and Energy Legislation Amendment Act 2022 and making of the Superannuation Administration (Cbus Transitional Provisions) Regulation 2022 all EISS members were transferred to Cbus in May 2023. The former EISS scheme is regulated primarily by the Superannuation Industry (Supervision) Act 1993 (Cth) ("the SIS legislation"), and some provisions of the Superannuation Administration Act 1996 (NSW) also apply to it.

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.

EISS had previously received an APRA exemption from conducting annual actuarial valuations and consequently was able to conduct triennial valuations. The last EISS triennial valuation was conducted as at 30 June 2021. APRA has, however, determined that Cbus will be required to conduct annual actuarial valuations, at least for the foreseeable future. The first valuation under Cbus will be performed as at 30 June 2023.

Governance

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

14. UNFUNDED SUPERANNUATION (continued)

- Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund's rules
- Management and investment of the Fund assets
- Compliance with other applicable regulations
- Compliance with the Trust Deed.

Risk exposure

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

- **Investment risk** - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk** – The risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- **Pension indexation risk** – The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- **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 by Cbus and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

	As at 30-Jun-23	**As at** 30-Jun-22
Member Numbers		
Contributions	-	-
Deferred benefits	8	11
Pensioners	376	376

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

	2023 $'000	**2022 $'000**
Net interest	(3,760)	(2,121)
Total net expense	**(3,760)**	**(2,121)**

14. UNFUNDED SUPERANNUATION (continued)

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

	2023 $'000	Restated 2022 $'000
Actuarial gains/(losses) on liabilities	(3,533)	66,015
Actuarial gains/(losses) on assets	8,684	(24,381)
Total actuarial gains/(losses)	**5,151**	**41,634**

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

	2023 $'000	Restated 2022 $'000
Net Asset/(liability) at the beginning of the year	**(101,909)**	**(141,422)**
Net interest income/(expense) on the net defined benefit asset/(liability)	(3,760)	(2,121)
Actual return on Fund assets less interest income	8,684	(24,381)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	(9,086)
Actuarial gains/(losses) arising from changes in financial assumptions	6,142	85,999
Actuarial gains/(losses) arising from liability experience	(9,676)	(10,898)
Net Asset/(liability) at the end of the year	**(100,519)**	**(101,909)**

(iv) Reconciliation of the defined benefit obligation

	2023 $'000	Restated 2022 $'000
Present value of defined benefit obligations at the beginning of the year	**(400,875)**	**(483,538)**
Interest income/(expense)	(14,320)	(7,075)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	(9,086)
Actuarial gains/(losses) arising from changes in financial assumptions	6,142	85,999
Actuarial gains/(losses) arising from liability experience	(9,676)	(10,898)
Benefits paid	24,659	22,731
Taxes, premiums & expenses paid	860	992
Present value of defined benefit obligations at the end of the year	**(393,210)**	**(400,875)**

14. UNFUNDED SUPERANNUATION (continued)

(v) Reconciliation of the fair value of fund assets

	2023 $'000	2022 $'000
Fair value at the beginning of the year	298,965	342,115
Interest income	10,561	4,954
Actual return on fund assets less interest income	8,684	(24,381)
Benefits paid	(24,659)	(22,731)
Taxes, premiums & expenses paid	(860)	(992)
Fair value at the end of the year	**292,691**	**298,965**

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 10 years (30 June 2022: 12 years) for the continuing operations.

Fair value of fund assets

Previously all EISS Division B, C and D assets were held in Pool B of EISS. Pool B, in turn, held units invested in the Energy Investment Fund, a pooled superannuation trust. As such, assets were 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 previously held in EISS and as of 12 May 2023 are part of Cbus.

	2023	2022
Level 1 - Quoted prices in active markets for identical assets	-	-
Level 2 - Significant observable inputs	1,794,453	1,766,548
Level 3 - Unobservable inputs	-	-
Total	**1,794,453**	**1,766,548**

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 of the Fund's 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:

14. UNFUNDED SUPERANNUATION (continued)

Asset Category	30 June 2023	30 June 2022
Alternatives	13%	15%
International equities	23%	20%
Australian equities	14%	14%
Infrastructure	10%	12%
Property	16%	17%
Private equity	3%	3%
Cash	10%	9%
Fixed income	11%	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 ETMHC's financial instruments; and
- any property occupied by, or other assets used by, the ETMHC.

14. UNFUNDED SUPERANNUATION (continued)

Significant actuarial assumptions at the end of the reporting period

	2023	2022
Discount rate	4.07% p.a.	3.69% p.a.
Salary increase rate (excluding promotional increases)	N/A	N/A
Rate of CPI Increase	6.60% for 2023/24, 4.75% for 2024/25, 3.00% for 2025/26, 2.75% for 2026/27 then 2.50% pa	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.
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 investigation 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 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.

Sensitivity analysis

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

14. UNFUNDED SUPERANNUATION (continued)

As at 30 June 2023

	Base case	Scenario A - 1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	4.07%	3.07%	5.07%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	393,210	440,609	352,930
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	4.07%	4.07%	4.07%
Rate of CPI increase	As above	As above +0.5% pa	As above -0.5% pa
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	393,210	414,890	373,020
	Base case	**Scenario E Lower pensioner mortality rates ***	**Scenario F Higher pensioner mortality rates ****
Defined benefit obligation ($000)	393,210	398,901	392,328

* Assumes the short-term pensioner mortality improvement factors for years 2021-2027 also apply for years after 2027.

** Assumes the long-term pensioner mortality improvement factors for years post 2027 also apply for years 2021 to 2027.

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

14. UNFUNDED SUPERANNUATION (continued)

Sensitivity analysis

Restated
As at 30 June 2022

	Base case	Scenario A - 1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	3.69%	2.69%	4.69%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	N/A	N/A	N/A
Defined benefit obligation ($000)	400,875	450,671	358,708
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	3.69%	3.69%	3.69%
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)	400,875	425,404	378,108
	Base case	**Scenario E Lower pensioner mortality rates ***	**Scenario F Higher pensioner mortality rates ****
Defined benefit obligation ($000)	400,875	405,656	396,201

* 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.

14. UNFUNDED SUPERANNUATION (continued)

Asset/Liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of an actuarial review, which were done in the past on a triennial basis. Funding arrangements were last reviewed following completion of the triennial actuarial 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 / (Deficit)

The following is a summary of the 30 June 2023 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	2023 $'000	2022 $'000
Net market value of Fund assets	292,691	298,965
Accrued benefits	(295,022)	(305,069)
Net Surplus/(Deficit)	**(2,331)**	**(6,104)**

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:

	2023	2022
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 for 30 June 2023 AASB 1056 calculations above are:

Weighted Average Assumptions	2023	2022
Expected rate of return on Fund Assets	6.1% pa	5.3% pa
Expected salary increase rate	N/A	N/A
Expected rate of CPI Increase	2.5% pa	2.2% pa

14. UNFUNDED SUPERANNUATION (continued)

Expected contributions

As at 30 June 2023

	$'000
Expected employer contributions to be paid in the period 1 July 2023 to 30 June 2024	-

As at 30 June 2022

	$'000
Expected employer contributions to be paid in the period 1 July 2022 to 30 June 2023	-

Nature of asset/liability

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

Sensitivity analysis

In light of the current uncertain economic environment of higher inflation and increasing interest rates, there is increased volatility in terms of expected outcomes especially in the short to medium term. The 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 2022 also shown for comparative purposes.

30-Jun-23

	Base Case	**Scenario A -0.5% discount rate**	**Scenario B +0.5% discount rate**
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	6.1% pa	5.6% pa	6.6% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.1% pa	5.6% pa	6.6% pa
Rate of CPI increase	2.5% pa	2.5% pa	2.5% pa
Salary inflation rate	as base case	as base case	as base case
Accrued Benefits ($000)	**295,022**	**307,914**	**283,040**

14. UNFUNDED SUPERANNUATION (continued)

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)	5.3% pa	4.8% pa	5.8% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.3% pa	4.8% pa	5.8% 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**

15. CONTRACT LIABILITIES AND OTHER LIABILITIES

	2023 $'000	2022 $'000
a) Other liabilities		
Security deposits	54	53
Total	**54**	**53**
b) Contract liabilities		
Unearned revenue	293	274
Total	**293**	**274**
Contract liabilities reconciliation		
Opening balance	274	266
Contract service invoiced/received	641	599
Revenue recognised upon performance obligation fulfilled	(622)	(591)
Closing balance	**293**	**274**
Revenue recognised that was included in the Contract liability balance at the beginning of the year	274	266
Transaction price allocated to the remaining performance obligations from the contract with customers	293	274

16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets

The ETMHC does not have any contingent assets to report as at 30 June 2023 (2022: nil).

Contingent Liabilities

The ETMHC does not have any contingent liabilities to report as at the reporting date (2022: nil).

17. FAIR COMPENSATION TRUST ACCOUNT

In accordance with the *Land Acquisition (Just Terms Compensation) Act 1999*, the ETMHC maintains a Trust Account. The ETMHC performs only a custodial role in respect of these monies, and as the monies cannot be used for the achievement of the ETMHC's own objectives, these funds are not recognised in the financial statements. The following is a summary of the transactions in the trust account:

	2023 $'000	2022 $'000
Cash balance at the beginning of the financial year	440	485
Add: Receipts	13	-
Less: Expenditure	-	(45)
Cash balance at the end of the financial year	**453**	**440**

18. NOTES TO THE STATEMENT OF CASH FLOWS

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

Cash at bank	157,892	153,115
Cash and cash equivalents per statement of Cash Flows	157,892	153,115

Reconciliation of cash flows from operating activities to net result

	2023 $'000	Restated 2022 $'000
Net cash from operating activities	4,777	263
Adjustments for non-cash items		
Superannuation actuarial (gain)/loss	(5,151)	(41,634)
Finance lease income	2,665	2,505
Gains/(Losses) on disposal of assets	(62)	-
Net changes in assets and liabilities during the financial year		
Increase/(decrease) in receivables	341	(1,233)
(Increase)/decrease in payables	(13)	3
(Increase)/decrease in provisions	1,591	42,092
(Increase)/decrease in contract liabilities and other liabilities	(20)	(8)
Net result	**4,128**	**1,988**

19. FINANCIAL INSTRUMENTS

The ETMHC does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

Management has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of the risks outlined below. Risk management policies are established to identify and analyse the risks faced by the ETMHC, to set risk limits and controls and to monitor risks

Financial Instrument Categories				
			2023 $'000	2022 $'000
Carrying Amount	**Note**	**Categories**		
Financial Assets				
Cash and cash equivalents	9	N/A	157,892	153,115
Receivables	10	Amortised cost	432	-
Financial Liabilities				
Payables	12	Financial liabilities measured at amortised cost	59	46

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 2023 the ETMHC has exposure to the following risks:

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

Credit risk

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

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

Cash

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

19. FINANCIAL INSTRUMENTS (continued)

Receivables

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

The ETMHC applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historic loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors. There are no receivables that are past due or considered impaired as at the reporting date. Receivables are written off when there is no reasonable expectation of recovery and no interest earned on trade debtors.

Liquidity risk

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

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 +1.0%/-1.0% (2022: +1.5%/-0.5%) 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 2023.

					$'000
2023	**Carrying amount $'000**	**Net result $'000**	**-1.0% Equity $'000**	**Net result $'000**	**+1.0% Equity $'000**
Cash and cash equivalents	157,892	(1,579)	(1,579)	1,579	1,579
2022	**Carrying amount $'000**	**Net result $'000**	**-0.5% Equity $'000**	**Net result $'000**	**+1.5% Equity $'000**
Cash and cash equivalents	153,115	(766)	(766)	2,297	2,297

19. FINANCIAL INSTRUMENTS (continued)

Operational risk

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

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

20. RELATED PARTIES

a) Ultimate parent

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

(b) Key management personnel remuneration

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).

21. BUDGET REVIEW

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period.

Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

Net result

For the year ended 30 June 2023, the ETMHC net result is $4.1 million which is $3.0 million higher than budget of $1.1 million.

Total expenses were $1.4 million higher than budget mainly due to $1.0 million in higher employee related expenses for defined benefit superannuation compared to budget and higher budgeted council rates.

Total revenue was $4.5 million higher than budget primarily due to $4.3 million in higher interest income received during the year because of increased cash rates.

Other comprehensive income was $5.1 million higher than budget attributed by the actuarial gains on superannuation liabilities, driven by the following:

- Actuarial gains on superannuation liabilities of $6.1 million driven by an increase in the discount rate to 4.1 per cent (2022: 3.7 per cent) and increment on inflation assumptions.
- Actuarial loss on superannuation liabilities of $9.7 million driven by a deterioration of liability experience.
- Investment gains of $8.7 million on fund assets.

Assets and Liabilities

Net assets for the year were $97.9 million compared to net assets budget of $111.7 million.

Total assets were $203.9 million which was $4.1 million higher than budget. This was mainly contributed by higher cash and cash equivalents by $3.4 million, $0.4 million increase in claim recovery receivable from updated claims estimate and higher reinsurance recovery receivables of $0.4 million.

Total liabilities were $106.0 million which was $18.0 million higher than budget due to an aggregated increase in defined benefit superannuation liability, resulting from higher inflation assumptions.

Cash flows

The actual net cash flows from operating activities were $4.8 million which was $4.0 million higher than budget. This is largely attributed to interest income received during the year that were $4.3 million higher than budget due to increased cash rates.

Closing cash and cash equivalents were $157.9 million, $3.4 million higher than budget. This is mainly due to higher interest income on cash balances.

The ETMHC's activities are shown as "Fiscal Planning, Reporting and Performance Management" program group and aggregated in the State Budget outcomes.

Electricity Transmission Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

22. CORRECTION OF PRIOR PERIOD ERRORS

The ETMHC's actuary identified a prior period error in the FY2021-22 calculation of defined benefit superannuation relating to an omission of an expense loading of 3.4% applied on deferred and pension liabilities. The 3.4% expense loading is for the administration costs of managing the pensions, and the omission of this has resulted in the defined benefit net liability being understated.

As this error was made in the prior period, the Statement of Comprehensive Income as at 30 June 2022 was restated as follows:

	30 June 2022 Actual $'000	30 June 2022 Correction of prior period error $'000	30 June 2022 Restated Actual $'000
Other comprehensive income			
Superannuation actuarial gains/(losses)	56,550	(14,916)	41,634
Total other comprehensive income	**56,550**	**(14,916)**	**41,634**
Total comprehensive income	**58,538**	**(14,916)**	**43,622**

The Statement of Financial Position for the year ended 30 June 2022 was restated as follows:

	30 June 2022 Actual $'000	30 June 2022 Correction of prior period error $'000	30 June 2022 Restated Actual $'000
Non-Current Liabilities			
Provisions	91,269	14,916	106,185
Total Non-Current Liabilities	**91,269**	**14,916**	**106,185**
Total Liabilities	**92,631**	**14,916**	**107,547**
Net Assets	**103,541**	**(14,916)**	**88,625**
Equity			
Accumulated funds	103,541	(14,916)	88,625
Total Equity	**103,541**	**(14,916)**	**88,625**

23. 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 the 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 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

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

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

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.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2023

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2023

STATEMENT BY THE ACCOUNTABLE AUTHORITY

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

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

Michael Coutts-Trotter
Secretary

30 October 2023

Liability Management Ministerial Corporation

Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
Expenses excluding losses				
Operating expenses	3	211	211	204
Total expenses excluding losses		**211**	**211**	**204**
Revenue				
Investment revenue	4	20,740	32,961	(25,285)
Grants and contributions	5	4,268	4,268	26,478
Total revenue		**25,008**	**37,229**	**1,193**
Net result		**24,797**	**37,018**	**989**
Other comprehensive income		-	-	-
Total comprehensive income		**24,797**	**37,018**	**989**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Financial Position
as at 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
Assets				
Current assets				
Cash and cash equivalents	6	156	33	55
Receivables	7	20	20	21
Total current assets		**176**	**53**	**76**
Non-current assets				
Financial assets at fair value	8	353,797	335,428	298,389
Total non-current assets		353,797	335,428	298,389
Total assets		**353,973**	**335,481**	**298,465**
Liabilities				
Current liabilities				
Payables	9	22	19	21
Total current liabilities		**22**	**19**	**21**
Total liabilities		**22**	**19**	**21**
Net assets		**353,951**	**335,462**	**298,444**
Equity				
Accumulated funds		353,951	335,462	298,444
Total equity		**353,951**	**335,462**	**298,444**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Changes in Equity
for the year ended 30 June 2023

	Accumulated Funds $'000	Total Equity $'000
Balance at 1 July 2022	**298,444**	**298,444**
Net result for the year	**37,018**	**37,018**
Other comprehensive income for the year	-	-
Total comprehensive income for the year	37,018	37,018
Balance at 30 June 2023	**335,462**	**335,462**
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**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Cash Flows
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000	Actual 2022 $'000
Cash flows from operating activities				
Payments				
Other		(211)	(213)	(204)
Total payments		**(211)**	**(213)**	**(204)**
Receipts				
Grants and contributions		4,268	4,268	26,478
Interest received		3	3	-
Other		12,027	-	-
Total receipts		**16,298**	**4,271**	**26,478**
Net cash flows from operating activities	6	**16,087**	**4,058**	**26,274**
Cash flows from investing activities				
Purchase of investments		(3,916)	(4,080)	(26,230)
Proceeds from Sale of Investments		(12,027)	-	-
Net cash flows from investing activities		**(15,943)**	**(4,080)**	**(26,230)**
Net cash flows from financing activities		**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**144**	**(22)**	**44**
Opening cash and cash equivalents		**12**	**55**	**11**
Closing cash and cash equivalents	6	**156**	**33**	**55**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Notes to the financial statements
for the year ended 30 June 2023

1. LIABILITY MANAGEMENT MINISTERIAL CORPORATION INFORMATION

The Liability Management Ministerial Corporation (LMMC) is a statutory body under *the Government Sector Finance Act 2018.* The LMMC was constituted under the *General Government Liability Management Fund Act 2002* (the Act) for the purpose of managing the General Government Liability Management Fund (GGLMF). The GGLMF is a special deposit account which receives funding from the Crown in right of the State of New South Wales (Crown) to meet its obligations as required by the Act. The LMMC commenced receiving contributions from the Crown in 2011-12. Prior to this, the LMMC was dormant from 2008 to 2011.

The LMMC accumulates financial assets to support the long term fiscal target of eliminating total sector unfunded superannuation liabilities by 30 June 2040. The long term fiscal target for the Government's defined benefits superannuation liabilities was re-anchored in the financial year 2021-22 to be fully funded from 2030 to 2040.

The LMMC is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The LMMC is a not-for-profit entity and it has no cash generating units. The entity has its principal office at 52 Martin Place, Sydney, NSW 2000, Australia. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

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

2. SUMMARY OF 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)
- the requirements of the *Government Sector Finance Regulation 2018*
- 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 and valuation techniques, which discount cash flows to present value based on observable market yields for the same or equivalent securities. Changes in fair value are mainly attributable to fluctuations in market yields and prices arising from changes in market conditions. This information is specifically relevant to Notes 8 and 10 to the financial statements.

Impact of Covid-19

Management has considered the impact of Covid-19 on the LMMC's revenue, including the impact on the 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 2023.

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 FY2022-23, do not have a material impact on the financial statements of LMMC.

- 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 2021-7a *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 January 2022)
- AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15* (operative date 1 July 2022)

New standards and interpretations not yet effective

As mandated by NSW Treasury Policy and Guidelines TPG23-04 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.

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 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 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information* (operative date 1 January 2023)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2023)
- AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards* (operative date 1 January 2023)
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024)

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. The accounting policies for the recognition of income are discussed below.

Contributions from the Crown

Contributions from the Crown without sufficiently specific performance obligations are recognised under AASB 1058 Income of Not-for-Profit Entities when the control of the contributions or the right to receive the contributions is obtained. Control over contributions is normally obtained upon receipt of cash. An actuarial valuation is performed to determine the annual contribution to LMMC.

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 a unit trust investment facility and classified under Level 2 fair value hierarchy as prices are observable, however, no active market exists for these funds as they are only accessible to government agencies.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOING CONCERN

The LMMC receives its funding under appropriations from grant funding received from the Crown which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until October 2023. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or release of the 2023-24 Appropriation Act.

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.

	2023 $'000	2022 $'000
3. OPERATING EXPENSES		
Audit fees	23	22
Administration charge	188	182
	211	**204**
4. INVESTMENT REVENUE		
Investment income from TCorpIM LTGF - measured at fair value through profit or loss		
Distribution income	7,041	7,999
Net fair value gains/(losses)	25,917	(33,284)
Interest income	3	-
	32,961	**(25,285)**
5. GRANTS AND CONTRIBUTIONS		
Contributions from the Crown	**4,268**	**26,478**

	2023 $'000	2022 $'000

6. CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'000
Cash held at financial institutions	**33**	**55**

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:

	2023 $'000	2022 $'000
Cash and cash equivalents (per Statement of Financial Position)	33	55
Cash and cash equivalents (per Statement of Cash Flows)	**33**	**55**

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

	2023 $'000	2022 $'000
Net cash flows from operating activities	4,058	26,274
Distribution reinvested and gains/(losses) on investments	32,958	(25,285)
Decrease/(Increase) in liabilities	2	-
Net result for the year	**37,018**	**989**

7. CURRENT RECEIVABLES

	2023 $'000	2022 $'000
GST receivable	20	21

8. NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE

	2023 $'000	2022 $'000
TCorpIM LTGF	335,428	298,389

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

	2023 $'000	2022 $'000
Other accruals	19	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.

Liability Management Ministerial Corporation

Notes to the financial statements
for the year ended 30 June 2023

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 2023 $'000	Carrying amount 2022 $'000
Financial assets				
Cash and cash equivalents	6	N/A	33	55
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	335,428	298,389
Financial liabilities				
Payables	9	Payables (measured at amortised cost)	19	21
Total			**335,442**	**298,423**

Risk management

The LMMC has appointed TCorp, the State's central financing authority, which has recognised expertise in the management of treasury related risks, to advise on, and actively manage its asset portfolio. TCorp manages investment risk in line with its Risk and Compliance Framework.

The assets of the LMMC are invested in the TCorpIM LTGF investment facility in accordance with the investment strategy as per the Memorandum of Understanding between the LMMC and TCorp.

The actual rate of return on the LMMC's assets during the year was 10.97 percent (2022: -7.88 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.

10. FINANCIAL INSTRUMENTS (continued)

The LMMC holds units in the following:

	Investment Sectors	Investment Horizon	2023 $'000	2022 $'000
TCorpIM LTGF	Cash, money market instruments, Australian bonds, listed property, Australian & International shares	7 years and over	335,428	298,389

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for the facility. Unit prices are calculated and published daily.

The sensitivity percentage is derived from historically based data as advised by TCorp. The basis is reviewed annually and amended where required.

Other price risk sensitivity analysis

	Change in unit price		Impact on net result	
	2023 %	2022 %	2023 $'000	2022 $'000
TCorpIM LTGF	+/- 10.0	+/- 10.0	+/-33,543	+/- 29,839

Currency risk

The LMMC has indirect foreign currency exposure within its investment in the TCorpIM LTGF. The TCorpIM LTGF has approximately 29.8% (2022: 49.4%) 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.

10. FINANCIAL INSTRUMENTS (continued)

Financial assets at fair value

Financial assets at fair value include investments in the TCorpIM LTGF. The investments held are unit holdings, and as such, do not give rise to credit risk.

There are no financial assets that are past due or considered impaired at the reporting date.

(c) Liquidity risk

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

During the current year there were no defaults of payables. The LMMC's exposure to liquidity risk is deemed insignificant based on prior years' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not they have been invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with Treasury Circular NSW TC 11-12 Payment of Accounts. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. 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 $335.43 million as at the reporting date (2022: $298.39 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 (2022: Nil).

12. BUDGET REVIEW

The TCorpIM LTGF had an investment return of 10.97% p.a. which is higher than the annualised long term forecast return of 6.3% p.a. Long term performance remains above the Fund's CPI+3.5% p.a. objective.

The financial year 2022-23 was characterised by high and persistent inflation, increasing interest rates, and tighter credit conditions. These various intense pressures indicated the possibility of a global recession, yet the share market delivered exceptionally strong returns for the financial year, reversing the performance seen in FY2021-22.

The Fund's long-term outcomes remain in line with the expected return outcomes.

13. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The NSW Government is the parent of the LMMC.

(b) Key management personnel remuneration

The LMMC defines key management personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the LMMC.

NSW Government is the ultimate controlling party of the LMMC, the Treasurer, NSW Treasury Secretary, and certain Deputy Secretaries and Executive Directors are considered as KMP.

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

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

(c) Transactions with related parties

(i) Transactions with KMP

The LMMC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of the related party transactions. The KMP are required to complete annual declarations in relation to the related party transactions. All KMP have declared that neither they nor their close family members have made any transactions with the LMMC during the reporting period.

(ii) Transactions with other related entities

The NSW Cabinet are considered related parties of the LMMC because of its role to direct overall government policy and make decisions about state issues. The Crown provides grants to the LMMC in meeting its objective of accumulating assets to eliminate unfunded superannuation liabilities. The NSW Treasury Corporation provides investment management services to the LMMC.

Finance officers of NSW Treasury provide administrative services, including the preparation of financial statements for the Corporation. The total cost of these services for the year was $207,232 incl. GST (2022: $200,098). The expense is shown as an administration charge by the Corporation.

14. EVENTS AFTER THE REPORTING DATE

There are no material events after reporting date requiring disclosure.

End of audited financial statements

INDEPENDENT AUDITOR'S REPORT

Liability Management Ministerial Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the 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 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

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

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

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.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Port Botany Lessor Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

Port Botany Lessor Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

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 Port Botany Lessor Ministerial Holding Corporation's financial position, financial performance and cash flows.

Michael Coutts-Trotter
Secretary

27 September 2023

Port Botany Lessor Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000
Expenses			
Operating expenses	3	32,488	35,550
Total expenses		**32,488**	**35,550**
Revenue			
Investment revenue	4(a)	15,942	16,103
Grants and contributions	4(b)	304	225
Contract service revenue	4(c)	32,159	35,307
Total revenue		**48,405**	**51,635**
Net result		**15,917**	**16,085**
Other comprehensive income		-	-
Total comprehensive income		**15,917**	**16,085**

The accompanying notes form part of these financial statements.

Port Botany Lessor Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	5	638	831
Receivables	6	-	28
Total current assets		**638**	**859**
Non-current assets			
Other financial assets	7	241,769	241,769
Total non-current assets		**241,769**	**241,769**
Total assets		**242,407**	**242,628**
Liabilities			
Current liabilities			
Payables	8	30	30
Total current liabilities		**30**	**30**
Total liabilities		**30**	**30**
Net assets		**242,377**	**242,598**
Equity			
Accumulated funds		242,377	242,598
Total equity		**242,377**	**242,598**

The accompanying notes form part of these financial statements.

Port Botany Lessor Ministerial Holding Corporation

Statement of Changes in Equity
for the year ended 30 June 2023

	Notes	Accumulated Funds $'000	Total $'000
Balance at 1 July 2022		-	-
Net result for the year		16,085	16,085
Other comprehensive income		-	-
Total comprehensive income for the year		**16,085**	**16,085**
Transactions with owners in their capacity as owners			
Increase / (decrease) in net assets from equity transfers	9	226,513	226,513
Balance at 30 June 2023		**242,598**	**242,598**

The accompanying notes form part of these financial statements.

Port Botany Lessor Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000
Cash flows from operating activities			
Payments			
Operating payments		32,458	39,723
Total payments		**32,458**	**39,723**
Receipts			
Interest received		-	161
Grants and contributions		304	225
Other operating receipts		32,159	39,482
Total receipts		**32,463**	**39,868**
Net cash flows from operating activities	10	**5**	**145**
Net cash flows from financing activities		**-**	**-**
Net increase/(decrease) in cash		**5**	**145**
Opening cash and cash equivalents		-	-
Cash transferred in (out) as a result of administrative restructuring	9	633	686
Closing cash and cash equivalents	5	**638**	**831**

The accompanying notes form part of these financial statements.

Port Botany Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

NOTES INDEX

Port Botany Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

1. INFORMATION ON THE PORT BOTANY LESSOR MINISTERIAL HOLDING CORPORATION

The Port Botany Lessor Ministerial Holding Corporation (Port Botany Lessor MHC) is a not-for-profit entity (as profit is not its principal objective), established on 1 July 2022 under the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act), and is domiciled in the State of NSW, Australia. It is controlled by the State of New South Wales, which is the ultimate parent.

The Port Botany Lessor MHC is consolidated as part of the NSW Total State Sector Accounts.

The Port Botany Lessor MHC replaces the Port Botany Lessor Pty Limited which was established to facilitate the long-term lease of land and affixed property, plant and equipment by Sydney Ports Corporation (SPC) to an external party. On 31 May 2013, a 99-year finance lease was executed with an external acquirer and an upfront lease premium was paid directly to the Restart NSW Fund, the NSW Government's infrastructure fund. On the same date, SPC's interest in the equity of Port Botany Lessor Pty Limited was transferred to the Ports Assets Ministerial Holding Corporation (PAMHC).

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

Corporation Restructure Effective 1 July 2022

In October 2021, the Secretary of Treasury under appropriate delegation powers approved a proposal to restructure Port Botany Lessor Pty Limited from its Proprietary Company status to a Ministerial Holding Corporation. The aim was to achieve better alignment with the State's other residual entity structures. This change took effect on 1 July 2022.

The Port Botany Lessor MHC was established on 1 July 2022 under clause 9 of Schedule 7 to the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act). The assets, rights and liabilities of Port Botany Lessor Pty Limited were transferred to the Port Botany Lessor MHC and effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012* (PA(AT) Act), with effective date of 1 July 2022. Further details are disclosed in Note 9.

The Port Botany Lessor MHC has the same ABN as Port Botany Lessor Pty Limited and its affairs continue to be managed by the Treasurer and the Secretary of NSW Treasury.

Port Botany Lessor Pty Limited's parent entity, PAMHC, had used an outsourcing model for the management of lease and property related matters for the Company from 1 July 2015 to 30 June 2022. PAMHC had established a Memorandum of Understanding (MoU) with Property NSW (PNSW) for the outsourcing arrangement and had received a management fee for its services provided to the Company. PNSW provided a notice of termination of this service on 25 May 2022 with two months' notice pursuant to Clause 13 of the agreement. The Secretary of NSW Treasury has provided authorisation of select NSW Treasury personnel to act as agent for routine administrative matters for the Port Botany Lessor MHC from 2 June 2022 which includes the ongoing management of the lease and property related matters.

Port Botany Lessor Pty Limited was deregistered under the *Corporations Act 2001* (Cth) on 3 April 2023 after the transfer of assets, rights and liabilities to the Port Botany Lessor MHC was complete.

Port Botany Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

- Applicable Australian Accounting Standards (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 and in accordance with the historical cost convention, except for cash flow information.

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

Use of judgements, estimates and assumptions

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

Port land and fixtures lease classification – Port Botany Lessor MHC as lessor

Port Botany Lessor Pty Limited entered a 99-year lease of its port land and fixtures on 31 May 2013. Port Botany Lessor Pty Limited had determined, based on an evaluation of the terms and conditions of the arrangements that it does not retain all the significant risks and rewards of ownership of the land and fixtures, and accounted for the contract as a finance lease. As the lease was prepaid, the transaction was accounted for as a sale. The assets, rights and liabilities under the lease were transferred to the Port Botany Lessor MHC, effective 1 July 2022.

Estimates and assumptions - the key assumptions concerning the estimation uncertainty at the reporting date, which present a significant risk of potentially causing a material adjustment to the carrying amounts of assets, are described below.

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

Valuation of lease receivable – unguaranteed residual value

The Port Botany Lessor MHC carries its lease receivable which mainly comprises of the unguaranteed residual value at amortised cost less any impairment. The initial value of the unguaranteed residual value was measured using the discounted cash flow model. The inputs include both observable markets and internal data, where a degree of judgement was applied to determine the fair value. Judgements including the consideration of inputs such as liquidity risk, credit risk and volatility were taken at inception of the lease. If there is a reduction in the residual value of the unguaranteed residual assets, the income allocation over the lease will be revised. Details regarding the indexation and discount rate used are disclosed in Note 7.

Port Botany Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Statement of compliance

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

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

i. Effective for the first time in FY2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year except as a result of the new or revised Australian Accounting Standards that have been applied for the first time in 2022-23. 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 NSW Treasury Policy and Guidelines TPG23-04 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, the Corporation has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (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)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* (operative date 1 July 2026)
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative information

The Port Botany Lessor MHC was established on 1 July 2022 and as a result there is no comparative information for the previous period. However, as required by TPP21-08 *Accounting Policy: Contributions by owners made to wholly-owned Public Sector Entities*, comparative information for the transferred activities is disclosed in Note 9.

Revenue

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

Investment revenue

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

Finance income

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

Grants and contributions

Grants and contributions are recognised when the Port Botany Lessor MHC obtains control of the contribution. Control of contribution is normally obtained upon the receipt of cash.

Contract service revenue

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

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

Expenses

Expenses are recognised when incurred. Land tax is recognised as an expense in the period in which it is incurred and based on land tax assessment notices issued by Revenue NSW. Council rates and water costs are recognised as expenses when incurred and based on rate notices issued by the Councils and tax invoices issued by the Sydney Water Corporation.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 flow and considerations accrued as at the reporting date. Under AASB 9 *Financial Instruments*, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics.

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

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

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

Other financial assets - Leases

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

Finance Lease - Port Botany Lessor MHC as lessor

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

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

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

2. STATEMENT 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 Port Botany Lessor MHC has transferred substantially all the risks and rewards of the asset; or
- the Port Botany Lessor MHC has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

Liabilities

Payables

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

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

Derecognition of financial liabilities

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

Administered activities

The Port Botany Lessor MHC administers, but does not control, certain activities on behalf of the State. It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the entity's own objectives.

The administered activities of the Port Botany Lessor MHC include the Port Logistics Contribution (PLC). Refer to Note 12 for details.

Transactions and balances relating to these administered activities are not recognised as the Port Botany Lessor MHC's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered Income', 'Administered Expenses', 'Administered Assets' and 'Administered Liabilities'.

The accrual basis of accounting and applicable accounting standards has been adopted.

Income tax equivalent and other taxes

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for the Goods and Services Tax

Revenue, 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.

Statement of Cash Flows

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

Equity transfers

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

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

All other equity transfers are recognised at fair value, except for intangibles.

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 14.

Going Concern

The Port Botany Lessor MHC's financial statements have been prepared on a going concern basis. It is expected that the Port Botany Lessor MHC has adequate cash holdings and cash inflows to continue operations for the foreseeable future. Further, the State will provide financial support to the Port Botany Lessor MHC as may be required from time to time to enable the Port Botany Lessor MHC to meet its debts as and when they become due and payable.

Port Botany Lessor Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2023

3. OPERATING EXPENSES

	2023 $'000
Land tax	25,921
Council rates	8,810
Auditor's remuneration	
- audit of the financial statements	24
Water costs	606
Administration Charge	189
	35,550

4. REVENUE

	2023 $'000
(a) Investment revenue	
Interest income	161
Finance income (i)	15,942
	16,103
(b) Grants and contributions	
Grants without sufficiently specific performance obligations (ii)	225
	225
(c) Contract service revenue	
Land tax recoverable from tenants (iii)	25,921
Council rates recoverable from tenants (iii)	8,780
Water recoupment (iv)	606
	35,307
Total revenue	**51,635**

(i) Finance income

At the date of execution of the 99-year finance lease, Port Botany Lessor Pty Limited recognised a finance lease receivable representing the entity's net investment in the lease. This was vested in the Port Botany Lessor MHC effective 1 July 2022. As the lease payments were received upfront, no further payments will be received by the Port Botany Lessor MHC and the residual asset will be accreted over the term of the lease as finance income.

(ii) Grants without sufficiently specific performance obligations

The Port Botany Lessor MHC receives its funding under appropriations from grant funding received from Treasury which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until September 2023. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2023-24 Appropriation Act.

4. REVENUE (continued)

(iii) Land tax and council rates recoverable from tenants

These relate to NSW land tax and council rates recovered from the lessee under the 99-year finance lease.

(iv) Water recoupment

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

5. CASH AND CASH EQUIVALENTS

	2023
	$'000
Cash at bank	831
	831

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

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

Cash and cash equivalents (per Statement of Financial Position)	831
Closing cash and cash equivalents (per Statement of Cash Flows)	831

Refer to Note 11 for details regarding credit risk and market risk arising from financial instruments.

6. RECEIVABLES

	2023
	$'000
Current	
Recoupment of lease outgoings	9
GST receivables	19
	28

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

7. OTHER FINANCIAL ASSETS

	2023
	$'000
Non-current	
Finance lease receivable (i)	241,769
	241,769

(i) Finance lease receivable

The Port Botany Lessor MHC is the lessor in a 99-year finance lease covering the land and affixed property, plant and equipment at Port Botany, Enfield Intermodal Logistics Centre and Cooks River Empty Container Park in NSW, Australia.

Finance lease accounting requires the Port Botany Lessor MHC to recognise a finance lease receivable equal to the net investment in the lease, which is the discounted gross investment in the lease comprising the minimum

7. OTHER FINANCIAL ASSETS (continued)

lease payments and unguaranteed residual value. As the lease payments were received upfront, the net investment in the lease corresponds to the present value of the residual value assets that will revert to the Port Botany Lessor MHC on expiry of the lease.

The residual value in 99 years is estimated at $104.1 billion, using an annual indexation of 3.58 per cent. The present value at the inception of the lease was $121.6 million, discounted at nominal pre-tax discount rate of 7.06 per cent.

Finance income of $15.9 million was recognised in the period (refer to Note 4).

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

The lease contains two clauses:

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

2. *acquisitions or the lease of additional land by the lessee are subject to an option which allows the Port Botany Lessor MHC to acquire or lease the additional land. As an option to buy non-financial items that will not be settled net in cash, the option has been classified as an executory contract which will only be accounted for on exercise.*

Reconciliation of net investment in leases	**2023** **$'000**
Future undiscounted rentals receivable	-
Unguaranteed residual amounts - undiscounted	104,132,315
Less: unearned finance income	103,890,546
Net investment in finance leases	**241,769**

8. PAYABLES

	2023 **$'000**
Current	
Payables and accruals	30
	30

Payables are non-interest bearing and are generally on 30-day terms. Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

9. EQUITY TRANSFER

Assets and liabilities were transferred to the Port Botany Lessor MHC effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012* (PA(AT) Act), with effective date of 1 July 2022, from Port Botany Lessor Pty Limited as follows:

	Port Botany Lessor Pty Limited to Port Botany Lessor MHC $'000
Assets	
Current assets	
Cash and cash equivalents	686
Receivables	16
Total current assets	**702**
Non-current assets	
Other financial assets	225,827
Total non-current assets	**225,827**
Total assets	**226,529**
Liabilities	
Current liabilities	
Payables	16
Total current liabilities	**16**
Total liabilities	**16**
Increase/(decrease) in net assets from equity transfer	**226,513**

9. EQUITY TRANSFER (continued)

Comparative Information

The Statement of Comprehensive Income for functions transferred to the Port Botany Lessor MHC:

	Port Botany Lessor Pty Limited 2022 $'000	Port Botany Lessor MHC 2023 $'000
Expenses		
Operating expenses	32,455	35,550
Total expenses	**32,455**	**35,550**
Revenue		
Investment revenue	14,893	16,103
Grants and contributions	225	225
Contract service revenue	32,258	35,307
Total revenue	**47,376**	**51,635**
Net result	**14,921**	**16,085**
Other comprehensive income	-	-
Total comprehensive income	**14,921**	**16,085**

9. EQUITY TRANSFER (continued)

The Statement of Financial Position for functions transferred to the Port Botany Lessor MHC:

	Port Botany Lessor Pty Limited 2022 $'000	Port Botany Lessor MHC 2023 $'000
Assets		
Current assets		
Cash and cash equivalents	686	831
Receivables	16	28
Total current assets	**702**	**859**
Non-current assets		
Other financial assets	225,827	241,769
Total non-current assets	**225,827**	**241,769**
Total assets	**226,529**	**242,628**
Liabilities		
Current liabilities		
Payables	16	30
Total current liabilities	**16**	**30**
Total liabilities	**16**	**30**
Net assets	**226,513**	**242,598**
Equity		
Contributed equity	1,540,755	-
Accumulated Surplus/(Losses)	(1,314,242)	242,598
Total equity	**226,513**	**242,598**

Port Botany Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

10. CASH FLOW INFORMATION

Reconciliation of cash flows from operating activities to net result

	2023 $'000
Net cash flows from operating activities	**145**
Add back: non cash items in the net result	
Finance income	15,942
Increase/(decrease) in receivables	12
(Increase)/decrease in payables	(14)
Net result	**16,085**

11. FINANCIAL INSTRUMENTS

The Port Botany Lessor MHC's principal financial instruments are cash deposits held with financial institutions as part of the NSW Treasury Banking System, receivables and payables. These instruments expose the Port Botany Lessor MHC to interest rate risk on cash balances held and credit risk on short term receivables. These financial instruments arise from the Port Botany Lessor MHC's operations and are required to finance those operations. The Port Botany Lessor MHC does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

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

(a) Financial instrument categories

Financial instruments (i)	Note	Categories	Carrying Amount 2023 $'000
Financial Assets			
Cash and cash equivalents	5	N/A	831
Receivables	6	Amortised cost	9
Financial Liabilities			
Payables	8	Financial liabilities measured at amortised cost	30

(i) Excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 'Financial Instruments: Disclosures' and excludes lease receivables which only represent the unguaranteed residual value.

(b) Credit risk

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

Credit risk arises from the financial assets of the Port Botany Lessor MHC, including cash and receivables. No collateral is held by the Port Botany Lessor MHC.

11. FINANCIAL INSTRUMENTS (continued)

Cash

Cash comprises bank balances with financial institutions. Interest is earned on daily bank balances.

Receivables

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

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

Receivables are written off when there is no reasonable expectation of recovery and no interest earned on trade debtors.

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

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Port Botany Lessor MHC's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Port Botany Lessor MHC does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade derivatives.

The effect on the Port Botany Lessor MHC's net result and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +/- 1 per cent is used. The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility. All other variables remain constant. The Port Botany Lessor MHC's exposure to interest rate risk follows.

2023	Carrying amount $'000	-1% Net result $'000	-1% Equity $'000	+1% Net result $'000	+1% Equity $'000
Cash and cash equivalents	831	(8)	(8)	8	8

(d) Liquidity risk

Liquidity risk is the risk that the Port Botany Lessor MHC will be unable to meet its payment obligations when they fall due. The Port Botany Lessor MHC continuously manages risk through monitoring future cash flows and commitment maturities. There were no defaults on payables in the current year. No assets have been pledged as collateral and the Port Botany Lessor MHC's exposure to liquidity risk is deemed insignificant based on the prior period's data and current assessment of risk.

11. FINANCIAL INSTRUMENTS (continued)

The payables are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasury Circular 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. Treasury Circular TC 11-12 allows the Minister to award interest for late payment. There has been approximately $30,000 interest awarded for late payments due to the delays of land title transfers following the Corporate Restructure.

The table below summarises the maturity profile of the Port Botany Lessor MHC's financial liabilities.

			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
2023								
Payables	-	30	-	-	30	30	-	-
Total financial liabilities	**-**	**30**	**-**	**-**	**30**	**30**	**-**	**-**

The payables are non-interest bearing and the Port Botany Lessor MHC has no exposure to foreign currency risk. All trade and other payables are expected to be settled within the next 12 months.

12. ADMINISTERED ITEMS

	2023 $'000
Administered revenue	
Ports Logistics Contribution (i)	8,610
Total administered revenue	**8,610**

(i) Port Logistics Contribution (PLC)

The PLC is levied by the Port Botany Lessor to an external party, Port Botany Operations Pty Limited as trustee for the Port Botany Unit Trust, in accordance with the Port Logistics Contribution Deed. A Deed of Novation was entered into on 20 September 2013 which novated the PLC income received with effect from 20 September 2013 to the PAMHC. The arrangement between PAMHC in regard to the PLC was vested in the Port Botany Lessor MHC, effective 1 July 2022.

It is levied on Twenty Foot Equivalent Units (TEUs) containers imported to or exported from the Port of Botany. The unit price is indexed to increase in line with CPI annually. Income received from 20 September 2013 is treated as administered revenue. The PLC is passed on to the Consolidated Fund upon receipt and is recognised on an accrual basis.

	2023 $'000
Administered assets	
Receivables	2,138
Total administered assets	**2,138**

Port Botany Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

- In entering the 99-year lease of land and fixtures at Port Botany and Enfield, the Port Botany Lessor MHC has indemnified the lessee in respect of pre-existing environmental damage or contamination at relevant sites. Corporation officers are not aware of any claims under the indemnity.
- Under the Financier Side Deed and other transaction documents, the Port Botany Lessor MHC must provide limited compensation to financiers if the lease is terminated for any reason, including default / breaches of lease, insolvency of the Port Lessee or Port Manager and force majeure. The compensation payable by the Port Botany Lessor MHC to financiers if the Port Lease is terminated is capped at the lesser of:
  - the remaining value of the lease; and
  - the debt owed to financiers “attributable” to the Port; and
  - a “debt cap” benchmarked against debt appropriate to a long-term investment grade credit rating.

At balance date, there have been no breaches of the lease or other events that could result in lease termination.

Contingent Assets

- The State has guaranteed the payment of any compensation by the Port Botany Lessor MHC for the above contingent liability to financiers.
- If the lease is terminated, the Port Botany Lessor MHC can regain possession of the Port land and chattels, which are the subject of the existing lease and certain subleases. The Port Botany Lessor MHC’s rights to these assets are subject to the terms of the relevant transaction documents and applicable laws. The circumstances in which the Port Botany Lessor MHC may terminate the lease are governed by the lease and other transaction documents.
- The Port Botany Lessor MHC holds a bank guarantee from the Port Lessee to cover any environmental liability and obligations under the lease/sublease. The guarantee is available in the event that the lessee breaches and fails to remedy within 30 days of receiving written notice of the breach. At balance date, the Port Botany Lessor MHC has not issued any written notices for breach of the lease.

14. BUDGET REVIEW

Net result

For the year ended 30 June 2023, Port Botany Lessor MHC’s net result is $16.1 million which is $0.2 million higher than the budget.

Operating expenses total $35.6 million which is slightly higher than the budget of $32.5 million. This $3.1 million increase is driven by a higher land tax expense of $2.8 million and higher council rate expense of $0.3 million.

Total revenue is $51.6 million which is $3.2 million higher than budget, primarily driven by higher land tax and council rate recoupment of $2.8 million and $0.3 million, respectively.

14. BUDGET REVIEW (continued)

Assets and Liabilities

The net asset position of the Port Botany Lessor MHC as at 30 June 2023 was $242.6 million, only $0.2 million higher than the budget driven by a slightly higher cash balance.

Cash flows

The actual net cash outflows from operating activities were $0.1 million which is in line with budget.

Both cash payments of $39.7 million and cash receipts of $39.9 million were higher than budget by $7.3 million and $7.4 million, respectively. This is primarily due to $4.2 million GST paid and received that were not included in the budget and higher land tax expense and recoupment of $2.8 million.

Closing cash and cash equivalents were $0.8 million, $0.2 million higher than budget. This is mainly due to higher interest income on cash balances.

15. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The NSW Government is the ultimate parent of the Port Botany Lessor MHC. The NSW Government is also the ultimate parent of NSW Treasury that provides key management personnel services to the Port Botany Lessor MHC.

(b) Key management personnel remuneration

The Port Botany Lessor MHC defines Key Management Personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Corporation. KMP of the Port Botany Lessor MHC includes the Treasurer, the NSW Treasury Secretary and certain NSW Treasury Deputy Secretaries and Executive Directors. The NSW Cabinet is considered a related party of the Corporation because of its role in directing overall government policy and making decisions about State issues.

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

(c) Transactions with related parties

(i) Transactions with KMP

The Port Botany Lessor MHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of related party transactions. The KMP are required to complete annual declarations in relation to any related party transactions. All KMPs have declared that neither they, nor their close family members, have made any transactions with the Port Botany Lessor MHC during the reporting period.

(ii) Transactions with other related entities

The Port Botany Lessor MHC interacts with other government agencies who deliver services to the general public. Services provided by other government agencies to the Port Botany Lessor MHC include land tax, general council services and water utility services. These services were provided to the Port Botany Lessor MHC in the same commercial terms as the general public.

Port Botany Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

15. RELATED PARTY DISCLOSURES (continued)

The Port Botany Lessor MHC is a reporting entity under the NSW Treasury Cluster. The Treasury Cluster has provided $225,000 in grants to Port Botany Lessor MHC to cover the recurrent costs in 2023.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Port Botany Lessor MHC's financial statements. The cost of these services for the year was $207,232 incl. GST, the expense is shown as an administrative charge in the Port Botany Lessor MHC.

16. EVENTS AFTER THE REPORTING DATE

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

End of audited financial statements

INDEPENDENT AUDITOR'S REPORT

Port Botany Lessor Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Port Botany Lessor Ministerial Holding Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

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

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

Secretary of Treasury's Responsibilities for the Financial Statements

The Secretary of Treasury is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary of Treasury's responsibility also includes such internal control as

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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 / is] free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 September 2023
SYDNEY

Port Kembla Lessor Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

Port Kembla Lessor Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

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 Port Kembla Lessor Ministerial Holding Corporation's financial position, financial performance and cash flows.

Michael Coutts-Trotter
Secretary
27 September 2023

Port Kembla Lessor Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000
Expenses			
Operating expenses	3	6,096	6,544
Total expenses		**6,096**	**6,544**
Revenue			
Investment revenue	4(a)	1,714	1,747
Grants and contributions	4(b)	304	225
Contract service revenue	4(c)	5,770	6,306
Total revenue		**7,788**	**8,278**
Net result		**1,692**	**1,734**
Other comprehensive income		-	-
Total comprehensive income		**1,692**	**1,734**

The accompanying notes form part of these financial statements.

Port Kembla Lessor Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	5	479	533
Receivables	6	-	53
Total current assets		**479**	**586**
Non-current assets			
Other financial assets	7	25,990	25,990
Total non-current assets		**25,990**	**25,990**
Total assets		**26,469**	**26,576**
Liabilities			
Current liabilities			
Payables	8	30	57
Total current liabilities		**30**	**57**
Total liabilities		**30**	**57**
Net assets		**26,439**	**26,519**
Equity			
Accumulated funds		26,439	26,519
Total equity		**26,439**	**26,519**

The accompanying notes form part of these financial statements.

Port Kembla Lessor Ministerial Holding Corporation

Statement of Changes in Equity
for the year ended 30 June 2023

	Notes	Accumulated Funds $'000	Total $'000
Balance at 1 July 2022		**-**	**-**
Net result for the year		1,734	1,734
Other comprehensive income		-	-
Total comprehensive income for the year		**1,734**	**1,734**
Transactions with owners in their capacity as owners			
Increase / (decrease) in net assets from equity transfers	9	24,785	24,785
Balance at 30 June 2023		**26,519**	**26,519**

The accompanying notes form part of these financial statements.

Port Kembla Lessor Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000
Cash flows from operating activities			
Payments			
Operating payments		6,066	7,135
Total payments		**6,066**	**7,135**
Receipts			
Interest received		-	33
Grants and contributions		304	225
Other operating receipts		5,770	6,899
Total receipts		**6,074**	**7,157**
Net cash flows from operating activities	10	**8**	**22**
Net cash flows from financing activities		**-**	**-**
Net (decrease) / increase in cash		**8**	**22**
Opening cash and cash equivalents		-	-
Cash transferred in (out) as a result of administrative restructuring	9	471	511
Closing cash and cash equivalents	5	**479**	**533**

The accompanying notes form part of these financial statements.

NOTES INDEX

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

1. INFORMATION ON THE PORT KEMBLA LESSOR MINISTERIAL HOLDING CORPORATION

The Port Kembla Lessor Ministerial Holding Corporation (Port Kembla Lessor MHC) is a not-for-profit entity (as profit is not its principal objective), established on 1 July 2022 under the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act), and is domiciled in the state of New South Wales, Australia. It is controlled by the State of New South Wales, which is the ultimate parent.

The Port Kembla Lessor MHC is consolidated as part of the Total State Sector Accounts.

The Port Kembla Lessor MHC replaces the Port Kembla Lessor Pty Limited which was established to facilitate the long-term lease of land and affixed property, plant and equipment by Port Kembla Ports Corporation (PKPC) to an external party. On 31 May 2013, a 99-year finance lease was executed with an external acquirer and an upfront lease premium was paid directly to the Restart NSW Fund, the NSW Government's infrastructure fund. On the same date, PKPC's interest in the equity of Port Kembla Lessor Pty Limited was transferred to the Ports Assets Ministerial Holding Corporation (PAMHC).

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

Corporation Restructure Effective 1 July 2022

In October 2021, the Secretary of Treasury under appropriate delegation powers approved a proposal to restructure Port Kembla Lessor Pty Limited from its Proprietary Company status to a Ministerial Holding Corporation. The aim was to achieve better alignment with the State's other residual entity structures. This change took effect on 1 July 2022.

The Port Kembla Lessor MHC was established on 1 July 2022 under clause 9 of Schedule 7 to the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act). The assets, rights and liabilities of Port Kembla Lessor Pty Limited were transferred to the Port Kembla Lessor MHC and effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012* (PA(AT) Act), with effective date of 1 July 2022. Further details are disclosed in Note 9.

The Port Kembla Lessor MHC has the same ABN as Port Kembla Lessor Pty Limited's and its affairs will continue to be managed by the Treasurer and the Secretary of NSW Treasury.

Port Kembla Lessor Pty Limited's parent entity, PAMHC, had used an outsourcing model for the management of lease and property related matters for the Company from 1 July 2015 to 30 June 2022. PAMHC had established a Memorandum of Understanding (MoU) with Property NSW (PNSW) for the outsourcing arrangement and had received a management fee for its services provided to the Company. PNSW provided a notice of termination of this service on 25 May 2022 with two months' notice pursuant to Clause 13 of the agreement. The Secretary of NSW Treasury has provided authorisation of select NSW Treasury personnel to act as agent for routine administrative matters for the Port Kembla Lessor MHC from 2 June 2022 which includes the ongoing management of the lease and property related matters.

Port Kembla Lessor Pty Limited was deregistered under the *Corporations Act 2001* (Cth) on 3 April 2023 after the transfer of assets, rights and liabilities to the Port Kembla Lessor MHC was complete.

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

- Applicable Australian Accounting Standards (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 and in accordance with the historical cost convention, except for cash flow information.

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

Use of judgements, estimates and assumptions

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

Port land and fixtures lease classification – Port Kembla Lessor MHC as lessor

Port Kembla Lessor Pty Limited entered a 99-year lease of its port land and fixtures on 31 May 2013. Port Kembla Lessor Pty Limited had determined, based on an evaluation of the terms and conditions of the arrangements that it does not retain all the significant risks and rewards of ownership of the land and fixtures, and accounted for the contract as a finance lease. As the lease was prepaid, the transaction was accounted for as a sale. The assets, rights and liabilities under the lease were transferred to the Port Kembla Lessor MHC, effective 1 July 2022.

Estimates and assumptions - the key assumptions concerning estimation uncertainty at the reporting date, which present a significant risk of potentially causing a material adjustment to the carrying amounts of assets are described below.

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

Valuation of lease receivable – unguaranteed residual value

The Port Kembla Lessor MHC carries its lease receivable which mainly comprises of the unguaranteed residual value at amortised cost less any impairment. The initial value of the unguaranteed residual value was measured using the discounted cash flow model. The inputs include both observable markets and internal data, where a degree of judgement was applied to determine the fair value. Judgements including the consideration of inputs such as liquidity risk, credit risk and volatility were taken at inception of the lease. If there is a reduction in the residual value of the unguaranteed residual assets, the income allocation over the lease will be revised. Details regarding the indexation and discount rate used are disclosed in Note 7.

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Statement of compliance

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

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

i. Effective for the first time in FY2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year except as a result of the new or revised Australian Accounting Standards that have been applied for the first time in 2022-23. 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 NSW Treasury Policy and Guidelines TPG23-04 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, the Corporation has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (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)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* (operative date 1 July 2026)
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative information

The Port Kembla Lessor MHC was established on 1 July 2022 and as a result there is no comparative information for the previous period. However, as required by TPP21-08 Accounting Policy: *Contributions by owners made to wholly-owned Public Sector Entities*, comparative information for the transferred activities is disclosed in Note 9.

Revenue

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

Investment revenue

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

Finance income

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

Grants and contributions

Grants and contributions are recognised when the Port Kembla Lessor MHC obtains control of the contribution. Control of contribution is normally obtained upon the receipt of cash.

Contract service revenue

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

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

Expenses

Expenses are recognised when incurred. Land tax is recognised as an expense in the period in which it is incurred and based on land tax assessment notices issued by Revenue NSW. Council rates and water costs are recognised as expenses when incurred and based on rate notices issued by the Councils and tax invoices issued by the Sydney Water Corporation.

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 flow and considerations accrued as at the reporting date. Under AASB 9 *Financial Instruments*, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics.

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

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

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

Other financial assets - Leases

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

Finance Lease - Port Kembla Lessor MHC as lessor

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

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Liabilities

Payables

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

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

Derecognition of financial liabilities

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

Income tax equivalent and other taxes

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

Accounting for the Goods and Services Tax

Revenue, 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.

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Cash Flows

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

Equity transfers

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

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

All other equity transfers are recognised at fair value, except for intangibles.

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 13.

Going Concern

The Port Kembla Lessor MHC's financial statements have been prepared on a going concern basis. It is expected that the Port Kembla Lessor MHC has adequate cash holdings and cash inflows to continue operations for the foreseeable future. Further, the State will provide financial support to the Port Kembla Lessor MHC as may be required from time to time to enable the Port Kembla Lessor MHC to meet its debts as and when they become due and payable.

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

3. OPERATING EXPENSES

	2023 $'000
Land tax	3,064
Council rates	2,598
Auditor's remuneration	
- audit of the financial statements	24
Water costs	669
Administration Charge	189
	6,544

4. REVENUE

	2023 $'000
(a) Investment revenue	
Interest income	33
Finance income (i)	1,714
	1,747
(b) Grants and contributions	
Grants without sufficiently specific performance obligations (ii)	225
	225
(c) Contract service revenue	
Land tax recoverable from tenants (iii)	3,064
Council rates recoverable from tenants (iii)	2,573
Water recoupment (iv)	669
	6,306
Total income	**8,278**

(i) Finance income

At the date of execution of the 99-year finance lease, Port Kembla Lessor Pty Limited recognised a finance lease receivable representing the entity's net investment in the lease. This was vested in the Port Kembla Lessor MHC effective 1 July 2022. As the lease payments were received upfront, no further payments will be received by the Port Kembla Lessor MHC and the residual asset will be accreted over the term of the lease as finance income.

(ii) Grants without sufficiently specific performance obligations

The Port Kembla Lessor MHC receives its funding under appropriations from grant funding received from Treasury which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until September 2023. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2023-24 Appropriation Act.

(iii) Land tax and council rates recoverable from tenants

These relate to NSW land tax and council rates recovered from the lessee under the 99-year finance lease.

(iv) Water recoupment

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

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2023

5. CASH AND CASH EQUIVALENTS

	2023 $'000
Cash at bank	533
	533

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

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

Cash and cash equivalents (per Statement of Financial Position)	533
Closing cash and cash equivalents (per Statement of Cash Flows)	533

Refer to Note 11 for details regarding credit risk and market risk arising from financial instruments.

6. RECEIVABLES

	2023 $'000
Current	
Recoupment of lease outgoings	40
GST receivables	13
	53

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

7. OTHER FINANCIAL ASSETS

	2023 $'000
Non-current	
Finance lease receivable (i)	25,990
	25,990

(i) Finance lease receivable

The Port Kembla Lessor MHC is the lessor in a 99-year finance lease covering the land and affixed property, plant and equipment at Port Kembla in NSW, Australia.

Finance lease accounting requires the Port Kembla Lessor MHC to recognise a finance lease receivable equal to the net investment in the lease, which is the discounted gross investment in the lease comprising the minimum lease payments and unguaranteed residual value. As the lease payments were received upfront, the net investment in the lease corresponds to the present value of the residual value assets that will revert to the Port Kembla Lessor MHC on expiry of the lease.

The residual value in 99 years is estimated at $11.2 billion, using an annual indexation of 3.58 per cent. The present value at the inception of the lease was $13.1 million, discounted at nominal pre-tax discount rate of 7.06 per cent.

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

7. OTHER FINANCIAL ASSETS (continued)

Finance income of $1.7 million was recognised in the period (refer to Note 4).

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

The lease contains two clauses:

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

2. *acquisitions or the lease of additional land by the lessee are subject to an option which allows the Port Kembla Lessor MHC to acquire or lease the additional land. As an option to buy non-financial items that will not be settled net in cash, the option has been classified as an executory contract which will only be accounted for on exercise.*

Reconciliation of net investment in leases	**2023**
	$'000
Future undiscounted rentals receivable	-
Unguaranteed residual amounts - undiscounted	11,191,927
Less: unearned finance income	11,165,937
Net investment in finance leases	**25,990**

8. PAYABLES

	2023
	$'000
Current	
Payables and accruals	57
	57

Payables are generally on 30-day terms. Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

9. EQUITY TRANSFER

Assets and liabilities were transferred to the Port Kembla Lessor MHC effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012* (PA(AT) Act), with effective date of 1 July 2022, from Port Kembla Lessor Pty Limited as follows:

	Port Kembla Lessor Pty Limited to Port Kembla Lessor MHC $'000
Assets	
Current assets	
Cash and cash equivalents	511
Receivables	16
Total current assets	**527**
Non-current assets	
Other financial assets	24,276
Total non-current assets	**24,276**
Total assets	**24,803**
Liabilities	
Current liabilities	
Payables	18
Total current liabilities	**18**
Total liabilities	**18**
Increase/(decrease) in net assets from equity transfer	**24,785**

9. EQUITY TRANSFER (continued)

Comparative Information

The Statement of Comprehensive Income for functions transferred to the Port Kembla Lessor MHC:

	Port Kembla Lessor Pty Limited 2022 $'000	Port Kembla Lessor MHC 2023 $'000
Expenses		
Operating expenses	5,997	6,544
Total expenses	**5,997**	**6,544**
Revenue		
Investment revenue	1,602	1,747
Grants and contributions	225	225
Contract service revenue	5,790	6,306
Total revenue	**7,617**	**8,278**
Net result	**1,620**	**1,734**
Other comprehensive income	-	-
Total comprehensive income	**1,620**	**1,734**

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

9. EQUITY TRANSFER (continued)

The Statement of Financial Position for functions transferred to the Port Kembla Lessor MHC:

	Port Kembla Lessor Pty Limited 2022 $'000	Port Kembla Lessor MHC 2023 $'000
Assets		
Current assets		
Cash and cash equivalents	511	533
Receivables	16	53
Total current assets	**527**	**586**
Non-current assets		
Other financial assets	24,276	25,990
Total non-current assets	**24,276**	**25,990**
Total assets	**24,803**	**26,576**
Liabilities		
Current liabilities		
Payables	18	57
Total current liabilities	**18**	**57**
Total liabilities	**18**	**57**
Net assets	**24,785**	**26,519**
Equity		
Contributed equity	383,665	-
Accumulated Surplus/(Losses)	(358,880)	26,519
Total equity	**24,785**	**26,519**

10. CASH FLOW INFORMATION

	2023 $'000
Reconciliation of cash flows from operating activities to net result	
Net cash flows from operating activities	**22**
Add back: non cash items in the net result	
Finance income	1,714
(Decrease)/increase in receivables	37
(Increase)/decrease in payables	(39)
Net result	**1,734**

11. FINANCIAL INSTRUMENTS

The Port Kembla Lessor MHC's principal financial instruments are cash deposits held with financial institutions as part of the NSW Treasury Banking System, receivables and payables. These instruments expose the Port Kembla Lessor MHC to interest rate risk on cash balances held and credit risk on short term receivables. These financial instruments arise from the Port Kembla Lessor MHC's operations and are required to finance those operations. The Port Kembla Lessor MHC does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

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

(a) Financial instrument categories

Financial instruments [i]	Note	Categories	Carrying Amount 2023 $'000
Financial assets			
Cash and cash equivalents	5	N/A	533
Receivables	6	Amortised cost	40
Financial liabilities			
Payables	8	Financial liabilities measured at amortised cost	57

(i) Excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 'Financial Instruments: Disclosures' and excludes lease receivables which only represent the unguaranteed residual value.

(b) Credit risk

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

Credit risk arises from the financial assets of the Port Kembla Lessor MHC, including cash and receivables. No collateral is held by the Port Kembla Lessor MHC.

11. FINANCIAL INSTRUMENTS (continued)

Cash

Cash comprises bank balances with financial institutions. Interest is earned on daily bank balances.

Receivables

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

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

Receivables are written off when there is no reasonable expectation of recovery and no interest earned on trade debtors.

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

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Port Kembla Lessor MHC's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Port Kembla Lessor MHC does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade derivatives.

The effect on the Port Kembla Lessor MHC's net result and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +/- 1 per cent is used. The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility. All other variables remain constant. The Port Kembla Lessor MHC's exposure to interest rate risk follows.

2023	Carrying amount $'000	Net result $'000	-1% Equity $'000	Net result $'000	+1% Equity $'000
Cash and cash equivalents	533	(5)	(5)	5	5

(d) Liquidity risk

Liquidity risk is the risk that the Port Kembla Lessor MHC will be unable to meet its payment obligations when they fall due. The Port Kembla Lessor MHC continuously manages risk through monitoring future cash flows and commitment maturities. There were no defaults on payables in the current year. No assets have been pledged as collateral and the Port Kembla Lessor MHC's exposure to liquidity risk is deemed insignificant based on the prior period's data and current assessment of risk.

Port Kembla Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

11. FINANCIAL INSTRUMENTS (continued)

The payables are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasury Circular TC11-12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasury Circular TC11-12 allows the Minister to award interest for late payment. There has been approximately $30,000 interest awarded for late payments due to the delays of land title transfers following the Corporate Restructure.

The table below summarises the maturity profile of the Port Kembla Lessor MHC's financial liabilities.

			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate	Nominal amount	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2023								
Payables	-	57	-	-	57	57	-	-
Total financial liabilities	**-**	**57**	**-**	**-**	**57**	**57**	**-**	**-**

The payables are non-interest bearing and the Port Kembla Lessor MHC has no exposure to foreign currency risk. All trade and other payables are expected to be settled within the next 12 months.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

- In entering the 99-year lease of land and fixtures at Port Kembla, the Port Kembla Lessor MHC has indemnified the lessee in respect of pre-existing environmental damage or contamination at relevant sites. Corporation officers are not aware of any claims under the indemnity.
- Under the Financier Side Deed and other transaction documents, the Port Kembla Lessor MHC must provide limited compensation to financiers if the lease is terminated for any reason, including default / breaches of the lease, insolvency of the Port Lessee or Port Manager and force majeure. The compensation payable by the Port Kembla Lessor MHC to financiers if the Port lease is terminated is capped at the lesser of:
  - the remaining value of the lease; and
  - the debt owed to financiers "attributable" to the Port; and
  - a "debt cap" benchmarked against debt appropriate to a long-term investment grade credit rating.

At balance date, there have been no breaches of the lease or other events that could result in lease termination.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

Contingent Assets

- The State has guaranteed the payment of any compensation by the Port Kembla Lessor MHC for the above contingent liability to financiers.
- If the lease is terminated, the Port Kembla Lessor MHC can regain possession of the port land and chattels, which are the subject of the existing lease and certain subleases. The Port Kembla Lessor MHC's rights to these assets are subject to the terms of the relevant transaction documents and applicable laws. The circumstances in which the Port Kembla Lessor MHC may terminate the lease are governed by the lease and other transaction documents.
- The Port Kembla Lessor MHC holds a bank guarantee from the lessee to cover any environmental liability and obligations under the lease/sublease. The guarantee is available in the event that the Port lessee breaches and fails to remedy within 30 days of receiving written notice of the breach. At balance date, the Port Kembla Lessor MHC has not issued any written notices for breach of the lease.

13. BUDGET REVIEW

Net result

For the year ended 30 June 2023, Port Kembla Lessor MHC net result is $1.7 million which is in line with the budget.

Operating expenses total $6.5 million which is slightly higher than the budget of $6.1 million. This is driven by a higher land tax expense of $0.4 million.

Total revenue is $8.3 million which is $0.5 million higher than budget, driven by higher land tax and council rate recoupment of $0.4 million and $0.1 million, respectively.

Assets and Liabilities

The net asset position of the Port Kembla Lessor MHC as at 30 June 2023 was $26.5 million, $0.1 million higher than the budget driven by a slightly higher cash balance.

Cash flows

The actual net cash outflows from operating activities were less than $0.1 million which is in line with the budget.

Both cash payments of $7.1 million and cash receipts of $7.2 million were higher than budget by $1.1 million. This is primarily due to GST paid and received that were not included in the budget and higher land tax expense and recoupment of $0.4 million.

Closing cash and cash equivalents were $0.5 million which is in line with the budget.

14. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The NSW Government is the ultimate parent of the Port Kembla Lessor MHC. The NSW Government is also the ultimate parent of NSW Treasury which provides key management personnel services to the Port Kembla Lessor MHC.

(b) Key management personnel remuneration

The Port Kembla Lessor MHC defines Key Management Personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Corporation. KMP of the Port Kembla Lessor MHC includes the Treasurer, the NSW Treasury Secretary and certain NSW Treasury Deputy Secretaries and Executive Directors. The NSW Cabinet is considered a related party of the Port Kembla Lessor MHC because of its role in directing overall government policy and making decisions about State issues.

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

(c) Transactions with related parties

(i) Transactions with KMP

The Port Kembla Lessor MHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of related party transactions. The KMP are required to complete annual declarations in relation to any related party transactions. All KMPs have declared that neither they, nor their close family members, have made any transactions with the Port Kembla Lessor MHC during the reporting period.

(ii) Transactions with other related entities

The Port Kembla Lessor MHC interacts with other government agencies who deliver services to the general public. Services provided by other government agencies to the Port Kembla Lessor MHC include land tax, general council services and water utility services. These services were provided to the Port Kembla Lessor MHC in the same commercial terms as the general public.

The Port Kembla Lessor MHC is a reporting entity under the NSW Treasury Cluster. The Treasury Cluster has provided $225,000 in grants to Port Kembla Lessor MHC to cover the recurrent costs in 2023.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Port Kembla Lessor MHC's financial statements. The cost of these services for the year was $207,232 incl. GST, the expense is shown as an administrative charge in the Port Kembla Lessor MHC.

15. EVENTS AFTER THE REPORTING DATE

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

End of audited financial statements

INDEPENDENT AUDITOR'S REPORT

Port Kembla Lessor Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Port Kembla Lessor Ministerial Holding Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

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

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

Secretary of Treasury's Responsibilities for the Financial Statements

The Secretary of Treasury is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary of Treasury's responsibility also includes such internal control as

the Secretary of Treasury determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary of Treasury is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 September 2023
SYDNEY

NSW GOVERNMENT | Treasury

Port of Newcastle Lessor Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

Port of Newcastle Lessor Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2023

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 Port of Newcastle Lessor Ministerial Holding Corporation's financial position, financial performance and cash flows.

Michael Coutts-Trotter
Secretary
27 September 2023

Port of Newcastle Lessor Ministerial Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000
Expenses			
Operating expenses	3	4,847	5,411
Total expenses		**4,847**	**5,411**
Revenue			
Investment revenue	4(a)	2,387	2,423
Grants and contributions	4(b)	304	225
Contract service revenue	4(c)	4,521	2,020
Total revenue		**7,212**	**4,668**
Net result		**2,365**	**(743)**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income/(loss)		**2,365**	**(743)**

The accompanying notes form part of these financial statements.

Port of Newcastle Lessor Ministerial Holding Corporation

Statement of Financial Position
as at 30 June 2023

	Notes	Budget 2023 $'000	Actual 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	5	600	647
Receivables	6	-	21
Total current assets		**600**	**668**
Non-current assets			
Other financial assets	7	37,230	37,231
Total non-current assets		**37,230**	**37,231**
Total assets		**37,830**	**37,899**
Liabilities			
Current liabilities			
Payables	8	61	3,196
Total current liabilities		**61**	**3,196**
Total liabilities		**61**	**3,196**
Net assets		**37,769**	**34,703**
Equity			
Accumulated funds		37,769	34,703
Total equity		**37,769**	**34,703**

The accompanying notes form part of these financial statements.

Port of Newcastle Lessor Ministerial Holding Corporation

Statement of Changes in Equity
for the year ended 30 June 2023

	Notes	Accumulated Funds $'000	Total $'000
Balance at 1 July 2022		**-**	**-**
Net result for the year		(743)	(743)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**(743)**	**(743)**
Transactions with owners in their capacity as owners			
Increase / (decrease) in net assets from equity transfers	9	35,446	35,446
Balance at 30 June 2023		**34,703**	**34,703**

The accompanying notes form part of these financial statements.

Port of Newcastle Lessor Ministerial Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2023

Cash flows from operating activities	Notes	Budget 2023 $'000	Actual 2023 $'000
Payments			
Operating payments		4,786	2,455
Total payments		**4,786**	**2,455**
Receipts			
Interest received		-	36
Grants and contributions		304	225
Other operating receipts		4,521	2,242
Total Receipts		**4,825**	**2,503**
Net cash flows from operating activities	10	**39**	**48**
Net cash flows from financing activities		**-**	**-**
Net (decrease) / increase in cash		**39**	**48**
Opening cash and cash equivalents		-	-
Cash transferred in (out) as a result of administrative restructuring	9	561	599
Closing cash and cash equivalents	5	**600**	**647**

The accompanying notes form part of these financial statements.

NOTES INDEX

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

1. INFORMATION ON THE PORT OF NEWCASTLE LESSOR MINISTERIAL HOLDING CORPORATION

The Port of Newcastle Lessor Ministerial Holding Corporation (Port of Newcastle Lessor MHC) is a not-for-profit entity (as profit is not its principal objective), established on 1 July 2022 under the *Electricity Network Assets (Authorised Transactions) Act 2015 (NSW)* (ENA(AT) Act), and is domiciled in the State of New South Wales (NSW), Australia. It is controlled by the State of New South Wales, which is the ultimate parent.

The Port of Newcastle Lessor MHC is consolidated as part of the NSW Total State Sector Accounts.

The Port of Newcastle Lessor MHC replaces the Port of Newcastle Lessor Pty Limited which was established to facilitate the long-term lease of land and affixed property, plant and equipment of Newcastle Port Corporation (NPC) to an external party. On 30 May 2014, a 98-year finance lease was executed with an external acquirer and an upfront lease premium was paid directly to the Restart NSW Fund, the NSW Government's infrastructure fund. On the same date, NPC's interest in the equity of Port of Newcastle Lessor Pty Limited was transferred to the Ports Assets Ministerial Holding Corporation (PAMHC).

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

Corporation Restructure Effective 1 July 2022

In October 2021, the Secretary of Treasury under appropriate delegation powers approved a proposal to restructure Port of Newcastle Lessor Pty Limited from its Proprietary Company status to a Ministerial Holding Corporation. The aim was to achieve better alignment with the State's other residual entity structures. This change took effect on 1 July 2022.

The Port of Newcastle Lessor MHC was established on 1 July 2022 under clause 9 of Schedule 7 to the *Electricity Network Assets (Authorised Transactions) Act 2015* (NSW) (ENA(AT) Act). The assets, rights and liabilities of Port of Newcastle Lessor Pty Limited were transferred to the Port of Newcastle Lessor MHC and effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012* (PA(AT) Act), with effective date of 1 July 2022. Further details are disclosed in Note 9.

The Port of Newcastle Lessor MHC has the same ABN as Port of Newcastle Lessor Pty Limited and its affairs will continue to be managed by the Treasurer and the Secretary of NSW Treasury.

Port of Newcastle Lessor Pty Limited's parent entity, PAMHC, had used an outsourcing model for the management of lease and property related matters for the Company from 1 July 2015 to 30 June 2022. PAMHC had established a Memorandum of Understanding (MoU) with Property NSW (PNSW) for the outsourcing arrangement and had received a management fee for its services provided to the Company. PNSW provided a notice of termination of this service on 25 May 2022 with two months' notice pursuant to Clause 13 of the agreement. The Secretary of NSW Treasury has provided authorisation of select NSW Treasury personnel to act as agent for routine administrative matters for the Port of Newcastle Lessor MHC from 2 June 2022 which includes the ongoing management of the lease and property related matters.

Port of Newcastle Lessor Pty Limited was deregistered under the *Corporations Act 2001* (Cth) on 31 March 2023 after the transfer of assets, rights and liabilities to the Port of Newcastle Lessor MHC was complete.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

- Applicable Australian Accounting Standards (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 and in accordance with the historical cost convention, except for cash flow information.

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

Use of judgements, estimates and assumptions

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

Port land and fixtures lease classification – Port of Newcastle Lessor MHC as lessor

Port of Newcastle Lessor Pty Limited entered a 98-year lease of its port land and fixtures on 30 May 2014. Port of Newcastle Lessor Pty Limited had determined, based on an evaluation of the terms and conditions of the arrangements that it does not retain all the significant risks and rewards of ownership of the land and fixtures, and accounted for the contract as a finance lease. As the lease was prepaid, the transaction was accounted for as a sale. The assets, rights and liabilities under the lease were transferred to the Port of Newcastle Lessor MHC, effective 1 July 2022.

Estimates and assumptions - the key assumptions concerning estimation uncertainty at the reporting date, which present a significant risk of potentially causing a material adjustment to the carrying amounts of assets are described below.

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

Valuation of lease receivable – unguaranteed residual value

The Port of Newcastle Lessor MHC carries its lease receivable which mainly comprises of the unguaranteed residual value at amortised cost less any impairment. The initial value of the unguaranteed residual value was measured using the discounted cash flow model. The inputs include both observable markets and internal data, where a degree of judgement was applied to determine the fair value. Judgements including the consideration of inputs such as liquidity risk, credit risk and volatility were taken at inception of the lease. If there is a reduction in the residual value of the unguaranteed residual assets, the income allocation over the lease will be revised. Details regarding the indexation and discount rate used are disclosed in Note 7.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Statement of compliance

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

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

i. Effective for the first time in FY2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year except as a result of the new or revised Australian Accounting Standards that have been applied for the first time in 2022-23. 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 *NSW Treasury* Policy and Guidelines TPG23-04 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*, the Corporation has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (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)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024)
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* (operative date 1 July 2026)
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024).

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative information

The Port of Newcastle Lessor MHC was established on 1 July 2022 and as a result there is no comparative information for the previous period. However, as required by TPP21-08 *Accounting Policy: Contributions by owners made to wholly-owned Public Sector Entities*, comparative information for the transferred activities is disclosed in Note 9. .

Revenue

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

Investment revenue

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

Finance income

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

Grants and contributions

Grants and contributions are recognised when the Port of Newcastle Lessor MHC obtains control of the contribution. Control of contribution is normally obtained upon the receipt of cash.

Contract service revenue

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

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

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Expenses are recognised when incurred. Land tax is recognised as an expense in the period in which it is incurred and based on land tax assessment notices issued by Revenue NSW.

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

Assets

Cash and cash equivalents

Cash and cash equivalents represents 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 flow and considerations accrued as at the reporting date. Under AASB 9 *Financial Instruments,* the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics.

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

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

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

Other financial assets - Leases

The other non-current financial asset represents the emerging asset, being the present value of the land and fixture assets to be returned to the State on the expiry of the 98-year term.

Finance Lease - Port of Newcastle Lessor MHC as lessor

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

A receivable is recognised at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Gross

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

investment in the lease is the aggregate of the minimum lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the lessor.

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

Derecognition of financial assets

A financial asset (or, 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 Port of Newcastle Lessor MHC has transferred substantially all the risks and rewards of the asset; or
- the Port of Newcastle Lessor MHC has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

Liabilities

Payables

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

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

Derecognition of financial liabilities

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

Administered activities

The Port of Newcastle Lessor MHC administers, but does not control, certain activities on behalf of the State. It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the entity's own objectives.

The administered activities of the Port of Newcastle Lessor MHC include the Newcastle Community Contribution (NCC). Refer to Note 12 for details.

Transactions and balances relating to these administered activities are not recognised as the Port of Newcastle Lessor MHC's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered Income', 'Administered Expenses', 'Administered Assets' and 'Administered Liabilities'.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accrual basis of accounting and applicable accounting standards has been adopted.

Income tax equivalent and other taxes

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

Accounting for the Goods and Services Tax

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

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

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

Statement of Cash Flows

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

Equity transfers

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

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

All other equity transfers are recognised at fair value, except for intangibles.

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 14.

Going Concern

The Port of Newcastle Lessor MHC's financial statements have been prepared on a going concern basis. It is expected that the Port of Newcastle Lessor MHC has adequate cash holdings and cash inflows to continue operations for the foreseeable future. Further, the State will provide financial support to the Port of Newcastle Lessor MHC as may be required from time to time to enable the Port of Newcastle Lessor MHC to meet its debts as and when they become due and payable.

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

3. OPERATING EXPENSES

	2023 $'000
Land tax	5,199
Auditor's remuneration	
- audit of the financial statements	24
Administration Charge	188
	5,411

4. REVENUE

	2023 $'000
(a) Investment revenue	
Interest income	36
Finance income (i)	2,387
	2,423
(b) Grants and contributions	
Grants without sufficiently specific performance obligations (iii)	225
	225
(c) Contract service revenue	
Land tax recoverable from tenants (ii)	2,020
	2,020
Total income	**4,668**

(i) Finance income

At the date of execution of the 98-year finance lease, Port of Newcastle Lessor Pty Limited recognised a finance lease receivable representing the entity's net investment in the lease. This was vested in the Port of Newcastle Lessor MHC effective 1 July 2022. As the lease payments were received upfront, no further payments will be received by the Port of Newcastle Lessor MHC and the residual asset will be accreted over the term of the lease as finance income.

(ii) Land tax recoverable from tenants

These relate to NSW land tax recovered from the lessee under the 98-year finance lease.

(iii) Grants without sufficiently specific performance obligations

The Port of Newcastle Lessor MHC receives its funding under appropriations from grant funding received from Treasury which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until September 2023. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2023-24 Appropriation Act.

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

5. CASH AND CASH EQUIVALENTS

	2023 $'000
Cash at bank	647
	647

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

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

Cash and cash equivalents (per Statement of Financial Position)	647
Closing cash and cash equivalents (per Statement of Cash Flows)	647

Refer to Note 11 for details regarding credit risk and market risk arising from financial instruments.

6. RECEIVABLES

	2023 $'000
Current	
GST receivable	21
	21

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

7. OTHER FINANCIAL ASSETS

	2023 $'000
Non-Current	
Finance lease receivable (i)	37,231
	37,231

(i) Finance lease receivable

The Port of Newcastle Lessor MHC is the lessor in a 98-year finance lease covering the land and affixed property, plant and equipment at the Port of Newcastle in NSW, Australia.

Finance lease accounting requires the Port of Newcastle Lessor MHC to recognise a finance lease receivable equal to the net investment in the lease, which is the discounted gross investment in the lease comprising the minimum lease payments and unguaranteed residual value. As the lease payments were received upfront, the net investment in the lease corresponds to the present value of the residual value assets that will revert to the Port of Newcastle Lessor MHC on expiry of the lease.

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

7. OTHER FINANCIAL ASSETS (continued)

The residual value in 98 years is estimated at $13.5 billion, using an annual indexation of 3.42 per cent. The present value at the inception of the lease was $20.4 million, discounted at nominal pre-tax discount rate of 6.85 per cent.

Finance income of $2.4 million was recognised in the period (refer to Note 4).

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

The lease contains two clauses:

1. *any improvements made by the lessee to the existing land and fixtures, or acquisition of additional land for port use are treated as transactions by the Port of Newcastle Lessor MHC. However, the State does not benefit from these improvements during the term of the lease as all risks and rewards are with the lessee, and*
2. *acquisitions or the lease of additional land by the lessee are subject to an option which allows the Port of Newcastle Lessor MHC to acquire or lease the additional land. As an option to buy non-financial items that will not be settled net in cash, the option has been classified as an executory contract which will only be accounted for on exercise.*

Reconciliation of net investment in leases	**2023**
	$'000
Future undiscounted rentals receivable	-
Unguaranteed residual amounts - undiscounted	13,469,278
Less: unearned finance income	13,432,047
Net investment in finance leases	**37,231**

8. PAYABLES

	2023
	$'000
Current	
Payables and accruals	3,196
	3,196

Payables are non-interest bearing and are generally on 30-day term. Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

9. EQUITY TRANSFER

Assets and liabilities were transferred to the Port of Newcastle Lessor MHC effected by Vesting Order made under section 19 and Schedule 4 of the *Ports Assets (Authorised Transactions) Act 2012* (PA(AT) Act), with effective date of 1 July 2022, from Port of Newcastle Lessor Pty Limited as follows:

	Port of Newcastle Lessor Pty Limited to Port of Newcastle Lessor MHC $'000
Assets	
Current assets	
Cash and cash equivalents	599
Receivables	21
Total current assets	**620**
Non-current assets	
Other financial assets	34,844
Total non-current assets	**34,844**
Total assets	**35,464**
Liabilities	
Current liabilities	
Payables	18
Total current liabilities	**18**
Total liabilities	**18**
Increase/(decrease) in net assets from equity transfer	**35,446**

9. EQUITY TRANSFER (continued)

Comparative figures

The Statement of Comprehensive Income for functions transferred to the Port of Newcastle Lessor MHC:

	Port of Newcastle Lessor Pty Limited 2022 $'000	Port of Newcastle Lessor MHC 2023 $'000
Expenses		
Operating expenses	4,721	5,411
Total expenses	**4,721**	**5,411**
Revenue		
Investment revenue	2,235	2,423
Grants and contributions	225	225
Contract service revenue	4,517	2,020
Total revenue	**6,977**	**4,668**
Net result	**2,256**	**(743)**
Other comprehensive income	-	-
Total comprehensive income/(loss)	**2,256**	**(743)**

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

9. EQUITY TRANSFER (continued)

The Statement of Financial Position for functions transferred to the Port of Newcastle Lessor MHC:

	Port of Newcastle Lessor Pty Limited 2022 $'000	Port of Newcastle Lessor MHC 2023 $'000
Assets		
Current assets		
Cash and cash equivalents	599	647
Receivables	21	21
Total current assets	**620**	**668**
Non-current assets		
Other financial assets	34,844	37,231
Total non-current assets	**34,844**	**37,231**
Total assets	**35,464**	**37,899**
Liabilities		
Current liabilities		
Payables	18	3,196
Total current liabilities	**18**	**3,196**
Total liabilities	**18**	**3,196**
Net assets	**35,446**	**34,703**
Equity		
Contributed equity	503,104	-
Accumulated Surplus/(Losses)	(467,658)	34,703
Total equity	**35,446**	**34,703**

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

10. CASH FLOW INFORMATION

	2023 $'000
Reconciliation of cash flows from operating activities to net result	
Net cash flows from operating activities	**48**
Add back: non cash items in the net result	
Finance income	2,387
Increase/(decrease) in receivables	-
Decrease/(increase) in payables	(3,178)
Net result	**(743)**

11. FINANCIAL INSTRUMENTS

The Port of Newcastle Lessor MHC's principal financial instruments are cash deposits held with financial institutions as part of the NSW Treasury Banking System. These instruments expose the Port of Newcastle Lessor MHC to interest rate risk on cash balances held and credit risk on short term receivables. These financial instruments arise from the Port of Newcastle Lessor MHC's operations and are required to finance those operations. The Port of Newcastle Lessor MHC does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

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

(a) Financial instrument categories

Financial instruments (i)	Note	Categories	Carrying Amount 2023 $'000
Financial Assets			
Cash and cash equivalents	5	N/A	647
Financial Liabilities			
Payables	8	Financial liabilities measured at amortised cost	17

(i) Excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 'Financial Instruments: Disclosures' and excludes lease receivables which only represent the unguaranteed residual value.

(b) Credit risk

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

Credit risk arises from the financial assets of the Port of Newcastle Lessor MHC, including cash and receivables. No collateral is held by the Port of Newcastle Lessor MHC.

11. FINANCIAL INSTRUMENTS (continued)

Cash

Cash comprises bank balances with financial institutions. Interest is earned on daily bank balances.

Receivables

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

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

Receivables are written off when there is no reasonable expectation of recovery and no interest earned on trade debtors.

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

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Port of Newcastle Lessor MHC's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Port of Newcastle Lessor MHC does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade derivatives.

The effect on the Port of Newcastle Lessor MHC's net result and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +/- 1 per cent is used. The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility. All other variables remain constant. The Port of Newcastle Lessor MHC's exposure to interest rate risk follows.

2023	Carrying amount $'000	Net result $'000	-1% Equity $'000	Net result $'000	+1% Equity $'000
Cash and cash equivalents	647	(6)	(6)	6	6

11. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Port of Newcastle Lessor MHC will be unable to meet its payment obligations when they fall due. The Port of Newcastle Lessor MHC continuously manages risk through monitoring future cash flows and commitment maturities. There were no defaults on payables in the current year. No assets have been pledged as collateral and the Port of Newcastle Lessor MHC's exposure to liquidity risk is deemed insignificant based on the prior period's data and current assessment of risk.

The payables are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasury Circular TC 11-12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasury Circular TC 11-12 allows the Minister to award interest for late payment. There has been no interest awarded for late payment to date.

The table below summarises the maturity profile of the Port of Newcastle Lessor MHC's financial liabilities.

			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
2023								
Payables	-	17	-	-	17	17	-	-
Total financial liabilities	-	**17**	-	-	**17**	**17**	-	-

The payables have maturity less than 1 year and are non-interest bearing. The Port of Newcastle Lessor MHC has no exposure to foreign currency risk.

12. ADMINISTERED ITEMS

	2023 $'000
Administered revenue	
Newcastle Community Contribution [(i)]	1,000
Total administered revenue	**1,000**

(i) Newcastle Community Contribution (NCC)

The NCC was levied by the PAMHC to the Newcastle Port Manager in accordance with the Newcastle Community Contribution Deed. It is a statutory charge levied to the Newcastle Port Manager in operation of the port. The arrangement between PAMHC in regard to the NCC was vested in the Port of Newcastle Lessor MHC, effective 1 July 2022. The Port of Newcastle Lessor MHC is a collection agent acting on behalf of the State. The NCC is passed on to the Consolidated Fund upon receipt and is recognised on an accrual basis as administered revenue.

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

12. ADMINISTERED ITEMS (continued)

	2023 $'000
Administered assets	
Receivables	382
Total administered assets	**382**

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

- In entering into the 98-year lease of land and fixtures, the Port of Newcastle Lessor MHC has indemnified the lessee in respect of pre-existing environmental damage or contamination at relevant sites.
- Parcels of the Newcastle land associated with the former BHP steelworks included in the Newcastle 98 years finance lease were contaminated prior to it being owned by Newcastle Port Corporation. As part of the lease arrangements, liabilities in respect of the land remediation costs for the pre-existing land contamination is assumed by the Crown in right of the State of New South Wales (Crown). The land has been remediated and the site is expected to be handed over to the lessee by the end of 2023.
- Under the Financier Side Deed and other transaction documents, the Port of Newcastle Lessor MHC must provide limited compensation to financiers if the lease is terminated for any reason by the Port of Newcastle Lessor MHC, including default /breaches of the lease, insolvency of the lessee or Port Manager and force majeure. The compensation payable by the Port of Newcastle Lessor MHC to financiers if the lease is terminated is capped at the lesser of:
  - the remaining value of the lease; and
  - the debt owed to financiers "attributable" to the Port.

At balance date, there have been no breaches of the lease or other events that could result in lease termination.

Contingent assets

- The State has guaranteed the payment of any compensation by the Port of Newcastle Lessor MHC for the above contingent liability to financiers.
- If the lease is terminated the Port of Newcastle Lessor MHC can regain possession of the Port land and chattels, which are the subject of the existing lease and certain subleases. The Port of Newcastle Lessor MHC's rights to these assets are subject to the terms of the relevant transaction documents and applicable laws. The circumstances in which the Port of Newcastle Lessor MHC may terminate the lease are governed by the lease and other transaction documents.
- The Port of Newcastle Lessor MHC holds a bank guarantee from the lessee to cover any environmental liability and obligations under the lease/sublease. The guarantee is available in the event that the lessee breaches and fails to remedy within 30 days of receiving written notice of the breach. At balance date, the Port of Newcastle Lessor MHC has not issued any written notices for breach of the lease.

14. BUDGET REVIEW

Net result

For the year ended 30 June 2023, Port of Newcastle Lessor MHC's net result is a loss of $0.7 million which is lower than budget.

Operating expenses total $5.4 million which is slightly higher than the budget of $4.8 million. This is mainly driven by a higher land tax expense of $0.7 million.

Total revenue is $4.7 million which is $2.5 million lower than budget, mainly driven by timing differences in recoupment of land tax expenses.

Assets and Liabilities

The net asset position of the Port of Newcastle Lessor MHC as at 30 June 2023 was $34.7 million which is $3.1 million lower than the budget of $37.8 million.

Total assets for the year were $37.9 million which is broadly in line with the budget of $37.8 million.

Total liabilities were $3.2 million which is $3.1 million higher than budget. This is mainly driven by land tax expenses of $3.2 million due in the next financial year.

Cash flows

The actual net cash outflows from operating activities were less than $0.1 million which is in line with budget.

Both cash payments of $2.5 million and cash receipts of $2.5 million were lower than budget by $2.3 million. This is mainly driven by lower cash payments and cash receipts for land tax instalments of $3.2 million which are due in the next financial year as well as GST paid and received that were not included in the budget.

Closing cash and cash equivalents were $0.6 million which is line with the budget.

15. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The NSW Government is the ultimate parent of the Port of Newcastle Lessor MHC. The NSW Government is also the ultimate parent of NSW Treasury which provides key management personnel services to the Port of Newcastle Lessor MHC.

(b) Key management personnel remuneration

The Port of Newcastle Lessor MHC defines Key Management Personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Corporation. KMP of the Port of Newcastle Lessor MHC includes the Treasurer, the NSW Treasury Secretary, and certain NSW Treasury Deputy Secretaries and Executive Directors. The NSW Cabinet is considered a related party of the Corporation because of its role in directing overall government policy and making decisions about State issues.

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

Port of Newcastle Lessor Ministerial Holding Corporation

Notes to the financial statements
for the year ended 30 June 2023

15. RELATED PARTY DISCLOSURES (continued)

(c) Transactions with related parties

(i) Transactions with KMP

The Port of Newcastle Lessor MHC has developed a framework in conjunction with NSW Treasury that supports the identification, recording and authorisation of related party transactions. The KMP are required to complete annual declarations in relation to any related party transactions. All KMPs have declared that neither they, nor their close family members, have made any transactions with the Port of Newcastle Lessor MHC during the reporting period.

(ii) Transactions with other related entities

The Port of Newcastle Lessor MHC interacts with other government agencies who deliver services to the general public. Services provided by other government agencies to the Port of Newcastle Lessor MHC include land tax services. These services were provided to the Port of Newcastle Lessor MHC in the same commercial terms as the general public.

The Port of Newcastle Lessor MHC is a reporting entity under the NSW Treasury cluster. The Treasury Cluster has provided $225,000 in grants to Port of Newcastle Lessor MHC for recurrent expenses in 2023.

Finance officers of NSW Treasury provide administrative services, including the preparation of the Port of Newcastle Lessor MHC's financial statements. The cost of these services for the year is $207,232 incl. GST, the expense is shown as an administrative charge in the Port of Newcastle Lessor MHC.

16. EVENTS AFTER THE REPORTING DATE

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

End of audited financial statements

INDEPENDENT AUDITOR'S REPORT

Port of Newcastle Lessor Ministerial Holding Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Port of Newcastle Lessor Ministerial Holding Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, 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).

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

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

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

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

Secretary of Treasury's Responsibilities for the Financial Statements

The Secretary of Treasury is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary of Treasury's responsibility also includes such internal control as

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GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

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 / is] free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 September 2023
SYDNEY

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Financial Statements

for the year ended 30 June 2023

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Financial Statements
for the year ended 30 June 2023

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Electricity Retained Interest Corporation - Ausgrid
ABN 40 543 372 305

Financial Statements
for the year ended 30 June 2023

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: ....
Steven MacDonald - Chair

Dated: 27 September 2023

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Report by Members of the Board
for the year ended 30 June 2023

The Directors present their report on the Electricity Retained Interest Corporation - Ausgrid (the Corporation) for the financial year ended 30 June 2023.

Information on Directors

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

Steven MacDonald (Chair) (Appointed 4 November 2019)
Belinda Gibson (Appointed 4 November 2019)
Gillian Brown (Appointed 4 November 2022)
Robert Wright (Appointed 4 November 2019, retired 3 November 2022)

Principal activities

The Corporation was established under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Ausgrid's network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015* and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was established on 1 December 2016.

The retained interest is a 49.6 per cent interest in the Ausgrid distribution network business which is constituted by four (4) partnerships:

1. Ausgrid Network Asset Partnership (NAP) holding the regulated network assets;
2. Ausgrid Operator Partnership (NOP) which operates the regulated network assets;
3. Plus ES Partnership (AUP) which owns and conducts unregulated activities; and
4. Ausgrid Aurora Property Partnership (APP) which will hold surplus properties held by the Ausgrid group. This new partnership was established in April 2023, and in June 2023 signed transfers to acquire 14 properties at market value – 12 from NAP which have been surrendered from the Ausgrid distribution lease, and 2 from NOP.

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

Other than as described in the review of operations below, there has been no significant change in the Corporation's principal activity during the year.

Operating results

The net result of the Corporation was $90.3 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

Total distribution received as at the reporting date was $49.6 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 the of NSW Treasury for the Corporation and its subsidiaries.

As part of the establishment of APP (noted above) to address stamp duty on APP's acquisition of the 14 surplus properties from NAP and NOP, in May 2023, a pre-transaction application for stamp duty exemption (as a corporate reconstruction) was made to Revenue NSW and APP made a capital reduction which provided the APP partners with funds to pay stamp duty on the transfers should the exemption not be approved. The capital return funds to cover stamp duty were paid to and held in the trust account of King Wood Mallesons lawyers who are representing APP and the Ausgrid group more generally. The four ERIC Alpha APP partners' aggregate share of the capital reduction was $4.254 million ($1.063 million each) which matches their share of the potential stamp duty.

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Report by Members of the Board
for the year ended 30 June 2023

As at 30 June 2023, the $4.254 million was held in the KWM trust account on behalf of the four ERIC Alpha APP partners. That trust account is not controlled by the four ERIC Alpha APP partners or the Corporation.

In July 2023, NSW Revenue issued pre-approval letters for the stamp duty exemption subject to the actual transaction being the same as described in the pre-transaction application. In August 2023, the APP partners submitted formal duty exemption applications and the transfer documents to NSW Revenue for stamping.

Based on the NSW Revenue pre-approval letters, the Board is confident that the exemption application will be granted. The $4.254 million was released from the KWM trust account and paid to the Electricity Retained Interest Corporation – Ausgrid (ERIC-A) Fund on 13 September 2023.

At the date of these financial statements, the stamping of the documents and the exemption application has not been concluded.

Significant changes in state of affairs

Ausgrid maintained its current Baa1 (Moody's) and BBB (Standard & Poors) credit ratings. There has been progressive improvement in credit metrics over the reporting period which has supported the resumption of investor distributions in the March 2023 quarter. Before the resumption of Ausgrid distribution income in FY2023, the State provided funding to the Corporation for operating expenditure.

Significant events after the balance date

Refer to the notes on establishment of APP in the Review of operations section above.

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), Deed of Indemnity dated 13 November 2019 (in the case of Steven MacDonald) and Deed of Indemnity dated 3 November 2022 (in the case of Gillian Brown), the Corporation has indemnified each Director against:

(a) civil liability (other than a liability to the Corporation or a Subsidiary) for liability incurred in his or her capacity as a Director (unless the liability arises out of conduct involving a lack of good faith); and

(b) liability for costs incurred in defending proceedings (civil or criminal) in which judgement is given in favour of the Director or the Director is acquitted.

Signed in accordance with a resolution of the Directors:

Director: ....

Steven MacDonald - Chair

Dated: 27 September 2023

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 of the Corporation and the consolidated entity, the Consolidated Statement of Comprehensive Income for the year ended 30 June 2023, the Consolidated Statement of Financial Position as at 30 June 2023, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Directors of the Corporation 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 of the Corporation are 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 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 Corporation and the consolidated entity'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/ar3.pdf.The description forms part of my auditor's report.

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

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

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 September 2023
SYDNEY

Electricity Retained Interest Corporation - Ausgrid

ABN 40 543 372 305

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	Budget 2023 Consolidated $'000	Actual 2023 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2023 Parent $'000	Actual 2022 Parent $'000
Revenue						
Share of profit/(loss) in associate	4	159,333	139,872	301,568	-	-
Grants and other contributions	4	1,050	1,139	835	1,123	823
		160,383	141,011	302,403	1,123	823
Expenses						
Contribution paid	5	-	49,600	-	-	-
Directors fees	5	370	534	370	534	352
Other expenses	5	680	605	465	589	471
		1,050	50,739	835	1,123	823
Net result for the year		**159,333**	**90,272**	**301,568**	**-**	**-**
Other comprehensive income:						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		-	-	475,168	-	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		-	1,984	-	-	-
Share of associate's changes in revaluation surplus of property, plant and equipment		-	1,703,885	51,308	-	-
Total share of associate's other comprehensive income/(loss)	6	-	1,705,869	526,476	-	-
Total comprehensive income/(loss)		**159,333**	**1,796,141**	**828,044**	**-**	**-**

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 2023

	Notes	Budget 2023 Consolidated $'000	Actual 2023 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2023 Parent $'000	Actual 2022 Parent $'000
Total current assets		-	-	-	-	-
Non-current assets						
Investments	6	5,295,288	7,599,793	5,803,652	3,852,126	3,852,126
Total non-current assets		**5,295,288**	**7,599,793**	**5,803,652**	**3,852,126**	**3,852,126**
Total assets		**5,295,288**	**7,599,793**	**5,803,652**	**3,852,126**	**3,852,126**
Total current liabilities		-	-	-	-	-
Total non-current liabilities		-	-	-	-	-
Total liabilities		-	-	-	-	-
Net assets		**5,295,288**	**7,599,793**	**5,803,652**	**3,852,126**	**3,852,126**
Equity						
Reserves	7	871,208	3,101,792	1,397,907	-	-
Accumulated surplus	7	4,424,080	4,498,001	4,405,745	3,852,126	3,852,126
Total equity		**5,295,288**	**7,599,793**	**5,803,652**	**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 2023

	Notes	Budget 2023 Consolidated $'000	Actual 2023 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2023 Parent $'000	Actual 2022 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 2023

	Consolidated			Parent		
	Accumulated Surplus	Reserves	Total	Accumulated Surplus	Reserves	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2022	**4,405,745**	**1,397,907**	**5,803,652**	**3,852,126**	**-**	**3,852,126**
Net result for the period	90,272	-	90,272	-	-	-
Other comprehensive income						
Investment in associate	1,984	1,703,885	1,705,869	-	-	-
Total other comprehensive income	1,984	1,703,885	1,705,869	-	-	-
Total comprehensive income/(loss)	92,256	1,703,885	1,796,141	-	-	-
Balance at 30 June 2023	**4,498,001**	**3,101,792**	**7,599,793**	**3,852,126**	**-**	**3,852,126**
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**

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

Electricity Retained Interest Corporation - Ausgrid
ABN 40 543 372 305

Notes to the Consolidated Financial Statements
for the year ended 30 June 2023

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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 four (4) partnerships (the Partnerships):

1. Ausgrid Network Asset Partnership (NAP) which holds the regulated network assets;
2. Ausgrid Operator Partnership (NOP) which operates the regulated network assets;
3. Plus ES Partnership (AUP) which owns and conducts unregulated activities; and
4. Ausgrid Aurora Property Partnership (APP) which will hold surplus properties held by the Ausgrid group. This new partnership was established in April 2023, and in June 2023 signed transfers to acquire 14 properties at market value – 12 from NAP which have been surrendered from the Ausgrid distribution lease, and 2 from NOP.

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

The Corporation is a not-for-profit entity from 4 November 2016 as profit is not its principal objective. Its principal office is at 52 Martin Place, Sydney NSW 2000, Australia.

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

The Corporation is a NSW Government entity and consolidated as part of the NSW Total State Sector Accounts.

2. BASIS FOR CONSOLIDATION

Subsidiaries

The consolidated financial statements of the Corporation include the Corporation as parent and its subsidiaries (refer to "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 (the Company), four ERIC Alpha Asset Trusts (NAPTs), four ERIC Alpha Operator Trusts (NOPTs), four ERIC Alpha AUP Trusts (NAUPTs), four ERIC Alpha APP Trusts (NAPPTs) and the associated four ERIC Alpha Asset Corporations (NAPT Trustee), four ERIC Alpha Operator Corporations (NOPT Trustee), four ERIC Alpha AUP Corporations (NAUPT Trustee) and four ERIC Alpha APP Corporations (NAPPT Trustee) companies. NAPTs, NOPTs, NAUPTs and NAPPTs hold the legal interests of the retained interest.

NAPTs:

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

NOPTs:

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

NAUPTs:

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

2. BASIS FOR CONSOLIDATION (continued)

NAPPTs[1]:

- ERIC Alpha APP Corporation 1 Pty Ltd (ACN 664 207 907) as trustee for the ERIC Alpha APP Trust 1
- ERIC Alpha APP Corporation 2 Pty Ltd (ACN 664 208 066) as trustee for the ERIC Alpha APP Trust 2
- ERIC Alpha APP Corporation 3 Pty Ltd (ACN 664 208 315) as trustee for the ERIC Alpha APP Trust 3
- ERIC Alpha APP Corporation 4 Pty Ltd (ACN 664 208 404) as trustee for the ERIC Alpha APP Trust 4

[1.] The ERIC Alpha APP trustee companies were incorporated on 1 December 2022 and the ERIC Alpha APP trusts were established on 5 December 2022. The Company is the sole shareholder of each company and sole unitholder of each trust.

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of compliance

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

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

i. Effective for the first time in FY2022-23

The accounting policies applied in FY2022-23 are consistent with those of the previous financial year.

There were no new or amended standards commencing in FY2022-23 which have a material impact on the Corporation. Management has assessed all new or revised accounting standards (including those issued but not yet effective) and has concluded these do not have a material impact on the financial statements of the Corporation.

ii. Issued but not yet effective

As mandated by Treasury Policy and Guidelines TPG23-04 *Mandates of Options and major policy decisions under Australian Accounting Standards*, the Corporation has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective.

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024).
- AASB 2021-2 *Amendments to Australian Accounting Standard – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative for annual periods beginning on or after 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).
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024).
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024).
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024).

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Distribution income

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

Grants and other contributions

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

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. The contribution paid in FY2023 was $49.6 million and there was no contribution paid in FY2022.

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 by the Treasurer and reported by the NSW Treasury under its administered activities.

Investment in subsidiary

The Corporation was established to hold 100 per cent interest in the Company. The parent's investment in subsidiary and the Company's contributed capital is eliminated in full on the consolidation level. Refer to Note 6 and Note 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*.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2023.

Two scenarios were used to determine the PPE valuation ranges of Ausgrid (hybrid scenario). Scenario 1 was based on Ausgrid's value in use corporate model which incorporates cash flows for Ausgrid, and scenario 2 applied a 6-year forecast (to 30 June 2029) which removed the impact of growth due to capital expenditure (capex) and associate growth cash flows which were determined by Ausgrid management to be approximately 46% of total forecast capex assumed by the regulated business under scenario 1.

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

- Under scenario 2, 54 per cent of the distributor licence and goodwill have been adopted when calculating the PPE fair value to remove the impact of growth capex;
- A post-tax (0 per cent Corporate tax rate) WACC of 6.75 – 7.25 per cent (mid-point of 7.00 per cent);
- Under scenario 1, a 31-year (to 30 June 2054) cashflow horizon was used in applying the Gordon Growth method with a terminal value growth rate of 2.50 per cent as a proxy for long term cashflows. Under scenario 2, a 6-year (to 30 June 2029) cashflow horizon was used in applying the Gordon Growth method with a terminal value growth rate of 1.35 – 2.50 per cent as a proxy for long term cashflows.

The Corporation applied a post-tax (0 per cent Corporate tax rate) discount rate of 7.25 per cent (6.11 per cent post tax (30 per cent Corporate tax rate); 2022: 6.82 per cent post tax (30 per cent Corporate tax rate)). The sensitivity table below shows the fair value where a change in discount rate of +/- 0.25 per cent is used:

Discount Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
30 June 2023	21,965	23,062	24,257
30 June 2022	18,374	19,346	20,429

The Corporation applied a terminal value growth rate of 1.35 per cent (2022: 2.0 per cent). The sensitivity table below shows the fair value where a change in the terminal value growth rate of +/- 0.25 per cent is used:

Discount Sensitivity	+0.25% ($M)	Valuation Amount ($M)	-0.25% ($M)
30 June 2023	23,999	23,062	22,201
30 June 2022	20,208	19,346	18,570

The hybrid scenario was used to assess the carrying value of Ausgrid's PPE as Scenario 1 accounted for the cash flows of Ausgrid and incorporated Ausgrid's ability and obligation to enhance its distribution network through capital expenditure, this enabled an economic cap to be placed on the value of the current PPE. Whereas scenario 2 sought to eliminate growth capex as a basis to estimate Ausgrid's PPE at 30 June 2023.

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.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Share of profit/(loss) in associate	139,872	301,568	-	-
Grants and other contributions[1]	1,139	835	1,123	823
Total	**141,011**	**302,403**	**1,123**	**823**

[1] The Corporation does not have a bank account. The Fund was established under Section 32 of the Act to facilitate all financial transactions of the Corporation. The Fund is an SDA controlled by the Treasurer and reported by the NSW Treasury under its administered activities.

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 are a grant contribution to the Crown in the Right of the State of NSW (the Crown) which is reported under NSW Treasury administered activities. The grant received is without a sufficiently specific performance obligation.

5. EXPENSES

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Contribution paid				
Contribution paid to Consolidated Fund	49,600	-	-	-
	49,600	**-**	**-**	**-**
Director fees				
Fees	468	320	468	320
Superannuation contribution	48	32	48	32
Committee fees	18	18	18	-
	534	**370**	**534**	**352**
Other expenses				
Audit fees	92	90	80	81
Administration charge	275	275	275	275
Other	238	100	234	115
	605	**465**	**589**	**471**
Total expenses	**50,739**	**835**	**1,123**	**823**

6. INVESTMENTS

Investment in subsidiary

The Corporation was established to hold the 100 per cent interest in its subsidiary Company and this holding structure implemented by the State to manage its retained interest in NAP, NOP, AUP and APP. Refer to Note 2 for details.

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Investment in ERIC Alpha Holdings Pty Ltd	-	-	3,852,126	3,852,126
	-	**-**	**3,852,126**	**3,852,126**

Investment in associate

The Corporation's Group investment in an associate represents 100 per cent interest in shares of the Company, which has an investment in associate consisting of the NSW Government's 49.6 per cent share in the Ausgrid Partnerships and a consortium comprising IFM Investors, AustralianSuper and APG Asset Management (APG) holds 50.4% partnership interest.

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Investment in associate	7,599,793	5,803,652	-	-
	7,599,793	**5,803,652**	**-**	**-**

6. INVESTMENTS (continued)

In accordance with AASB 12, the table below provides summarised financial information for the associate. The information disclosed reflects amounts presented in the financial statements of the associate and not the Corporation's share of those amounts. They have been amended to reflect adjustments made by the Corporation when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

The associate's assets and liabilities	**2023 Associate $'000**	**2022 Associate $'000**
Current assets	704,000	1,130,000
Non-current assets	27,609,163	23,778,911
	28,313,163	24,908,911
Current liabilities	2,459,000	1,384,000
Non-current liabilities	10,532,000	11,824,000
	12,991,000	13,208,000
Net assets	**15,322,163**	**11,700,911**
The associate's profit		
Revenue	2,381,000	2,397,000
Profit before income tax	282,000	608,000
Profit after income tax	**282,000**	**608,000**
Other comprehensive income	4,000	1,061,444
Total comprehensive income	**286,000**	**1,669,444**
The associate's commitments for expenditure		
Capital expenditure	323,000	316,000

6. INVESTMENTS (continued)

Reconciliation of Movements

	2023 Associate $'000	2022 Associate $'000
Balance at the beginning of the financial year	11,700,911	10,031,467
The associate's net profit/(loss)	282,000	608,000
The associate's other comprehensive income	4,000	958,000
Dividends received	(100,000)	-
The associate's PPE fair value changes	3,435,252	103,444
Balance at the end of the financial year	**15,322,163**	**11,700,911**
Corporation's share in %	49.6%	49.6%
Corporation's share in $	7,599,793	5,803,652
Carrying amount	**7,599,793**	**5,803,652**

7. EQUITY

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Accumulated surplus	4,498,001	4,405,745	3,852,126	3,852,126
Reserves	3,101,792	1,397,907	-	-
Closing Balance	**7,599,793**	**5,803,652**	**3,852,126**	**3,852,126**

Accumulated Surplus

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

8. BUDGET REVIEW

Net result:

The net result of the Corporation was a profit of $90.3 million, representing the Corporation's 49.6 per cent share of Ausgrid Partnership's profit. This mainly consisted of $139.9 million share of profit less distribution paid of $49.6 million.

Total expenses for 2022-23 were $50.7 million, $49.7 million higher than budgeted due to a higher contribution paid back to the Crown of $49.6 million.

Total revenue was $141.0 million, $19.4 million lower than budget due to a decrease in Ausgrid Partnership's profit which flows to the Corporation's share of profit.

8. BUDGET REVIEW (continued)

Assets and Liabilities:

Total assets for the year were $7,599.8 million for the financial year ending 30 June 2023, higher by $2,304.5 million as compared to budget. This is mainly due to higher than expected total comprehensive income by $667.7 million in 2022 and $1,636.8 million in 2023 which mainly resulted from an PPE fair value uplift of $1,703.9 million, offset by lower net result and lower share of associate's other comprehensive income that will not be reclassified subsequently to net result of $67.1 million.

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 SDA to facilitate all financial and investment return of the Corporation, disburse the operational cost incurred by the Corporation and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report is prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation. The published Budget Paper for the Corporation discloses the activities of the SDA which is controlled by the Treasurer and reported by the NSW Treasury under its administered activities. These activities are not recognised by the Corporation.

9. LEGAL INTEREST IN THE NETWORK PARTNERSHIP TRUSTS

The Corporation, through Ausgrid Network Asset Partnership Trusts (NAPTs), Ausgrid Network Asset Operator Partnership Trusts (NOPTs), Ausgrid Network Unregulated Partnership Trusts (AUPTs) and Ausgrid Aurora Property Partnership Trusts (APPTs) holds a 49.6 per cent legal equity interest in the NAP, NOP, AUP and APP. Refer to Note 2 "Entities within the Group" for details.

All financial returns of the Partnerships derived by the Corporation or any subsidiary of the Corporation from the retained interest for which the Corporation is responsible, must be payable directly into the SDA which is controlled by the State, in accordance with the Act. The Corporation recognises the retained interest in Partnerships in the Consolidated Statement of Financial Position using the equity method.

10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At the reporting date, the Corporation's contingent assets of $1.5 million (2022: $1.0 million) and contingent liabilities of $18.4 million (2022: $22.8 million) represent its share in the associate's contingent assets and contingent liabilities.

11. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2023 Consolidated $'000	2022 Consolidated $'000
Short-term employee benefits	486	338
Post-employment benefits	48	32
Total	**534**	**370**

Short-term employee benefits include director salaries and committee fees, and post-employment benefits include superannuation. There have been adjustments in Board member's remuneration during the 2023 financial year following the Statutory and Other Officers Remuneration Tribunal (SOORT) determination, including 1.53% increase in Board member's remuneration for FY2023 as well as backpay of $115,000 including contributions to compulsory superannuation for current and retired Board members since 2017.

12. RELATED PARTIES

(a) Ultimate parent

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

(b) Key management personnel remuneration

The Corporation defines key management personnel (KMP) as those having authority and responsibility for planning, directing and controlling the activities of the Corporation. NSW Government is the ultimate controlling party of the Corporation, therefore the Treasurer, NSW Treasury Secretary, the Corporation Directors, and certain NSW Treasury Deputy Secretaries and Executive Directors are considered as KMP.

The NSW Cabinet are considered related parties of the Corporation because of its role to direct overall government policy and make decisions about State issues.

The Corporation does not have employees. The key management personnel services were provided by NSW Treasury. The Corporation Directors are independent members who have been appointed by the Treasurer.

No loans were made to any of the KMP by the Corporation during the year. Refer to Note 15 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 distribution of $49.6 million 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 (2022: $275,000) and is shown as an administrative charge in the Corporation Note 5.

As the Corporation does not have a bank account, all expenses incurred by the Corporation are funded by NSW Treasury administered activities as grant income from the Crown.

13. EVENTS AFTER THE REPORTING DATE

In July 2023, ERIC-A, through its interest in the Ausgrid Aurora Property Partnership (APP), lodged an exemption application with Revenue NSW for any potential stamp duty liabilities arising from the transfer of 14 surplus properties to APP in June 2023. Ausgrid provided $4.254 million to ERIC-A (by way of a capital reduction) to settle these potential obligations should the exemption application not be approved. As at 30 June 2023, these monies were held on behalf of ERIC-A in a trust account not controlled by ERIC-A, and subsequently transferred to the Electricity Retained Interest Corporation – Ausgrid (ERIC-A) Fund on 13 September 2023.

The outcome of the exemption application remains outstanding at the date of these financial statements.

End of audited financial statements

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Financial Statements

for the year ended 30 June 2023

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Financial Statements
for the year ended 30 June 2023

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Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Statement by the Accountable Authority
for the year ended 30 June 2023

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 FTSE - Chair

Dated: 6 October 2023

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Report by Members of the Board
for the year ended 30 June 2023

The Directors present their report on Electricity Retained Interest Corporation - Endeavour Energy (the Corporation) for the financial year ended 30 June 2023.

Information on Directors

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

Trevor Danos AM FTSE (Chair) (Reappointed on 2 June 2023 for a two-year term)
Scott Davies (Reappointed on 2 June 2020 for a three-year term, retired 1 June 2023)
Helen Conway (Reappointed on 2 June 2022 for a two-year term, retired 5 December 2022)
Dr Marlene Kanga AO (Appointed on 1 February 2023 for a three-year term)

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

Principal activities

The Corporation was set up under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Endeavour's Energy distribution network business under the *Electricity Network Assets (Authorised Transactions) Act 2015* and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was acquired on 14 June 2017.

The 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 a $77.1 million loss for the year, representing the Corporation's 49.6 per cent share of Endeavour Energy Partnerships' profit and loss. The $77.1 million loss comprises of the Corporation's 49.6% share of Endeavour Energy Partnerships' profit of $85.8 million less $162.9 million contributions paid to the Consolidated Fund as mandated under Section 34 of the Act. All expenses of the Corporation are reimbursed by the State, while distributions received from its retained interest in Endeavour Energy are fully repatriated to the State.

Distributions received

Total distribution received as at the reporting date was $161.7 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 2023

Significant changes in state of affairs

Endeavour Energy provides a regulated essential service and currently maintains a strong financial position, forecast cash balance, and available undrawn borrowing facilities. Endeavour Energy revenues were in line with expectations for the year. The Baa1 (Moody's) credit rating was maintained.

During the reporting period, Endeavour Energy joined with Acciona and Cobra (both major international infrastructure companies, each headquartered in Spain) to form the ACE Energy consortium to competitively bid for a 35-year concession under which the ACE Energy consortium would be the network operator of the proposed Central-West Orana renewable energy zone network (CWO REZ). The procurement was conducted by Energy Corporation of New South Wales (EnergyCo) pursuant to the NSW Government's Electricity Infrastructure Roadmap. On 27 April 2023, EnergyCo selected the ACE Energy consortium as the first ranked proponent to be network operator, responsible to build, own and operate the new network. Under the ACE Energy bid structure, Endeavour Energy holds a 27.96% equity interest in the project and would be contracted to provide operations, maintenance and lifecycle services to ACE Energy.

Over the reporting period, Endeavour Energy paid aggregate distributions of $270 million to the owners of Endeavour Energy (including the Corporation) to set aside as their share of equity funding for the CWO REZ project should the ACE Energy consortium be successful with its bid. The Corporation's 49.6% share of $270 million was $133.9 million which was paid to the State in the usual way.

In November 2022, the NSW Government approved the Corporation (as a part owner of Endeavour Energy) to participate (via the establishment of 34 new controlled entities) in the ACE Energy consortium's binding bid for the CWO REZ project. The Treasurer granted the necessary regulatory authorisations and provided a letter of support to the Corporation under which the Treasurer undertook to provide up to $150 million of equity funding to the Corporation.

Financial close for the CWO REZ project transaction is currently targeted for 30 September 2024. Endeavour Energy is engaged in detailed project and commercial implementation with its ACE Energy partners, which will continue throughout FY2023-24. This will include the establishment of two new Endeavour Energy partnerships to hold its CWO REZ interests.

Endeavour Energy has identified a number of strategies to actively expand and grow its business through unregulated business opportunities (in addition to the CWO REZ project).

Significant events after the balance date

On 3 July 2023 the Corporation established 34 new controlled entities (17 trusts and 17 trustee companies for those trusts) to hold its interest in the CWO REZ project.

In August 2023, the State Government approved an additional $35 million of equity funding to the Corporation, bringing the State's commitment to provide equity funding to the Corporation to $185 million.

Other than for the CWO REZ project, no matters or circumstances have arisen after the reporting date which significantly affected or may significantly affect the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in future financial years.

Electricity Retained Interest Corporation-Endeavour Energy

ABN 61 573 737 242

Report by Members of the Board
for the year ended 30 June 2023

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 and 21 December 2022, 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 FTSE -

Chair Dated: 6 October 2023

INDEPENDENT AUDITOR'S REPORT

Electricity Retained Interest Corporation - Endeavour Energy

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Electricity Retained Interest Corporation - Endeavour Energy (the Corporation), which comprise the Statement by the Accountable Authority of the Corporation and the consolidated entity, the Consolidated Statement of Comprehensive Income for the year ended 30 June 2023, the Consolidated Statement of Financial Position as at 30 June 2023, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity, 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).

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

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

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

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The Corporation's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Directors of the Corporation 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 of the Corporation are 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 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 Corporation and the consolidated entity'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/ar3.pdf.The description forms part of my auditor's report.

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

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

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

10 October 2023
SYDNEY

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

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	Budget 2023 Consolidated $'000	Actual 2023 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2023 Parent $'000	Actual 2022 Parent $'000
Revenue						
Share of profit of associates	4	144,634	85,803	83,626	-	-
Grants and other contributions	4	1,034	1,238	884	1,223	870
Other revenue	4	-	-	5,260	-	-
		145,668	**87,041**	**89,770**	**1,223**	**870**
Expenses						
Contributions paid	5	98,623	162,878	24,073	-	-
Directors' fees	5	354	485	353	485	353
Other expenses	5	680	753	531	738	517
		99,657	**164,116**	**24,957**	**1,223**	**870**
Net result		**46,011**	**(77,075)**	**64,813**	-	-
Other comprehensive income						
Share of associate's other comprehensive income/(loss) that may be reclassified subsequently to net result		-	1,687	351,466	-	-
Share of associate's other comprehensive income/(loss) that will not be reclassified subsequently to net result		-	(1,637)	5,555	-	-
Share of associate's changes in revaluation surplus of property, plant and equipment		-	(170,124)	-	-	-
Total other comprehensive income/(loss)	6	**-**	**(170,074)**	**357,021**	**-**	**-**
Total comprehensive income/(loss)		**46,011**	**(247,149)**	**421,833**	**-**	-

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 2023

	Notes	Budget 2023 Consolidated $'000	Actual 2023 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2023 Parent $'000	Actual 2022 Parent $'000
Current assets						
Receivables	7	-	-	1,442	-	-
Total current assets		**-**	**-**	**1,442**	**-**	**-**
Non-current assets						
Investments	6	2,790,616	2,806,785	3,052,752	1,946,448	1,946,448
Total non-current assets		**2,790,616**	**2,806,785**	**3,052,752**	**1,946,448**	**1,946,448**
Total assets		**2,790,616**	**2,806,785**	**3,054,194**	**1,946,448**	**1,946,448**
Current liabilities						
Payables	8	-	-	261	-	-
Total current liabilities		**-**	**-**	**261**	**-**	**-**
Total non-current liabilities		**-**	**-**	**-**	**-**	**-**
Total liabilities		**-**	**-**	**261**	**-**	**-**
Net assets		**2,790,616**	**2,806,785**	**3,053,933**	**1,946,448**	**1,946,448**
Equity						
Reserves	10	352,379	535,420	703,857	-	-
Accumulated surplus	10	2,438,237	2,271,365	2,350,077	1,946,448	1,946,448
Total equity		**2,790,616**	**2,806,785**	**3,053,933**	**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 2023

	Budget 2023 Consolidated $'000	Actual 2023 Consolidated $'000	Actual 2022 Consolidated $'000	Actual 2023 Parent $'000	Actual 2022 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 2023

	Consolidated			Parent		
	Accumulated Surplus $'000	Reserves $'000	Total $'000	Accumulated Surplus $'000	Reserves $'000	Total $'000
Balance at 1 July 2022	**2,350,077**	**703,857**	**3,053,933**	**1,946,448**	**-**	**1,946,448**
Net result for the year	(77,075)	-	(77,075)	-	-	-
Other comprehensive income						
Investment in associates	(1,637)	(168,437)	(170,074)	-	-	-
Total other comprehensive income	(1,637)	(168,437)	(170,074)	-	-	-
Total comprehensive loss	(78,712)	(168,437)	(247,149)	-	-	-
Balance at 30 June 2023	**2,271,365**	**535,420**	**2,806,785**	**1,946,448**	**-**	**1,946,448**
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**

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 2023

NOTES INDEX **Page**

1. INFORMATION ON THE CORPORATION

The Corporation was set up under the *Electricity Retained Interest Corporations Act 2015 No 6* (the Act) to provide for the effective stewardship and oversight of the retained interest of the State in Endeavour's Energy distribution network assets under the *Electricity Network Assets (Authorised Transactions) Act 2015* and for which it is responsible for the purpose of protecting value and seeking to maximise returns to the State. The retained interest was acquired on 14 June 2017.

The retained interest is a 49.6 per cent interest in the Endeavour Energy distribution network business which is constructed by three (3) partnerships (the Partnerships):

1. Endeavour Energy Network Asset Partnership (NAP) which holds regulated assets;
2. Endeavour Energy Network Operator Partnership (NOP) which operates the regulated assets; and
3. Endeavour Energy Network Unregulated Partnership (NUP) which owns and conducts unregulated activities.

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

The Corporation is a not-for-profit entity from 2 June 2017 (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 (AAS) (which include Australian Accounting Interpretations)
- The requirements of the *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. Discrepancies between totals and the sum of components reflect rounding.

Comparative information

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

Judgements, Estimates and Assumptions

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

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and any future periods affected. Any judgements, estimates, and assumptions management have made are disclosed in the relevant notes to the financial statements.

Statement of compliance

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i. Effective for the first time in FY2022-23

The accounting policies applied in FY2022-23 are consistent with those of the previous financial year.

There were no new or amended standards commencing in FY2022-23 which have a material impact on the Corporation. Management has assessed all new or revised accounting standards (including those issued but not yet effective) and has concluded these do not have a material impact on the financial statements of the Corporation.

ii. Issued but not yet effective

As mandated by Treasury Policy and Guidelines TPG23-04 *Mandates of options and major policy decisions under Australian Accounting Standards*, the Corporation has not early adopted any new accounting standards, amendments or interpretations that have been issued but are not yet effective.

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

- *AASB* 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (operative date 1 January 2024)
- AASB 2021-2 *Amendments to Australian Accounting Standard – Disclosure of Accounting Policies and Definition of Accounting Estimates* (operative for annual periods beginning on or after 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).
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (operative date 1 January 2024).
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (operative date 1 January 2024).
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (operative date 1 January 2024).

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 was received quarterly until 30 June 2022 and the revenue is recognised when the invoice was 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 by the Treasurer and reported by NSW Treasury under its administered activities , the cash flows from the distribution income is not disclosed in the Statement of Cash Flows for the Corporation. Refer to Note 4.

Grants and other contributions

Grants and contributions are recognised when the Corporation obtains control of the contributions.
All expenses 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 by the Treasurer and reported by the NSW Treasury under its administered activities.

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 at the consolidated level. Refer to Note 6 and Note 10 for details.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates

The State's retained interest in Endeavour Energy is accounted in the Corporation's investment in associate as per AASB 128 *Investments in Associates and Joint Ventures* using the equity method. The reporting period for Endeavour Energy and the Corporation are consistent.

The Corporation has significant influence over its associate through the Board who participate in the financial and operating policy decisions of the investee, but do not have control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the associate since the acquisition date. The Corporation recognises its investment based on 49.6 per cent of the associate's net assets with the exception of property, plant and equipment (PPE) which are adjusted to fair value, in accordance with Treasury's Policy and Guidelines Paper TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value*, AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

A fair value analysis of the associate's PPE is performed annually. An external advisor was engaged to provide an opinion on the methodology and value adopted by the Corporation to account for its interest in Endeavour Energy as 30 June 2023.

Two scenarios were used to determine the PPE valuation ranges of Endeavour Energy (hybrid scenario). Scenario 1 was based on Endeavour's five-year management business plan for FY24 to FY28, and scenario 2 removed the impact of growth due to capital expenditure and associate growth cash flows (growth capex) which was determined by Endeavour management to be approximately 20 per cent of total forecast capex assumed under scenario 1.

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

- Under scenario 2, 80 per cent of the distributor licence and goodwill has been adopted when calculating the PPE fair value to remove the impact of growth capex on value.;
- A post-tax (0 per cent Corporate tax rate) WACC of 6.75 – 7.25 per cent (mid-point of 7.00 per cent);
- A 20-year (to 30 June 2044) cashflow horizon was used in applying the Gordon Growth method with a terminal value growth rate of 2.00 – 2.50 per cent as a proxy for long term cashflows.

The Corporation applied a post-tax (0 per cent Corporate tax rate) discount rate of 7.00 per cent (approximately 5.88 per cent post tax (30 per cent Corporate tax rate); 2022: 5.77 per cent post tax (30 per cent Corporate tax rate)). 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 2023	8,384	8,937	9,553
30 June 2022	8,363	8,870	9,439

The Corporation applied a terminal value growth rate of 2.5 per cent (2022: 1.25 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 2023	9,195	8,937	8,705
30 June 2022	9,331	8,870	8,459

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The hybrid scenario was used to assess the carrying value of Endeavour Energy's PPE as Scenario 1 accounted for the cash flows of Endeavour and incorporated Endeavour's ability and obligation to enhance its distribution network through capital expenditure, this enabled an economic cap to be placed on the value of the current PPE. Whilst Scenario 2 sought to eliminate growth capex as a basis to estimate the Endeavour's PPE at 30 June 2023.

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

Changes in the Corporation's share of the associate's operating results, adjusted to ensure consistency with the Corporation's accounting policy, if any, are reflected in surplus or deficit. Where a change is recognised directly in the associate's equity, the Corporation recognises its share in other comprehensive income.

Receivables

The Corporation's receivables consisted of the TAMSA rebate which were due but not received as at the reporting date. The TAMSA agreement ceased on 30 June 2022.

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 reported as nil in the Statement of Cash Flows. The Corporation does not have a bank account and under Section 32 of the ERIC Act, the Electricity Retained Interest Corporation – Endeavour Energy Fund (the Fund) was established for the Corporation in the SDA to receive payment of all financial and investment returns of the Corporation and group, disburse the operational costs incurred by the Corporation and group and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report is prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation.

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 11.

Going Concern

The State will provide the Corporation support in the form of contributions to meet its payment obligations as and when they become due and payable. In November 2022, The Treasurer provided the Corporation with a Letter of Comfort committing to provide up to $150 million of equity funding to the Corporation to fund its equity commitment for the CWO REZ project. In August 2023, the State Government approved an additional $35 million of equity funding to the Corporation, bringing the State's commitment to provide equity funding to the Corporation to $185 million. As a result, the financial statements are prepared on a going concern basis.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2023

4. REVENUE

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Share of profit / (loss) of associate	85,803	83,626	-	-
Grants and other contributions[1]	1,238	884	1,223	870
Other revenue[2]	-	5,260	-	-
Total	**87,041**	**89,770**	**1,223**	**870**

[1.] The Corporation does not have a bank account. The Fund was established under Section 32 of the Act to facilitate all financial transactions of the Corporation. The Fund is an SDA controlled by the Treasurer and reported by NSW Treasury under its administered activities. Distributions from the Partnerships are paid into the Fund and subsequently remitted to the State's Consolidated Fund. Operational expenditures of the Corporation are met by the Fund which effectively is a grant contribution. The grant received is without sufficiently specific performance obligations.

[2.] The Partnerships receives its share of the transition advisory fee paid by Endeavour Energy back under the TAMSA. The rebate was received quarterly until 30 June 2022.

5. EXPENSES

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Contributions paid				
Contributions paid to the Consolidated Fund[3]	162,878	24,073	-	-
	162,878	**24,073**	**-**	**-**
Director fees				
Fees	440	320	440	320
Superannuation contributions	45	33	45	33
	485	**353**	**485**	**353**
Other expenses				
Audit fees	92	98	80	87
Administration charge	275	275	275	275
Other	386	158	383	155
	753	**531**	**738**	**517**
Total expenses	**164,116**	**24,957**	**1,223**	**870**

[3] Since the Corporation does not have a bank account, distributions received from its retained interest in Endeavour Energy are transferred to the Fund and subsequently repatriated to the State as mandated under Section 34 of the Act.

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.

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Investment in ERIC Epsilon Holdings Pty Ltd	-	-	1,946,448	1,946,448
	-	**-**	**1,946,448**	**1,946,448**

Investment in associate

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Investment in associate	2,806,785	3,052,752	-	-
Total	**2,806,785**	**3,052,752**	**-**	**-**

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.

In accordance with AASB 12, the table below provides summarised financial information for the associate. The information disclosed reflects amounts presented in the financial statements of the associate and not the Corporation's share of those amounts. They have been amended to reflect adjustments made by the Corporation when using the equity method, including fair value adjustments and modifications for differences in accounting policy. In prior years the information below reflected the Corporation's share of the associate of 49.6 per cent instead of the full amount.

	2023 Associate $'000	2022 Associate $'000
The associate's assets and liabilities		
Current assets	562,800	434,800
Non-current assets	11,721,040	11,864,342
Total assets	**12,283,840**	**12,299,142**
Current liabilities	366,100	758,300
Non-current liabilities	6,258,900	5,386,100
Total liabilities	**6,625,000**	**6,144,400**
Net assets	**5,658,840**	**6,154,742**
Revenue	**1,470,700**	**1,393,800**
Profit before tax	172,991	168,601
Profit after tax	172,991	168,601
Other comprehensive income	**(342,893)**	**719,800**
Total comprehensive income	**(169,902)**	**888,401**
The associates's commitments for expenditure		
Capital expenditure	120,300	137,200

6. INVESTMENTS (continued)

	2023 Associate $'000	2022 Associate $'000
Reconciliation of movements		
Balance at the beginning of the financial year	6,154,742	5,304,341
Associates net profit/(loss)	172,991	168,601
Associates other comprehensive income/(loss)	100	719,800
Distributions made by associate	(326,200)	(38,000)
Distributions paid to the Edwards partner Consortium for interest on the promissory note*	200	-
The associate's PPE fair value changes	(342,993)	-
Balance at the end of the financial year	**5,658,840**	**6,154,742**

* The June 2022 distribution owing to the Edwards partner Consortium was paid on 21 November 2022. Interest income that had accrued on the promissory note for the June 22 distribution was $0.2 million.

Corporation's share in %	**49.60%**	**49.60%**
Corporation's share in $	**2,806,785**	**3,052,752**

7. RECEIVABLES

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
TAMSA rebate receivable	-	1,442	-	-
	-	**1,442**	**-**	**-**

8. PAYABLES

GST Payable	-	261	-	-
	-	**261**	**-**	**-**

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. The TASMA rebates ended on 30 June 2022. 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 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Financial Assets						
Receivables	7	Amortised Cost	-	1,442	-	-

(i) Excludes prepayments and statutory receivables/payables which are not within the scope of AASB 7 'Financial Instruments: Disclosures’

10. EQUITY

	2023 Consolidated $'000	2022 Consolidated $'000	2023 Parent $'000	2022 Parent $'000
Reserves	535,420	703,857	-	-
Accumulated surplus	2,271,365	2,350,077	1,946,448	1,946,448
Closing Balance	**2,806,785**	**3,053,933**	**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 (the Crown), which is treated as equity transfer in accordance with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

11. BUDGET REVIEW

Net result

The net result of the Corporation was a loss of $77.1 million at the end of the year, representing the Corporation's 49.6 per cent share of Endeavour Energy Partnerships' net result. This mainly consisted of $85.8 million share of profit less distributions paid of $161.7 million. The Corporation's expenses are paid by the State, while distributions received from its retained interest in Endeavour Energy are fully repatriated to the State.

Total expenses were $164.1 million, $64.5 million higher than budget due to higher contributions paid during the year due to distributions brought forward for the Central-West Orana Renewable Energy Zone bid.

Total revenue was $87.0 million, $58.6 million lower than the Corporation's budget forecast due to a decrease in the Corporation's share of the Endeavour Energy's net profit realised.

Assets and Liabilities

Total assets for the year were $2,806.8 million, $16.2 million higher than the budget. This is mainly due to the 22FY increase in the investment value in Endeavour Energy due to the effective portion of changes in cash flow hedges; the Corporation's share of $351.5 million was not included in the 23FY budget. This gain was offset by distributions which were $67.0 million higher than budget, share of earnings which was $58.8 million lower than budget and the PPE fair value impairment of $170.1 million recorded in the 23FY. Refer to Note 6 for the details.

Cash flows

The Corporation does not have a bank account. Under Section 32 of the Act, the Fund was established as a SDA to facilitate all financial and investment return of the Corporation, disburse the operational cost incurred by the Corporation and make payments into the Consolidated Fund as directed by the Treasurer. A separate annual report is prepared for the Fund in accordance with section 35 of the Act to disclose the cashflow of the Corporation. The published Budget Paper for the Corporation discloses the activities of the SDA which is controlled by the Treasurer and reported by the NSW Treasury under its administered activities. These activities are not recognised by the Corporation.

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 $0.50 million (2022: $1.04 million) representing its 49.6 per cent share in the associate's contingent assets and contingent liabilities.

14. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2023 Parent $'000	2022 Parent $'000
Short-term KMP benefits	440	320
Other KMP benefits	45	33
Total	**485**	**353**

Short-term employee benefits include director salaries and post-employment benefits including superannuation. There have been adjustments in Board member’s remuneration during the 2023 financial year following the Statutory and Other Officers Remuneration Tribunal (SOORT) determination, including 1.53% increase in Board member’s remuneration for the 2023 financial year as well as backpay of $115,000 including mandatory contributions to superannuation for current and retired Board members since 2017.

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 the Corporation are also appointed to directorships in Endeavour Energy to represent the State's interest in its investment.

15. RELATED PARTIES (continued)

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.

(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 (2022: $275,000) and is shown as an administrative charge in the Corporation. Refer to note 5.

As the Corporation does not have a bank account, all expenses incurred by the Corporation are funded by Treasury as grant income.

16. EVENTS AFTER THE REPORTING DATE

On 3 July 2023 the Corporation has established 34 new controlled entities (17 trusts and 17 trustee companies for those trusts) to hold its interest in the Central-West Orana renewable energy zone network (CWO REZ). The Corporation has an indirect interest in the ACE Energy consortium, through its member Endeavour Energy. On 27 April 2023 ACE Energy consortium was chosen as first ranked proponent to be the network operator of the proposed CWO REZ.

In August 2023, the State Government approved an additional $35 million of equity funding to the Corporation, bringing the State's commitment to provide equity funding to the Corporation to $185 million.

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

End of audited financial statements

Special Deposit Accounts Administered by NSW Treasury Financial Reports

NSW GOVERNMENT | Treasury

Restart NSW Fund

Financial Report
for the year ended 30 June 2023

Restart NSW Fund

Financial Report
for the year ended 30 June 2023

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 2023; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

Michael Coutts-Trotter
Secretary

20 October 2023

Restart NSW Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Receipts			
Proceeds from issue of bonds	3	170,133	188,836
Interest earned	3	26,590	9,843
Other authorised transfers	3	2,668	2,474
Other contributions	3	2,043	-
Total receipts		**201,434**	**201,153**
Payments			
Infrastructure projects	4	1,580,604	2,954,596
Administrative expenses	4	22	20
Total payments		**1,580,626**	**2,954,616**
Net receipts/(payments)		**(1,379,192)**	**(2,753,463)**

Statement of Fund's Position as at 30 June

	Note	2023 $'000	2022 $'000
Opening balance of the Fund		9,246,286	12,431,242
Net receipts/(payments)		(1,379,192)	(2,753,463)
Income/(loss) from investments	5	383,587	(431,493)
Closing balance of the Fund		**8,250,681**	**9,246,286**
Balance of Fund held in			
Cash and cash equivalents		820,637	399,829
Investment in NSW Infrastructure Future Fund investment trust	5	7,430,044	8,846,457
		8,250,681	**9,246,286**

The accompanying notes form part of the financial report.

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2023

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.

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.

Cash is reported by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and can exclude or regulate the access of others to that benefit. Cash is collected by, or appropriated, or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt.

Cash is held in a bank account administered by NSW Treasury.

The cash held by the Fund is classified as a restricted asset as it can only be used as allowed by the Act as detailed in Note 1.

Funds invested in the NSW Infrastructure Future Fund (Investment Trust) are investments held in the NSW Infrastructure Future Fund, a unit trust investment facility administered by the NSW Treasury Corporation (TCorp). The Investment Trust's investment strategy is designed to best meet scheduled infrastructure funding commitments over the life of these commitments.

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 7 of the Act.

	2023 $'000	2022 $'000
Section 7(1)(b) receipts - issue of bonds		
Proceeds from Waratah bonds	170,133	188,836
Section 7(1)(c) receipts - interest earned		
Interest earned	26,590	9,843
Section 7(1)(d) receipts - other monies authorised to be paid into the Fund		
GST received	2,668	2,474
Section 7(1)(e) receipts - voluntary contributions		
Other contributions	2,043	-
Total Receipts	**201,434**	**201,153**

Proceeds from Waratah bonds issued were paid into the Fund and the Fund has no obligation to repay these bonds. The corresponding liability is assumed by the Crown in right of the State of New South Wales (Crown).

The Fund holds all its cash in the Treasury Banking System. Interest is paid monthly by the Crown.

During the year the Fund received voluntary contributions from entities delivering infrastructure projects relating to unspent Restart Funds for infrastructure projects that have been completed.

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2023

4. PAYMENTS

Payments from the Fund are in accordance with Section 8 of the Act, except where noted.

	2023 $'000	2022 $'000
Section 8(a) payments - infrastructure projects		
Restart NSW (excluding Rebuilding NSW)		
Additional support Tourism Infrastructure	13,362	-
**Batemans Bay Bridge Replacement	(811)	8,175
Bridges for the Bush Program	2,478	6,650
Corridor Identification and Reservation	1,698	-
Fixing Country Roads	916	-
Gateway to the South	10,100	-
Housing Acceleration Fund (HAF 4)	30,208	11,966
Housing Acceleration Fund (HAF 5)	31,920	22,104
Hunter Infrastructure and Investment Fund	-	3,401
Illawarra Infrastructure Fund	2,250	-
Lismore Hospital Redevelopment	8,000	26,000
Maitland Hospital Development	7,151	43,249
New Intercity Fleet (previously Next Generation Rail Fleet)	-	-
Newcastle Inner Bypass (Rankin Park to Jesmond)	1,350	2,004
NSW Cycling Infrastructure Initiative	19,427	10,131
Parramatta Light Rail	-	36,224
Redevelopment of Circular Quay	16,560	550
Regional Freight Pinch Point Program and Safety Program	21	85
Regional Growth: Economic Activation Fund - Connecting Country Communities	5,257	4,770
Regional Growth: Economic Activation Fund - Doppler Radar	-	1,746
Regional Growth: Economic Activation Fund - First Class Food and Fibre	2,394	23,647
Regional Growth: Economic Activation Fund - Growing Local Economies	40,905	86,555
Regional Growth: Economic Activation Fund-other significant Infrastructure	-	1,283
Regional Growth: Economic Activation Fund - Resources for Regions	4,142	10,025
Regional Growth: Environment and Tourism Fund	8,037	3,573
Regional Project Development and Delivery Fund	445	-
Regional Road Freight Corridor	179,834	-
Regional Tourism Infrastructure Program	7,465	5,688
Resources for Regions Program	3,825	3,076
South Western Sydney Housing Acceleration Fund (HAF3)	-	55
Sydney Metro West	495,000	1,328,195
Water Security for Regions Program	6,499	8,621
Western Sydney Centre of Innovation in Plant Sciences	-	12,252
Western Sydney roads for Sydney's Second Airport	34,866	62,103
	933,299	1,722,128

4. PAYMENTS (continued)

	2023 $'000	2022 $'000
Rebuilding NSW		
**Bridges for the Bush Program	(1,097)	23,666
Corridor Identification and Reservation	10,916	7,669
Culture and Arts	-	99,515
Fixing Country Rail	5,153	11,673
Fixing Country Roads	29,398	81,236
Future Focused Schools	10,612	20,164
Gateway to the South	10,114	38,376
Hospitals Growth Program	13,912	118,104
Pinch Points and Clearways	22,412	15,215
Primary and Integrated Care Strategy	8,348	13,000
Regional Growth Roads	37,058	64,260
Regional Growth - Environment and Tourism fund	24,684	46,139
Regional Multipurpose Services (MPS) Health Facilities	3,386	1,300
Regional Road Freight Corridor	150,148	149,647
***Regional School Renewal Program	10,186	20,390
Safe and Secure Water Program	54,934	41,245
Sports Stadia	13,310	17,711
Traffic Management Upgrades	41,043	31,508
Water Security for Regions Program	298	-
Western Harbour Tunnel and F6	-	56,769
	444,815	857,587
**Capital grants / equity contributions to Government Agencies*		
Equity contribution to Transport Asset Holding Entity (TAHE)	-	374,881
Capital grants to Transport Asset Holding Entity (TAHE)	202,490	-
	202,490	374,881
Total Section 8(a) payments	**1,580,604**	**2,954,596**
Section 8(b) payments - administrative expenses		
Auditor's remuneration	20	19
GST payments	2	1
	22	**20**
Total payments	**1,580,626**	**2,954,616**

*In prior years the Fund recognised cash contributions paid to Transport Asset Holding Entity (TAHE) as an equity contribution. In the current year, the cash contribution has been paid as capital grants to TAHE.

**In the current year refunds were received from general government sector agencies relating to unspent Restart Funds for infrastructure projects approved under Section 8(a) of the Act.

***The amounts disclosed for this project include payments yet to be made from the Fund in accordance with section 8(a) of the Act. Refer below for further information.

Restart NSW Fund

Notes to the Financial Report
for the year ended 30 June 2023

4. PAYMENTS (continued)

Payments yet to be made in accordance with Section 8 of the Act

In the financial year 2021-22, the following amount had been paid to agencies out of the Fund's bank account (administered by NSW Treasury) but were yet to be paid to suppliers or delivering entities for the approved projects listed. The amount has not been paid in the financial year 2022-23.

These amounts continue to form part of the Restart NSW Fund and represent monies available for immediate use for the purposes of the Restart NSW Fund, until they are paid to suppliers or delivering entities.

Project	Agency	2023 $'000	2022 $'000
Regional School Renewal Program	Department of Education	20,000	20,000

Payments from the Fund in accordance with Section 9(2) of the Act

The Act requires that at least 30% of the total payments over the life of the Fund be made for infrastructure projects in rural and regional areas outside the metropolitan areas of Sydney, Newcastle and Wollongong.

Total amount of payments on infrastructure projects since inception of the Fund	28,617,234	27,036,630
Total amount of payments made from the Fund for infrastructure projects in rural and regional areas since inception of the Fund	6,998,370	6,328,297
Cumulative % of total payments from the Fund for infrastructure projects in rural and regional areas since inception of the Fund	24.46%	23.41%

5. INVESTMENT IN NSW INFRASTRUCTURE FUTURE FUND

	2023 $'000	2022 $'000
Opening balance	8,846,457	12,027,950
(Less)/add: Investments - cash transferred (out)/in (to)/from the operating bank account	(1,800,000)	(2,750,000)
Add/(Less): Net income/(loss) from investments:		
Distribution reinvested	113,997	232,381
Unrealised gain/(loss) on other financial assets	221,053	(696,036)
Realised gain/(loss) on other financial assets	48,537	32,162
Closing balance	**7,430,044**	**8,846,457**

The Fund is authorised to invest in accordance with Section 10 of the Act. Implemented since 2017-18, the Investment Trust is the investment vehicle for the Fund in assisting the NSW Government to meet its infrastructure objectives. The Investment Trust is managed by TCorp.

Asset allocation and investment instructions of the Investment Trust are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp in December 2016. The investment benchmark and guidelines were revised and approved in February 2023.

5. INVESTMENT IN NSW INFRASTRUCTURE FUTURE FUND (continued)

Asset allocation

The actual asset allocation of the Investment Trust as at the reporting date:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value ($'000)
Australian Equities	3.00	2.97	220,672
Developed Market Equities	11.50	11.79	876,002
Global High Yield	1.80	2.06	153,059
Bank Loans	4.20	4.50	334,352
Emerging Market Debt	6.00	6.54	485,925
Cashflow Targeting Credit	35.00	34.85	2,589,369
Australian Nominal Bonds	11.00	10.89	809,132
Cash	9.50	8.40	624,124
Core Alternatives	8.00	8.13	604,063
Opportunistic	2.00	1.80	133,741
Defensive Alternatives	8.00	8.07	599,605
Total	**100**	**100**	**7,430,044**

Performance returns

The investment return objective of the Investment Trust is to achieve CPI + 2.0% p.a. over rolling 10-year periods. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return *(after fees)*	4.80	3.80
Strategic Asset Allocation (SAA) benchmark	8.20	4.80
Net relative to SAA benchmark	**(3.40)**	**(1.00)**

6. FINANCIAL INSTRUMENTS

The Fund's main risks arising from financial instruments are interest rate and other price risks.

The Investment Trust is a unit trust investment facility and is subject to other price risks only. The unit price of the facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue. Unit prices are calculated daily. Investments in the Investment Trust limits the Fund's exposure to risk as it allows diversification across a pool of funds with different investment horizons and a mix of asset classes. The management of risk is further discussed below.

The Fund's other financial instrument is cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise of 1 per cent or fall of 1 per cent in interest rate over the course of the year would result in an increase of $8,206k or decrease of $8,206k in the interest earned respectively. (2022: rise by 1.5 percent increase of $5,997k or fall by 0.5 percent decrease of $1,999k).

6. FINANCIAL INSTRUMENTS (continued)

Risk management

TCorp actively manages financial instrument risks, and the ISA is reviewed regularly and updated to include changes in market conditions and/or management's direction. The documents clearly set out investment management objectives, restrictions, and establish performance benchmarks. The ISA is authorised and approved at the Senior Executive Level within NSW Treasury and/or the Treasurer.

Proposed changes to the ISA must go through a consultative process between TCorp and the Strategic Balance Sheet Management (SBSM) team at NSW Treasury. Regular meetings take place between TCorp and SBSM 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 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 2023 and notes to the financial report. The financial report has been prepared by the Responsible Manager using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 9 of the *Restart NSW Fund Act 2011* (the Act).

In my opinion, in all material aspects, the financial report presents fairly, the Fund's position as at 30 June 2023, 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 2023.

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 2023.

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

Basis for Opinions

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

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

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

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

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

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Responsible Manager's Responsibilities for the Financial Report

The Responsible Manager is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

The Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

The Responsible Manager's Responsibilities under the *Restart NSW Fund Act 2011*

The Responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to comply with the requirements of the Act.

Auditor's Responsibilities

Audit of the financial report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 2023 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY


HSBC

NSW GOVERNMENT | Treasury

Social and Affordable Housing NSW Fund

Financial Report
for the year ended 30 June 2023

Social and Affordable Housing NSW Fund

Financial Report
for the year ended 30 June 2023

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 2023; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

Michael Coutts-Trotter
Secretary

27 September 2023

Social and Affordable Housing NSW Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Receipts			
Interest earned	3	502	145
Recovery of financial risk management costs	3	550	-
GST received	3	2	2
Total receipts		**1,054**	**147**
Payments			
Grant expenses	4	67,356	44,810
Administrative expenses	4	435	357
Financial management expenses	4	8,350	16,103
Total payments		**76,141**	**61,270**
Net receipts/(payments)		**(75,087)**	**(61,123)**
Statement of Fund's Position as at 30 June			
Opening balance of the Fund		1,526,072	1,672,461
Net receipts/(payments)		(75,087)	(61,123)
Income/(loss) from investments	5	137,568	(85,266)
Closing balance of the Fund		**1,588,553**	**1,526,072**
Balance of Fund held in			
Cash and cash equivalents		12,207	12,294
Investment in Social and Affordable Housing NSW Fund investment trust	5	1,576,346	1,513,778
		1,588,553	**1,526,072**

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 2023

1. INFORMATION ON THE SOCIAL AND AFFORDABLE HOUSING NSW FUND

Reporting entity

The Social and Affordable Housing NSW Fund (the Fund) is required to prepare an annual report under Section 12 of the *Social and Affordable Housing NSW Fund Act 2016* (the Act). Section 5 of the Act states that the purpose of the Fund is to provide funding to promote any of the objects of the *Housing Act 2001* or the *Community Housing Providers (Adoption of National Law) Act 2012*. The primary objective of which is to boost the delivery of social and affordable housing across NSW.

Section 4 of the Act establishes the Fund as a Special Deposit Account (SDA). Section 4.15 of the *Government Sector Finance Act 2018* defines an SDA to consist of:

a) all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund, and

b) all accounts of money that are directed or authorised to be paid to the SDA by or under legislation.

The Treasurer is responsible for the funding and investment operations of the Fund and the Department of Communities and Justice (DCJ) is responsible for procurement and commissioning functions of the Fund.

The financial report for the Fund is a Special Purpose Financial Report with the financial year being from 1 July to 30 June. The Fund is administered by NSW Treasury on behalf of the State of New South Wales.

The financial report was authorised for issue by the Responsible Manager on the date the accompanying Statement by the Responsible Manager was signed.

Key Activities

The Fund was established for the provision of a long-term revenue stream to address the funding gap for social and affordable housing developments.

Funding Sources for Social and Affordable Housing NSW Fund

Section 7(1) of the Act states the amounts payable into the Fund. These are:

a) all money appropriated by Parliament, or advanced by the Treasurer, for payment into the Fund,

b) all money appropriated by Parliament to the Treasurer for the general purposes of the Government (and not for the purposes of individual government agencies) and directed by the Treasurer to be paid into the Fund,

c) the proceeds of the investment of money in the Fund,

d) any money borrowed by the Treasurer for the purpose of the Fund,

e) any grant, gift, bequest or other contribution of money to the Fund made by a government agency or other person or body,

f) the payment or repayment of principal or interest on money loaned from the Fund (including fees associated with the loan),

g) any money payable arising from a financial adjustment (or other financial risk management strategy) effected by the Treasurer for the purpose of the Fund,

h) all other money directed or authorised to be paid into the Fund by or under any Act or law.

Section 7(2) gives authority to Government agencies to make contributions to the Fund.

Section 7(3) provides that the Treasurer may direct that any money directed to be paid into the Fund by the Treasurer is subject to repayment including an amount in the nature of interest from the Fund.

Social and Affordable Housing NSW Fund

Notes to the Financial Report
for the year ended 30 June 2023

1. INFORMATION ON THE SOCIAL AND AFFORDABLE HOUSING NSW FUND (continued)

Payments out of the Fund

Section 8(1) of the Act prescribes the payments from the Fund. These are:

a) all or any part of the cost of any project, program or initiative that the Treasurer is satisfied promotes the purpose of the Fund,

b) administrative expenses relating to the control and management of the Fund,

c) the payment or repayment of principal or interest on money borrowed by the Treasurer for the purpose of the Fund (including any costs associated with the borrowing),

d) any payment or repayment of money from the Fund referred to in section 7(3),

e) any money payable arising from a financial adjustment (or other financial risk management strategy) effected by the Treasurer for the purpose of the Fund,

f) any money directed or authorised to be paid from the Fund by or under this Act or any other Act or law.

Section 8(2) states that payments for the cost of a project, program or initiative may be provided by way of a grant, subsidy, loan, or other financial assistance and may be subject to terms as the Treasurer thinks fit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial report is a special purpose financial report which has been prepared on a cash basis except for the Fund's investments in other financial assets which are measured at fair value. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Fund. Receipts are realised and recorded when received in cash. Payments are recorded when cash is actually paid. The investments in other financial assets are remeasured to fair value at the reporting date.

The presentation focus in the financial report is balances of the Fund at the reporting date and changes during the year.

The Fund's financial report is presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars ($'000).

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Value of the Fund

The total balance of the Fund consists of cash and funds invested in the Social and Affordable Housing NSW Fund.

Cash is reported by the Fund when the Fund can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated, or granted to the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is reported by the Fund.

The cash held by the Fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds invested in the Social and Affordable Housing NSW Fund (Investment Trust) are investments held in the Social and Affordable Housing NSW Fund, a unit trust investment facility administered by the NSW Treasury Corporation (TCorp). The Fund's investment strategy is designed to best meet scheduled funding commitments to boost the delivery of social and affordable housing across NSW.

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 7 of the Act.

	2023 $'000	2022 $'000
Section 7(1)(c) receipts		
Interest earned	502	145
Section 7(1)(g) receipts		
Recovery of financial risk management costs	550	-
Section 7(1)(h) receipts		
GST received	2	2
Total receipts	**1,054**	**147**

4. PAYMENTS

Payments from the Fund are in accordance with Section 8 of the Act.

	2023 $'000	2022 $'000
Section 8(1)(a) payments - grant expenses		
Grants to DCJ for project, program or initiative	65,587	42,829
Grants to DCJ for employee related expenses related to program project or initiative	1,769	1,981
Section 8(1)(b) payments - administrative expenses		
Auditor's remuneration	19	17
Other operating expenses	416	340
Section 8(1)(e) payments - financial management expenses		
Financial risk management costs	8,350	16,103
Total payments	**76,141**	**61,270**

5. INVESTMENT IN SOCIAL AND AFFORDABLE HOUSING NSW FUND

	2023 $'000	2022 $'000
Opening balance	**1,513,778**	**1,659,044**
(Less)/Add: Investments - cash transferred (out)/in (to)/from the operating bank account account	(75,000)	(60,000)
Add/(Less): Net income/(loss) from investments		
Distribution reinvested	49,839	125,097
Unrealised gain/(loss) on other financial assets	83,997	(210,606)
Realised gain/(loss) on other financial assets	3,732	243
Closing balance	**1,576,346**	**1,513,778**

The Fund is authorised to invest in accordance with Section 9 of the Act. Implemented since 2017-18, the Investment Trust is the investment vehicle for the Fund in assisting the NSW Government to meet its delivery of social and affordable housing objective. The Investment Trust is managed by Treasury Corporation (TCorp).

Asset allocation and investment instructions of the Investment Trust are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp in July 2017. The investment benchmark and guidelines were further revised and approved in June 2023.

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	8.50	8.84	139,349
Developed Market Equities	31.00	31.25	492,610
Emerging Market Equities	5.00	5.38	84,807
Global High Yield	2.70	2.74	43,192
Bank Loans	6.30	6.63	104,512
Emerging Market Debt	5.00	5.33	84,019
Middle Market Credit	1.50	1.66	26,167
Australian Nominal Bonds	5.50	5.50	86,699
Australian Inflation-Linked Bonds	5.00	4.94	77,871
Cash	3.00	2.68	42,246
Core Alternatives	5.00	4.74	74,719
Opportunistic	4.50	4.45	70,147
Unlisted Global Property	6.50	5.46	86,068
Unlisted Australian Property	4.00	3.93	61,950
Unlisted Infrastructure	6.00	5.83	91,901
Sustainable Development Infrastructure	0.50	0.64	10,089
Total	**100**	**100**	**1,576,346**

5. INVESTMENT IN SOCIAL AND AFFORDABLE HOUSING NSW FUND (continued)

Performance returns

The investment return objective of the Investment Trust is to achieve CPI + 4.0% over rolling 10-year periods. The fund performance against the benchmark is as below:

	YTD (%)	Since inception (%)
Net return *(after fees)*	9.20	6.30
Strategic Asset Allocation (SAA) benchmark	10.30	6.30
Net relative to SAA benchmark	**(1.10)**	**0.00**

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 per cent or fall of 1 per cent in interest rate over the course of the year would result in an increase of $122k or decrease of $122k in the interest earned respectively (2022: rise by 1.5 percent increase of $184k or fall by 0.5 percent decrease of $61k).

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 and SBSM 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 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 2023 and notes to the financial report. The financial report has been prepared by the Responsible Manager using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 12 of the *Social and Affordable Housing NSW Fund Act 2016* (the Act).

In my opinion, in all material aspects, the financial report presents fairly, the Fund's position as at 30 June 2023, 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 2023.

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 2023.

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

Basis for Opinions

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

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

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

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

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

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Responsible Manager’s Responsibilities for the Financial Report

The Responsible Manager is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

The Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

The Responsible Manager's Responsibilities under the *Social and Affordable Housing NSW Fund Act 2016*

The Responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to comply with the requirements of the Act.

Auditor’s Responsibilities

Audit of the financial report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 2023 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 September 2023
SYDNEY


WELCOME TO
NEW SOUTH WALES

NSW Generations (Community Services and Facilities) Fund

Financial Report
for the year ended 30 June 2023

NSW Generations (Community Services and Facilities) Fund

Financial Report
for the year ended 30 June 2023

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 2023; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

Michael Coutts-Trotter
Secretary

27 September 2023

NSW Generations (Community Services and Facilities) Fund

Statement of the Fund's Activities and Position
for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Receipts			
Government contributions	3	500,000	-
Interest earned	3	10,834	367
GST received	3	1	1
Total receipts		**510,835**	**368**
Payments			
Project payments	4	7,529	1,344
Administrative expenses	4	15	13
Total payments		**7,544**	**1,357**
Net receipts/(payments)		**503,291**	**(989)**

The Fund's Position as at 30 June

	2023 $'000	2022 $'000
Opening balance of the Fund - cash	32,264	33,253
Net receipts/(payments)	503,291	(989)
Closing balance of the Fund	**535,555**	**32,264**

The accompanying notes form part of the financial report.

Notes to the Financial Report for the year ended 30 June 2023

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.

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.

	2023 $'000	2022 $'000
Section 13(a) receipts		
Money appropriated by Parliament	500,000	-
Section 13(c) receipts		
Interest earned	10,834	367
Section 13(e) receipts		
GST received	1	1
Total receipts	**510,835**	**368**

During the year $500 million was appropriated by Parliament for payment into the Fund. These monies will be largely used to fund transformational infrastructure projects that will enhance communities throughout Western Sydney under the WestInvest Program.

NSW Generations (Community Services and Facilities) Fund

Notes to the Financial Report
for the year ended 30 June 2023

4. PAYMENTS

Payments from the Fund are in accordance with Section 14 of the Act.

	2023 $'000	2022 $'000
Section 14(1)(a) payments		
My Community project payments	328	1,344
WestInvest program payments	7,201	-
Total project payments	**7,529**	**1,344**
Section 14(1)(b) payments		
Auditor's remuneration	15	13
Total administrative expenses	**15**	**13**
Total payments	**7,544**	**1,357**

Section 14(1)(a) of the Act states that the cost of any project, program or initiative that the Treasurer is satisfied promotes the purpose of the Fund may be paid out of the Fund. The Treasurer is satisfied that the WestInvest Program promotes the purpose of the Fund and therefore complies with Section 14(1)(a) of the Act.

5. FINANCIAL INSTRUMENTS

Risk management

The Fund's only financial instrument is the cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise of 1 per cent or fall of 1 per cent in interest rate over the course of the year would result in an increase of $5.36m or decrease of $5.36m in the interest earned respectively (2022: rise by 1.5 percent increase of $483k or fall by 0.5 percent decrease of $161k).

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 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 2023 and notes to the financial report. The financial report has been prepared by the Responsible Manager using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 7 of the *NSW Generations Funds Act 2018* (the Act).

In my opinion, in all material aspects, the financial report presents fairly, the Fund's position as at 30 June 2023, 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 2023.

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 2023.

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

Basis for Opinions

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

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

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

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

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

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Responsible Manager’s Responsibilities for the Financial Report

The Responsible Manager is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

The Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

The Responsible Manager's Responsibilities under the *NSW Generations Funds Act 2018*

The Responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to comply with the requirements of the Act.

Auditor’s Responsibilities

Audit of the financial report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 2023 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 September 2023
SYDNEY

NSW Generations (Debt Retirement) Fund

Financial Report
for the year ended 30 June 2023

NSW Generations (Debt Retirement) Fund

Financial Report
for the year ended 30 June 2023

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 2023; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

Michael Coutts-Trotter
Secretary

22 September 2023

NSW Generations (Debt Retirement) Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Receipts			
Government contribution	3	-	-
Distributions	3	-	684,099
Proceeds of sale of WestConnex	3	-	10,288,529
Interest earned	3	98,158	48,693
GST received	3	2	1
Total receipts		**98,160**	**11,021,322**
Payments			
Repayment of State Debt	4	3,339,238	7,660,762
Administrative expenses	4	16	13
Total payments		**3,339,254**	**7,660,775**
Net receipts/(payments)		**(3,241,094)**	**3,360,547**
Statement of the Fund's Position as at 30 June			
Opening balance of the Fund		18,072,871	15,173,707
Net receipts/(payments)		(3,241,094)	3,360,547
(Loss)/income from investments	5	1,310,278	(461,383)
Closing balance of the Fund		**16,142,055**	**18,072,871**
Balance of Fund held in			
Cash and cash equivalents		122,319	3,363,413
Investment in NSW Generations (Debt Retirement) Fund Investment Trust	5	16,019,736	14,709,458
		16,142,055	**18,072,871**

The accompanying notes form part of the financial report.

Notes to the Financial Report for the year ended 30 June 2023

1. INFORMATION ON THE NSW GENERATIONS (DEBT RETIREMENT) FUND

Reporting entity

NSW Generations (Debt Retirement) Fund (the Fund) is required to prepare an annual report under Section 7 of the *NSW Generations Funds Act 2018* (the Act). Section 8 of the Act states that the purpose of the Fund is to provide funding for reducing the debt of the State in accordance with the principles of sound financial management set out in section 7 of the *Fiscal Responsibility Act 2012.*

Section 4 of the Act establishes the Fund as a Special Deposit Account (SDA). Section 4.15 of the *Government Sector Finance Act 2018* defines an SDA to consist of:

a) all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund, and

b) all accounts of money that are directed or authorised to be paid to the SDA by or under legislation.

The Treasurer is responsible for the Act and the Fund.

The financial report for the Fund is a Special Purpose Financial Report with the financial year being from 1 July to 30 June. The Fund is administered by NSW Treasury on behalf of the State of New South Wales.

The financial report was authorised for issue by the Responsible Manager on the date the accompanying Statement by the Responsible Manager was signed.

Key Activities

The Fund was established to provide funding for reducing the debt of the State in accordance with the principles of sound financial management set out in section 7 of the *Fiscal Responsibility Act 2012.*

Funding Sources for the NSW Generations (Debt Retirement) Fund

Section 9(1) of the Act prescribes the amounts payable into the Fund. These are:

a) all money appropriated by Parliament, or advanced by the Treasurer, for payment into the Fund,

b) all money appropriated by Parliament to the Treasurer for the general purposes of the Government (and not for the purposes of individual Government Sector Finance agencies) and directed by the Treasurer to be paid into the Fund,

c) any money that is directed by the Treasurer under section 9(2) to be paid into the Fund,

d) all money that is income (including distributions, dividends and interest) paid to the holder of any relevant NSW equity interest,

e) the proceeds of the sale of any relevant NSW equity interest,

f) the proceeds of the investment of money in the Fund,

g) all other money directed or authorised to be paid into the Fund by or under any Act or law.

Section 9(2) of the Act provides that the Treasurer may direct that an amount of money be paid into the Fund if the Treasurer is satisfied that it is windfall tax revenue in excess of Budget forecasts.

Section 9(3) of the Act provides that the Treasurer is taken to have been given an appropriation out of the Consolidated Fund under the authority of this section, on the day a direction is given under section 9(2), for the amount specified in the direction for the purpose of its payment into the Fund.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds invested in the NSW Generations (Debt Retirement) Fund (Investment Trust) are investments held in the NSW Generations (Debt Retirement) Fund, a unit trust investment facility 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.

	2023 $'000	2022 $'000
Section 9(1)(a) receipts		
Government Contribution - appropriation	-	-
Section 9(1)(d) receipts		
Distributions from Roads Retained Interest Pty Ltd	-	684,099
Section 9(1)(e) receipts		
Proceeds of sale of WestConnex	-	10,288,529
Section 9(1)(f) receipts		
Interest earned	98,158	48,693
Section 9(1)(g) receipts		
GST received	2	1
Total receipts	**98,160**	**11,021,322**

During the year no appropriation has been transferred to the Fund's bank account. The following amounts were appropriated in the previous financial years and represent a cumulative spending authority that is available for immediate use for the purposes of the Fund but have not been transferred to the bank account established for the Fund.

Appropriated amount hypothecated to the Fund

Authority	Special Deposit Account	2023 $'000	2022 $'000
NSW Generations Funds Act 2018	NSW Generations (Debt Retirement) Fund	4,582,033	4,582,033

4. PAYMENTS

	2023 $'000	2022 $'000
Section 10(a) payments		
Repayment of State Debt	3,339,238	7,660,762
Section 10(b) payments		
Administrative expenses - auditor's remuneration	16	13
Total payments	**3,339,254**	**7,660,775**

During the financial year 2021-22, the proceeds from the sale of WestConnex was paid into the Fund. The proceeds were used to repay the debt of the State. The $11 billion debt retirement program was completed in financial year 2022-23.

5. INVESTMENT IN NSW GENERATIONS (DEBT RETIREMENT) FUND

	2023 $'000	2022 $'000
Opening balance	**14,709,458**	**15,170,841**
Add: Investments - cash transferred in from the operating bank account	-	-
Add/(Less): Net income/(loss) from investments:		
Distribution reinvested	291,204	1,264,033
Unrealised (loss)/gain on other financial assets	1,019,074	(1,725,416)
Closing balance	**16,019,736**	**14,709,458**

The Fund is authorised to invest in accordance with Section 11 of the Act. Implemented during 2018-19, the Investment Trust is the investment vehicle for the Fund in assisting the NSW Government to meet its objective of reducing the debt of the State. The Investment Trust is managed by Treasury Corporation (TCorp).

Asset allocation and investment instructions of the Investment Trust are governed by the Investment Services Agreement (ISA) signed by the Treasurer and TCorp on 1 November 2018. The investment benchmark and guidelines were further revised in March 2021.

5. INVESTMENT IN NSW GENERATIONS (DEBT RETIREMENT) FUND (continued)

Asset Allocation

The actual asset allocation of the Investment Trust as at the reporting date:

Asset class	Strategic Asset Allocation (%)	Actual Asset Allocation (%)	Value ($'000)
Australian Equities	5.00	5.03	805,793
Developed Market Equities	31.50	31.82	5,097,480
Emerging Market Equities	4.50	4.80	768,947
Global High Yield	2.40	2.40	384,474
Bank Loans	5.60	5.84	935,553
Emerging Market Debt	4.00	4.15	664,819
Middle Market Credit	2.50	3.02	483,796
Cash	4.00	3.16	506,224
Core Alternatives	6.00	5.82	932,349
Defensive alternatives	3.00	2.75	440,543
Opportunistic	6.00	5.89	943,562
Unlisted Global Property	9.50	8.94	1,432,164
Unlisted Australian Property	2.50	2.66	426,125
Unlisted Infrastructure	10.50	10.98	1,758,967
Sustainable Development Infrastructure	3.00	2.74	438,940
Total	**100**	**100**	**16,019,736**

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)*	8.90	6.40
Strategic Asset Allocation (SAA) benchmark	10.80	7.90
Net relative to SAA benchmark	**(1.90)**	**(1.50)**

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 per cent or fall of 1 per cent in interest rate over the course of the year would result in an increase of $1,223k or decrease of $1,223k in the interest earned respectively (2022: rise by 1.5 percent increase of $50,451k or fall by 0.5 percent decrease of $16,817k).

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 and SBSM 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 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 2023 and notes to the financial report. The financial report has been prepared by the Responsible Manager using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Treasurer's annual reporting obligations under section 7 of the *NSW Generations Funds Act 2018* (the Act).

In my opinion, in all material aspects, the financial report presents fairly, the Fund's position as at 30 June 2023, 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 2023.

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 2023.

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

Basis for Opinions

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

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

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

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

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

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Treasurer's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Responsible Manager’s Responsibilities for the Financial Report

The Responsible Manager is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

The Responsible Manager has determined that the accounting policies described in Note 2 are appropriate for fulfilling the Treasurer's annual reporting responsibilities under the Act.

The Responsible Manager's Responsibilities under the *NSW Generations Funds Act 2018*

The Responsible Manager is responsible for ensuring payments made from the Fund have been made in accordance with the Act. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to comply with the requirements of the Act.

Auditor’s Responsibilities

Audit of the financial report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 2023 does not provide assurance on whether compliance with the Act will continue in the future.

Use of Report

My report was prepared for the purpose of fulfilling the Treasurer's annual reporting obligations under the Act. I disclaim any assumption of responsibility for any reliance on the report for any other purpose other than for which it was prepared.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 September 2023
SYDNEY

Electricity Retained Interest Corporation – Ausgrid (ERIC–A) Fund

Financial Report
for the year ended 30 June 2023

ERIC–A Fund

Financial Report
for the year ended 30 June 2023

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 2023; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

Michael Coutts-Trotter
Secretary

27 September 2023

ERIC–A Fund

Statement of the Fund's Activities and Position
for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Receipts			
Financial returns	3	49,600	-
Interest earned	3	324	1
Money appropriated by Parliament into the Fund	3	700	700
Total receipts		**50,624**	**701**
Payments			
Funds transferred to NSW Consolidated Fund	4	48,690	-
Administrative expenses of the Corporation	4	155	92
Costs of operation of the Corporation	4	939	762
Total payments		**49,784**	**854**
Net receipts/(payments)		**840**	**(153)**
The Fund's position as at 30 June			
Opening balance of the Fund - Cash		324	477
Net receipts/(payments)		840	(153)
Closing balance of the Fund		**1,164**	**324**

The accompanying notes form part of the financial report.

ERIC–A Fund
Notes to the Financial Report
for the year ended 30 June 2023

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.

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 2023

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 33 of the Act.

	2023 $'000	2022 $'000
Section 33 (a) receipts - financial returns		
Distributions from network partnership arrangement	49,600	-
Section 33 (b) receipts		
Interest	324	1
Section 33 (d) receipts		
Money appropriated by Parliament into the Fund	700	700
Total receipts	**50,624**	**701**

4. PAYMENTS

Payments from the Fund are in accordance with Section 34 of the Act.

	2023	2022
Section 34 (a) payments - funds transferred to NSW Consolidated Fund	**48,690**	**-**
Section 34 (c) payments - administrative expenses of the Corporation		
Professional service fees	155	92
Total administrative expenses	**155**	**92**
Section 34 (d) payments - costs of operation of the Corporation		
ASIC fees	4	5
Auditor's remuneration	90	94
External recruitment fees	25	-
Travel and Treasury admin cost	276	275
Committee fees	17	18
Directors fees	311	229
Superannuation	47	32
PAYG	149	90
Miscellaneous expense	20	19
Total costs of operation	**939**	**762**
Total payments	**49,784**	**854**

ERIC–A Fund
Notes to the Financial Report
for the year ended 30 June 2023

5. FINANCIAL INSTRUMENTS

Risk management

The Fund's only financial instrument is the cash held in the Treasury Banking System which is subject to interest rate risk. As at the reporting date, a rise of 1 per cent or fall of 1 per cent in interest rate over the course of the year would result in an increase of $11.6k or decrease of $11.6k in the interest earned respectively (2022: rise by 1.5 percent increase of $5k or fall by 0.5 percent decrease of $2k).

6. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of the report

INDEPENDENT AUDITOR’S REPORT

Electricity Retained Interest Corporation - Ausgrid (ERIC-A) Fund

To Members of the New South Wales Parliament

Opinions

Opinion on the audit of the financial report

I have audited the accompanying special purpose financial report 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 2023 and notes to the financial report. The financial report has been prepared by the Responsible Manager using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Corporation's annual reporting obligations under section 35 of the *Electricity Retained Interest Corporations Act 2015* (the Act).

In my opinion, in all material aspects, the financial report presents fairly, the Fund's position as at 30 June 2023, 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 2023.

In my opinion, except for the matters 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 2023.

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 2022-23, certain payments were made from the Fund that did not comply with section 34 of the Act. The total value of these payments was $1,436.

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.

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

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

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

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

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Corporation's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Responsible Manager's Responsibilities for the Financial Report

The Responsible Manager is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to enable the preparation and fair presentation of the financial report that 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 *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 2023 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.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 September 2023
SYDNEY

Electricity Retained Interest Corporation – Endeavour (ERIC-E) Fund

Financial Report
for the year ended 30 June 2023

ERIC-E Fund

Financial Report
for the year ended 30 June 2023

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 2023; and

(b) The financial report has been prepared as a special purpose financial report and related notes in accordance with the basis of accounting described in Note 2.

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

Michael Coutts-Trotter
Secretary

27 September 2023

ERIC-E Fund

Statement of the Fund's Activities and Position for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Receipts			
Financial returns	3	163,138	24,591
Interest earned	3	566	5
Total receipts		**163,704**	**24,596**
Payments			
Funds transferred to NSW Consolidated Fund	4	144,882	22,017
Administrative expenses of the Corporation	4	296	148
Costs of operation of the Corporation	4	1,190	1,257
Total payments		**146,368**	**23,422**
Net receipts/(payments)		**17,336**	**1,174**
The Fund's Position as at 30 June			
Opening balance of the Fund - Cash		3,169	1,995
Net receipts/(payments)		17,336	1,174
Closing balance of the Fund		**20,505**	**3,169**

The accompanying notes form part of the financial report.

Notes to the Financial Report
for the year ended 30 June 2023

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.

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.

Notes to the Financial Report
for the year ended 30 June 2023

3. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 33 of the Act.

	2023 $'000	2022 $'000
Section 33 (a) receipts - financial returns		
Distributions from network partnership arrangements	163,138	24,591
Section 33 (b) receipts - interest earned	566	5
Total receipts	**163,704**	**24,596**

4. PAYMENTS

Payments from the Fund are to be in accordance with Section 34 of the Act.

	2023 $'000	2022 $'000
Section 34 (a) payments - funds transferred to NSW Consolidated Fund	**144,882**	**22,017**
Section 34 (c) payments - administrative expenses of the Corporation		
Professional service fees	296	148
Total administrative expenses	**296**	**148**
Section 34 (d) payments - costs of operation of the Corporation		
ASIC fees	4	5
Auditor's remuneration	95	89
External recruitment fees	49	-
Travel and Treasury administration support	276	275
Miscellaneous expenses	20	19
GST remittance	261	518
Directors fees	301	230
Superannuation	45	32
Payroll tax & PAYG	139	89
Total costs of operation	**1,190**	**1,257**
Total payments	**146,368**	**23,422**

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 per cent or fall of 1 per cent in interest rate over the course of the year would result in an increase of $205k or decrease of $205k in the interest earned respectively (2022: rise by 1.5 percent increase of $47k or fall by 0.5 percent decrease of $15k).

6. EVENTS AFTER THE REPORTING DATE

There are no events after reporting date requiring disclosure.

End of audited financial report

AUDITOR-GENERAL
NEW SOUTH WALES

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 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 2023 and notes to the financial report. The financial report has been prepared by the Responsible Manager using the basis of accounting described in Note 2 to the financial report for the purpose of fulfilling the Corporation's annual reporting obligations under section 35 of the *Electricity Retained Interest Corporations Act 2015* (the Act).

In my opinion, in all material aspects, the financial report presents fairly, the Fund's position as at 30 June 2023, 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 2023.

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 2023.

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 2022-23, certain payments were made out of the Fund that did not comply with section 34 of the Act. The total value of these payments was $439.

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).

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
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Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

In conducting my audit, I have applied ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements or Related Service Engagements'.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Corporation's annual reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.

The Responsible Manager's Responsibilities for the Financial Report

The Responsible Manager is responsible for the preparation and fair presentation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report. The Responsible Manager's responsibility also includes such internal control as the Responsible Manager determines is necessary to enable the preparation and fair presentation of the financial report that 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 *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 2023 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.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 September 2023
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
TEB	Treasury Executive Board
WHS	Work Health and Safety

Statutory reporting compliance index

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