



The
Treasury

2011-12 Annual Reports

Electricity Tariff Equalisation Ministerial Corporation
State Rail Authority Residual Holding Corporation
Liability Management Ministerial Corporation
Lotteries Assets Ministerial Holding Corporation

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Contact Details

Crown Asset and Liability Management Branch
Level 15 Governor Macquarie Tower
1 Farrer Place, Sydney 2000

Reception Hours

Monday to Friday: 8.30 am to 5.30 pm

Inquiries

The Director, Crown Asset and Liability Management
Telephone:(02) 9228 4396
Fax :(02) 9228 3210

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31 October 2012

2011–12 Annual Report

Electricity Tariff Equalisation Ministerial Corporation

Financial Statements
for the period ended 14 June 2012

Electricity Tariff Equalisation Ministerial Corporation

Charter

The Electricity Tariff Equalisation Ministerial Corporation (ETEMC) was constituted under the *Electricity Supply Amendment Act 2000* (amending the *Electricity Supply Act 1995*) for the purpose of administering the Electricity Tariff Equalisation Fund (ETEF), which was set up under the same amendment. It commenced operations on 1 January 2001.

The Fund managed the cost risk of electricity purchases by retail suppliers, which were privatised on 1 March 2011. The Fund was designed to smooth the volatility in wholesale electricity prices for those retailers that were required to sell at regulated tariffs. At the same time, the Fund ensured that the retailers did not face a commercial advantage or disadvantage from supplying regulated customers.

Electricity retail suppliers were required to contribute to the Fund when wholesale prices were lower than the energy cost component charged to customers buying power under regulated tariffs. When wholesale prices were higher than the regulated tariff, the Fund made payments to the retail suppliers ensuring a regulated return.

In the event there was a sustained rise in pool prices and the ETEF had insufficient funds, New South Wales State owned electricity generators were required to top up the ETEF from funds generated by high wholesale electricity prices. Generator payments to the Fund were repaid whenever retail suppliers made a payment into the Fund. The involvement of generators ensured that the Fund could never be in deficit.

Strategic Directions

In accordance with the Electricity Supply (General) Regulation 2001, the Division 6 of Part 4 of the Act ceased to have effect on 30 June 2011. As such the ETEMC and ETEF were closed on the 30 June 2011. The Electricity Supply (General) Amendment (Electricity Tariff Equalisation Fund) Regulation 2012 gave effect to the ETEMC and the ETEF to carry out final revisions and settlement payments during 2011–12. The surplus balance in the Fund, after payment of all moneys and the performance of all obligations under the ETEF Payment Rules, was paid to the Consolidated Fund on 14 June 2012. The ETEMC and the ETEF ceased to exist from this date.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The Corporation has no staff of its own.



INDEPENDENT AUDITOR'S REPORT

Electricity Tariff Equalisation Ministerial Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Electricity Tariff Equalisation Ministerial Corporation (the Corporation), which comprise the statement of financial position as at 14 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 14 June 2012, and of its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Fund Administrator's Responsibility for the Financial Statements

The Fund Administrator is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Fund Administrator determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund Administrator, as well as evaluating the overall presentation of the financial statements.

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

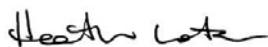
My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Heather Watson
Director, Financial Audit Services

10 September 2012
SYDNEY

Electricity Tariff Equalisation Ministerial Corporation

Financial Statements for the period ended 14 June 2012

Pursuant to Section 41C (1B) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the Electricity Tariff Equalisation Ministerial Corporation's financial performance for the period ended 14 June 2012 and financial position as at 14 June 2012; and
- (b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Further I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Mark Ronsisvalle
Fund Administrator
10 September 2012

Electricity Tariff Equalisation Ministerial Corporation

Statements of Comprehensive Income for the period ended 14 June 2012

	Note	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
Expenses				
Other operating expenses	3	1,603	381	110,191
Total expenses		1,603	381	110,191
Revenue				
Investment revenue		13,061	14,250	11,556
Retained taxes, fees and fines	4	2,902	(3,000)	287,385
Total Revenue		15,963	11,250	298,941
Net result		14,360	10,869	188,750
Total other comprehensive income		-	-	-
Total comprehensive income		14,360	10,869	188,750

The accompanying notes form part of these financial statements.

Electricity Tariff Equalisation Ministerial Corporation

Statement of Financial Position as at 14 June 2012

	Note	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
Assets				
Current assets				
Cash and cash equivalents	5	-	304,519	282,724
Receivables	6	-	-	10,958
Total current assets		<u>-</u>	<u>304,519</u>	<u>293,682</u>
Total assets		<u>-</u>	<u>304,519</u>	<u>293,682</u>
Liabilities				
Current liabilities				
Payables	7	-	25	57
Total current liabilities		<u>-</u>	<u>25</u>	<u>57</u>
Total liabilities		<u>-</u>	<u>25</u>	<u>57</u>
Net assets		<u>-</u>	<u>304,494</u>	<u>293,625</u>
Equity				
Accumulated funds		-	304,494	293,625
Total equity		<u>-</u>	<u>304,494</u>	<u>293,625</u>

The accompanying notes form part of these financial statements.

Electricity Tariff Equalisation Ministerial Corporation

Statement of Changes in Equity for the period ended 14 June 2012

		Actual 2012 \$'000	Actual 2011 \$'000
	Note		
Balance at 1 July		293,625	104,875
Net result for the year		14,360	188,750
Total other comprehensive income		-	-
Total comprehensive income for the year		14,360	188,750
Transactions with owners in their capacity as owners			
Decrease in net assets from equity transfers	8	(307,985)	-
Balance at 14 June/30 June		-	293,625

The accompanying notes form part of these financial statements.

Electricity Tariff Equalisation Ministerial Corporation

Statement of Cash Flows for the period ended 14 June 2012

	Note	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
Cash flows from operating activities				
Payments				
Other		1,690	420	113,075
Total payments		1,690	420	113,075
Receipts				
Retained taxes, fees and fines		13,852	7,950	317,595
Interest received		13,061	14,250	11,556
Other		28	15	24
Total receipts		26,941	22,215	329,175
Net cash flows from operating activities	5	25,251	21,795	216,100
Net cash flows from investing activities		-	-	-
Net cash flows from financing activities		-	-	-
Net increase in cash and cash equivalents		25,251	21,795	216,100
Opening cash and cash equivalents		282,724	282,724	66,624
Cash transferred out as a result of equity transfers		(307,975)	-	-
Closing cash and cash equivalents		-	304,519	282,724

The accompanying notes form part of these financial statements.

Electricity Tariff Equalisation Ministerial Corporation

Notes to the financial statements for the period ended 14 June 2012

1. ELECTRICITY TARIFF EQUALISATION MINISTERIAL CORPORATION INFORMATION

The Electricity Tariff Equalisation Ministerial Corporation (ETEMC) was constituted under the *Electricity Supply Act 1995* for the purpose of administering the Electricity Tariff Equalisation Fund (ETEF), which was set up under the same Act.

In accordance with the *Electricity Supply (General) Regulation 2001*, the Division 6 of Part 4 of the Act ceased to have effect on 30 June 2011. As such the ETEMC and ETEF were closed on the 30 June 2011. The *Electricity Supply (General) Amendment (Electricity Tariff Equalisation Fund) Regulation 2012* gave effect to the ETEMC and the ETEF to carry out final revisions and settlement payments during 2011–12. The surplus balance in the Fund, after payment of all moneys and the performance of all obligations under the ETEF Payment Rules, was paid to the Consolidated Fund on 14 June 2012. The ETEMC and the ETEF ceased to exist from this date.

ETEMC is a statutory body under the *Public Finance and Audit Act 1983*. The principal office of the ETEMC is at 1 Farrer Place, Sydney NSW 2000, Australia.

The Act sets out rules for payment (Payment Rules) to and from the ETEF. The ETEF paid and collected tariffs from retailers and/or generators based on usage figures from the retailers and/or generators. The Fund managed the purchase-cost risks for electricity retail suppliers of small retail customers in New South Wales.

The financial statements were authorised for issue by the Fund Administrator on the date the accompanying statement was signed by the Fund Administrator.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- *Public Finance and Audit Act 1983* and Regulation
- The Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest thousand dollars (\$'000).

Reporting periods

These general purpose financial statements were prepared as at 14 June 2012, being the date that the ETEMC and ETEF were closed. The comparative reporting period is a twelve month period ended 30 June 2011.

Electricity Tariff Equalisation Ministerial Corporation

Notes to the financial statements for the period ended 14 June 2012

2. SUMMARY 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 any future periods affected.

In particular, management have made the following judgements in applying ETEMC's accounting policies:

Amounts recognised as income and expenditure from/to retailers and generators consist of both final and revision settlements. Under the ETEF payment rules, final settlements are completed 20 business days after the conclusion of the trading week. Revisions are conducted 20-30 weeks after the trading week.

Due to the lag time between trading and settlement, an estimate is made of the receivable or payable based on the tariff settlements.

Statement of compliance

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

New standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the reporting period ended 14 June 2012. However, as the ETEMC and ETEF were closed on this date, it is not relevant to determine the impact of adopting those new standards and interpretations.

The ETEMC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC12/04.

New, revised or amending standards and interpretations

The ETEMC has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting period.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the ETEMC.

Electricity Tariff Equalisation Ministerial Corporation

Notes to the financial statements for the period ended 14 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE

Retained taxes, fees and fines

Retained taxes, fees and fines comprise tariff receipts from electricity retailers and generators. Tariff receipts are recognised in accordance with the ETEF payment rules when the right to receive the tariff is established.

Investment income

Investment income includes interest income.

Interest income is recognised as interest accrues using the effective interest method as set out in AASB 139 *Financial Instrument: Recognition and Measurement*.

EXPENSES

Tariff payments to retailers/generators

Tariff payments to retailers and generators are recognised in accordance with the ETEF payment rules when the right to pay the tariff has been established.

Administrative arrangements

The ETEMC has no employees. Finance officers of the NSW Treasury provide administrative services, including the preparation of financial statements of the ETEMC. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and accordingly, no expense is recognised for them.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- for when the GST cannot be recovered from the Australian Taxation Office (ATO), then it is either part of the cost of acquiring an asset, or part of an item of expense
- for receivables and payables which are recognised as including GST

Cash flows are included in the Statement of Cash Flows on a gross basis. The net GST recoverable from or payable to, the ATO, is included as part of receivables or payables in the Statement of Financial Position.

The Commonwealth has determined that no GST is payable or receivable on tariffs between ETEF and electricity businesses (4th Division 81 Commonwealth GST Determination).

Electricity Tariff Equalisation Ministerial Corporation

Notes to the financial statements for the period ended 14 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS

Cash and cash equivalents

Cash and cash equivalents comprise short term deposits with an original maturity of three months or less, are recognised in the Statement of Financial Position and are reconciled to the Statement of Cash Flows.

Receivables

Receivables are initially recognised at fair value, usually based on transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method less an allowance for any impairment. These are held with either the state owned generators and/or retailers and are settled on time by TCorp via Austraclear ensuring that receivables are not impaired.

Short-term receivables with no stated interest rate are measured at the original invoiced amount where the effect of discounting is immaterial.

Impairment of financial assets

The ETEMC assesses if a financial asset or group of financial assets is impaired at each reporting date. The assets held by the ETEMC include short term deposits with an original maturity of three months or less which are managed by TCorp as well as receivables from the state owned generators and retailers which are settled on time by TCorp via Austraclear.

LIABILITIES

Payables

Payables represent liabilities for goods and services provided but not paid for at each reporting date. This occurs when the ETEMC must make future payments for the goods and services, even if it has not been billed for them.

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.

Taxation

The activities of the ETEMC are exempt from income tax.

Equity Transfers

The transfer of all money in the ETEF to the Consolidated Fund on 14 June 2012 effected by the *Electricity Supply (General) Amendment (Electricity Tariff Equalisation Fund) Regulation 2012* was treated as contributions by owners and recognised as an adjustment to accumulated funds. This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Electricity Tariff Equalisation Ministerial Corporation

Notes to the financial statements for the period ended 14 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

	2012 \$'000	2011 \$'000
3. OTHER OPERATING EXPENSES		
Tariff payments to retailers and generators	1,304	109,917
Audit fees	29	33
Management fees ¹	254	215
Other	16	26
	1,603	110,191

¹⁾ Asset management fees were paid to TCorp

4. RETAINED TAXES, FEES AND FINES

Tariff receipts from electricity retailers and generators	2,902	287,385
	2,902	287,385

5. CASH AND CASH EQUIVALENTS

Short term deposits	-	282,724
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The ETEM C had financial accommodation from TCorp for \$300 million under the *Public Authorities (Financial Arrangements) Act 1987*. The financing facility was to cover temporary cash deficits which occur during the day of settlement between retailers and generators. This financial accommodation lapsed when ETEM C ceased to exist.

Short term deposits were made for varying periods. The modified duration of the portfolio was limited to no more than 3 months and depended on the immediate cash requirement of ETEM C. There were no restrictions on cash.

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

Net cash flows from operating activities	25,251	216,100
Change in assets and liabilities		
Decrease in receivables	(10,948)	(30,206)
Decrease in payables	57	2,856
Net result for the period	14,360	188,750

Electricity Tariff Equalisation Ministerial Corporation

Notes to the financial statements for the period ended 14 June 2012

2012	2011
\$'000	\$'000

6. RECEIVABLES

Payments from retailers/generators	-	10,950
GST receivable	-	8
	<u>-</u>	<u>10,958</u>

The payments from retailers/generators represent tariffs receivable from retailers/generators during the financial year and the settlements occur after the year end according to the Australian Energy Market Operator (AEMO) settlement timetable.

The payments from retailers/generators were non-interest bearing during the financial year since payments to and receipts from retailers and generators were settled simultaneously on a predetermined date via Austraclear. An allowance for impairment loss is recognised when there is objective evidence that the receivable is impaired.

All receivables had been settled as at 14 June 2012. No indication of impairment was found and no allowance for impairment loss has been recognised in the net result for the period (2011: Nil).

7. PAYABLES

Audit fees	-	30
Management fee	-	27
	<u>-</u>	<u>57</u>

8. DECREASE IN NET ASSETS FROM EQUITY TRANSFERS

Decrease in net assets from equity transfers	307,985	-
	<u>307,985</u>	<u>-</u>

The transfer of all money in the ETEF to the Consolidated Fund on 14 June 2012 effected by the *Electricity Supply (General) Amendment (Electricity Tariff Equalisation Fund) Regulation 2012* was treated as contributions by owners and recognised as an adjustment to accumulated funds. After the transfer, the ETEMC and ETEF ceased to exist.

9. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or contingent liabilities as at the reporting date (2011: Nil).

Electricity Tariff Equalisation Ministerial Corporation

Notes to the financial statements for the period ended 14 June 2012

10. FINANCIAL INSTRUMENTS

As at the reporting date, the ETEMC has no holding of any financial instruments.

2010-11 Comparative

Financial instruments were held to maintain sufficient funds to fund operations.

ETEMC's principal financial instruments and associated risks are outlined in the tables below.

Financial instrument categories	Carrying amount	
	Note	Category
		2011
		\$'000
Financial assets		
Cash and cash equivalents	5	N/A
		282,724
Financial liabilities		
Payables	7	Financial liabilities (at amortised cost)
		57

**Notes to the financial statements
for the period ended 14 June 2012**

10. FINANCIAL INSTRUMENTS (continued)**Risk management**

ETEMC had appointed NSW Treasury Corporation (TCorp), the State's central financing authority who 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. These are summarised as follows:

(a) 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.

ETEMC's exposure to interest rate risk on its holding of cash and cash equivalents is outlined in the following table. A reasonably possible change of +/- 1% was used in 2011, consistent with trends in interest rates.

Interest rate risk sensitivity analysis

	Carrying amount \$'000	- 1% Net result \$'000	Equity \$'000	+ 1% Net result \$'000	Equity \$'000
2011					
Financial assets					
Cash and cash equivalents	282,724	(2,827)	-	2,827	-

(b) Currency risk

The ETEMC had no transactional or structural currency exposures.

(c) Credit risk

Credit risk is the risk of financial loss because another party to a contract or a financial position does not meet a financial obligation. The ETEMC's exposure to credit risk arose from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at each reporting date. The ETEMC had no credit risk.

**Notes to the financial statements
for the period ended 14 June 2012**

10. FINANCIAL INSTRUMENTS (continued)**Cash and cash equivalents**

Cash comprised cash investment in floating rate notes, short term bank bills and commercial paper. Interest was earned on daily bank balances adjusted for a management fee to NSW Treasury.

Concentration of credit risk

By credit rating	AAA	AA+	AA	AA-	A+	A	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2011							
Cash and cash equivalents	3,752	278,972	-	-	-	-	282,724

By classification of counterparty	Governments	Bank	Total
	\$'000	\$'000	\$'000
2011			
Cash and cash equivalents	3,752	278,972	282,724

(d) Liquidity risk

The table below summarises the maturity profile of ETEMC'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
2011								
Payables	-	-	-	-	57	57	-	-
Total financial liabilities	-	-	-	-	57	57	-	-

(e) Fair value

The financial assets and liabilities of ETEMC at the reporting date comprised mainly monetary financial assets and financial liabilities and their carrying values approximate their fair values.

(f) Market price risk

The ETEMC was not subject to electricity price risk since any shortfall in cash needed to make payments to retailers as a result of significant fluctuations in energy prices was met by the generators as per the payment rules.

Electricity Tariff Equalisation Ministerial Corporation

Notes to the financial statements for the period ended 14 June 2012

11. BUDGET REVIEW

(a) Net Result

The actual net result was higher than Budget estimate by \$3.5 million, primarily due to lower 20 week and 30 week revisions net payments to retailers than originally forecasted.

(b) Assets and Liabilities and Cashflows

The Budget forecasted that the ETEMC would transfer all moneys to Consolidated Fund in the year 2012-13. Accordingly, the Budget included a balance of \$305 million in the cash and cash equivalents, and some payables as at 30 June 2012. The *Electricity Supply (General) Amendment (Electricity Tariff Equalisation Fund) Regulation 2012* approved in 2011-12 determined that the ETEMC ceased to exist on 14 June 2012. All liabilities were extinguished and the residual cash balance was paid to the Consolidated Fund on this date.

12. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

2011–12 Annual Report

State Rail Authority Residual Holding Corporation

Financial Statements
for the year ended 30 June 2012

State Rail Authority Residual Holding Corporation

Charter

The State Rail Authority Residual Holding Corporation was constituted under the *Transport Administration Act 1988*. It represents those parts of the former State Rail Authority which were not incorporated into the new RailCorp.

Objectives

The Corporation's objectives, as set out in the Transport Administration Act are to:

- a) manage its assets, rights and liabilities effectively and responsibly
- b) minimise the risk exposure of the State arising from its activities
- c) achieve the efficient and timely winding up of residual business activities.

Performance in 2011–12

There were no transactions during 2011–12, however, the Corporation remains in existence to assist in the administration of certain former State Rail Authority cross-border rolling stock leases.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The Corporation has no staff of its own.



INDEPENDENT AUDITOR'S REPORT

State Rail Authority Residual Holding Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of State Rail Authority Residual Holding Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Secretary of the Treasury's Responsibility for the Financial Statements

The Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Heather Watson
Director, Financial Audit Services

31 July 2012
SYDNEY

State Rail Authority Residual Holding Corporation

**Financial Statements
for the year ended 30 June 2012**

Pursuant to Section 41C (1B) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the State Rail Authority Residual Holding Corporation's financial performance for the year ended 30 June 2012 and financial position as at 30 June 2012; and
- (c) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions.

Further I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**Philip Gaetjens
Secretary**

30 July 2012

State Rail Authority Residual Holding Corporation
Statement of Comprehensive Income
for the year ended 30 June 2012

	2012	2011
	\$000	\$000
Revenue	-	-
Total revenue	<u>-</u>	<u>-</u>
Expenses	-	-
Total expenses	<u>-</u>	<u>-</u>
Surplus/(deficit) for the year	<u>-</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation
Statement of Financial Position
as at 30 June 2012

	2012	2011
	\$000	\$000
Assets	-	-
Total assets	<u>-</u>	<u>-</u>
Liabilities	-	-
Total liabilities	<u>-</u>	<u>-</u>
Net assets	<u>-</u>	<u>-</u>
Equity	-	-
Total equity	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

Statement of Changes in Equity for the year ended 30 June 2012

	2012 \$000	2011 \$000
Balance at 1 July	-	-
Surplus/(deficit) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Balance at 30 June	-	-

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

**Statement of Cash Flows
for the year ended 30 June 2012**

	2012	2011
	\$000	\$000
Cash flows from operating activities	-	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	<hr/> - <hr/>	<hr/> - <hr/>
Opening cash and cash equivalents	-	-
Closing cash and cash equivalents	<hr/> - <hr/>	<hr/> - <hr/>

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

Notes to the Financial Statements for the year ended 30 June 2012

1. STATE RAIL AUTHORITY RESIDUAL HOLDING CORPORATION INFORMATION

The State Rail Authority of New South Wales (StateRail) was a statutory body representing the Crown in right of the State of New South Wales, as constituted by the *Transport Administration Act 1988 (TAA)*. Since 1 January 2004, pursuant to amendments to the TAA that provided for the restructuring of the Rail Industry, StateRail's principal activities have been to manage the transfer of selected assets, rights and liabilities to Rail Corporation New South Wales (RailCorp), and to manage the disposal of the remainder in consultation with RailCorp. By 30 June 2008 all remaining functions, assets (including assets related to the cross border rolling stock leases), rights and liabilities of StateRail with the unique exception of its rights and liabilities relating to specified ongoing cross border rolling stock leases, were transferred to various agencies, including RailCorp, Rail Infrastructure Corporation and the Crown.

StateRail itself was subject to the enactment of an *Amendment of Transport Administration Act 1988 No 109*, presented as *Schedule 4 of the State Revenue and Other Legislation Amendment (Budget) Act 2007*, which was passed cognate to the *Appropriation Act 2007*. The commencement date for the Act is 1 July 2007. The effect of the amendment in Schedule 4 is to change the name of StateRail to "State Rail Authority Residual Holding Corporation" (SRARHC), remove it from the definition of NSW rail authorities and place it under the control of the Treasurer. The sole remaining purpose of the re-named SRARHC is to hold the cross border rolling stock leases that were excluded from the vesting of all other StateRail assets rights and liabilities. The SRARHC has no assets and liabilities and remains a reporting entity until the last of the lease contracts expire in December 2023.

The SRARHC is a statutory body under the *Public Finance and Audit Act 1983*. It is a not-for-profit entity with its principal office at 1 Farrer 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 Secretary was signed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of:

- applicable Australian Accounting Standards which include Australian Accounting Interpretations
- *Public Finance and Audit Act 1983*
- *Public Finance and Audit Regulation 2010*
- NSW Treasury Policy and Guidelines Papers

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest thousand dollars (\$'000).

**Notes to the Financial Statements
for the year ended 30 June 2012**

2. SUMMARY 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 any future periods affected.

Statement of compliance

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

New standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2012. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

The SRARHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSWTC 12/04.

New, revised or amending standards and interpretations

The SRARHC has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting year.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the SRARHC.

INCOME

Income is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Income is only recognised if its receipt is probable and the amount is reliably measurable.

Interest is recognised as it accrues using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

EXPENSE

Finance officers of the NSW Treasury provide administrative services, including the preparation of financial statements of the SRARHC. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and no charge is made to the entity for them.

The Crown Entity also pays for the entity's audit fees inclusive of GST of \$5,720 (2011: \$5,720).

**Notes to the Financial Statements
for the year ended 30 June 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and Services Tax

Revenues, expenses and assets are generally recognised net of the amount of goods and services tax (GST). However, receivables and payables are stated with the amount of GST included and GST that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the relevant asset or expense.

The net amount of GST recoverable from (or payable to) the ATO is recognised as part of receivables (or payables) in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of any cash flow that is recoverable from (or payable to) the ATO is classified as an operating cash flow.

ASSETS

Cash and cash equivalents

Cash and cash equivalents include cash on hand, at call deposits, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

LIABILITIES

Payables

Payables represent liabilities for goods and services provided but not paid for at each reporting date. This occurs when the entity must make future payments for the goods and services, even if it has not been billed for them.

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.

TAXATION

The activities of the SRARHC are exempt from income tax.

3. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

2011–12 Annual Report

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2012

Liability Management Ministerial Corporation

Charter

The Liability Management Ministerial Corporation (LMMC) was constituted under the *General Government Liability Management Fund Act 2002* to manage the General Government Liability Management Fund.

The Fund was established to accumulate financial assets to improve the financial management of the general government sector's balance sheet and allow flexibility in the timing of superannuation contributions to the public sector defined benefit schemes.

Performance in 2011–12

During 2011–12 the LMMC received contributions from the Crown Entity to meet its objective to fully fund the Judges scheme pension liabilities.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The Corporation has no staff of its own.



INDEPENDENT AUDITOR'S REPORT

Liability Management Ministerial Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Liability Management Ministerial Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Secretary of the Treasury's Responsibility for the Financial Statements

The Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Heather Watson
Director, Financial Audit Services

27 September 2012
SYDNEY

Liability Management Ministerial Corporation

Financial Statements for the year ended 30 June 2012

Pursuant to Section 41C (1B) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the Liability Management Ministerial Corporation's financial performance for the year ended 30 June 2012 and financial position as at 30 June 2012; and
- (d) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Further I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Philip Gaetjens
Secretary

26 September 2012

Liability Management Ministerial Corporation

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
Expenses excluding losses				
Operating Expenses				
Employee related		-	66,000	-
Other operating expenses	3	95	250	-
Total expenses excluding losses		95	66,250	-
Revenue				
Investment revenue	4	202	697	-
Grants and contributions	5	14,835	51,526	-
Total revenue		15,037	52,223	-
Net result		14,942	(14,027)	-
Other comprehensive income		-	-	-
Total comprehensive income		14,942	(14,027)	-

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Financial Position as at 30 June 2012

	Note	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
Assets				
Current assets				
Cash and cash equivalents	6	510	-	-
Receivables	7	10	-	-
Total current assets		520	-	-
Non-current assets				
Financial assets at fair value	8	14,527	16,373	-
Total non-current assets		14,527	16,373	-
Total Assets		15,047	16,373	-
Liabilities				
Current liabilities				
Payables	9	105	-	-
Provisions		-	51,526	-
Total current liabilities		105	51,526	-
Non-current liabilities				
Provisions		-	646,574	-
Total non-current liabilities		-	646,574	-
Total liabilities		105	698,100	-
Net assets/(liabilities)		105	(681,727)	-
Equity				
Accumulated funds/(deficit)		14,942	(681,727)	-
Total equity		14,942	(681,727)	-

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Changes in Equity for the year ended 30 June 2012

	Actual 2012 \$'000	Actual 2011 \$'000
Balance at 1 July		
Net result for the year	14,942	-
Total other comprehensive income	-	-
Total comprehensive income for the year	14,942	-
Transactions with owners in their capacity as owners	-	-
Balance at 30 June	14,942	-

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Cash Flows For the year ended 30 June 2012

	Note	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
Cash flows from operating activities				
Payments				
Employee related		-	35,600	-
Other		-	250	-
Total payments		-	35,850	-
Receipts				
Grants and contributions		14,835	-	-
Investment income		202	-	-
Other		-	51,526	-
Total receipts		15,037	51,526	-
Net cash flows from operating activities	6	15,037	15,676	-
Cash flows from investing activities				
Purchases of investments		(14,527)	(15,676)	-
Net cash flows from investing activities		(14,527)	(15,676)	-
Net cash flows from financing activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		510	-	-
Opening cash and cash equivalents		-	-	-
Closing cash and cash equivalents		510	-	-

The accompanying notes form part of these financial statements.

**Notes to the financial statements
for the year ended 30 June 2012**

1. LIABILITY MANAGEMENT MINISTERIAL CORPORATION INFORMATION

The Liability Management Ministerial Corporation (LMMC) is a statutory body under the *Public Finance and Audit Act 1983*. 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 Entity to meet its obligations as required by the Act. During 2011–12 the LMMC received contributions from the Crown Entity. Prior to this, the LMMC was dormant from 2008 to 2011.

The LMMC is a not-for-profit entity with its principal office at 1 Farrer 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

These general purpose financial statements have been prepared in accordance with the requirements of:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- *Public Finance and Audit Act 1983* and Regulation and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

The financial assets are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest thousand dollars (\$'000).

**Notes to the financial statements
for the year ended 30 June 2012**

2. SUMMARY 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 any future periods affected.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made:

Classification and valuation of investments

LMMC classifies its investments as fair value through profit and loss. The fair value has been determined by reference to the quoted market price for similar instruments and the underlying value provided by the Portfolio manager, New South Wales Treasury Corporation (TCorp). TCorp values financial assets and liabilities using valuation techniques, which discount cash flows to present value based on observable market yields for the same or equivalent securities. Changes in fair value are mainly attributable to fluctuations in market yields and prices arising from changes in market conditions. This information is specifically relevant to Notes 8 and 10 to the financial statements.

Statement of compliance

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

New standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2012.

It is considered impracticable to presently determine the impact of adopting standards and interpretations issued or amended but not yet effective.

The LMMC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC12/04.

New, revised or amending standards and interpretations

The LMMC has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting year.

The adoption of these standards and interpretations did not have any impact on the financial performance or position of the LMMC.

**Notes to the financial statements
for the year ended 30 June 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE

Revenue is recognised when it is probable that economic benefits will flow to the entity and it can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The LMMC uses the following criteria to recognise and measure income:

Contribution from the Crown Finance Entity

Grants received from the Crown Finance Entity are recognised as income when LMMC obtains control of the grants or the right to receive the grants, it is probable that economic benefits will flow to the entity and the amount of the grants can be measured reliably.

Investment income

Investment income includes interest income and net realised and unrealised gains or losses from changes in the fair value of investments. Interest income is recognised on an accrual basis.

EXPENSES

Employee arrangements

The LMMC has no employees. Finance officers of the NSW Treasury provide administrative services, including the preparation of financial statements of the LMMC. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and accordingly, no expense is recognised for them.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- for when the GST cannot be recovered from the Australian Taxation Office (ATO), then it is either part of the cost of acquiring an asset, or part of an item of expense
- for receivables and payables which are recognised as including GST

Cash flows are included in the Statement of Cash Flows on a gross basis. The net GST recoverable from or payable to, the ATO, is included as part of receivables or payables in the Statement of Financial Position.

**Notes to the financial statements
for the year ended 30 June 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS

Cash and cash equivalents

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

Financial assets

Financial assets comprise investments in NSW Treasury Corporation (TCorp) Hour-Glass investment facilities. The financial assets are designated at fair value through profit and loss as they are managed and their performance is evaluated on a fair value basis. The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received and unrealised movements in fair value and is reported as investment revenue in the Statement of Comprehensive Income.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets 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, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

LIABILITIES

Payables

Payables represent liabilities for goods and services provided but not paid for at each reporting date. This occurs when the LMMC must make future payments for the goods and services, even if it has not been billed for them.

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.

Taxation

The activities of the LMMC are exempt from income tax.

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the *Public Finance and Audit Act* where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

Liability Management Ministerial Corporation

Notes to the financial statements for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
3. OTHER OPERATING EXPENSES		
Audit fees	<u>95</u>	<u>-</u>
4. INVESTMENT REVENUE		
Revenue from financial assets held at fair value	601	-
Hour-Glass facility		-
Gains/(losses) from financial assets held at fair value	(474)	-
Hour-Glass facility		-
Interest income on cash & cash equivalents	<u>75</u>	<u>-</u>
	<u>202</u>	<u>-</u>
5. GRANTS AND CONTRIBUTIONS		
Contribution from the Crown Entity	<u>14,835</u>	<u>-</u>
6. CASH AND CASH EQUIVALENTS		
Cash held at financial institutions	<u>510</u>	<u>-</u>
Reconciliation of net cash flows from operating activities to net result for the year		
Net cash flows from operating activities	15,037	-
Increase in liabilities	(105)	-
Increase in assets	<u>10</u>	<u>-</u>
Net result for the year	<u>14,942</u>	<u>-</u>

Liability Management Ministerial Corporation

Notes to the financial statements for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
7. CURRENT RECEIVABLES		
GST receivable	10	-

8. NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE

Hour-Glass long term growth facility	14,527	-
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As at 30 June 2012, total investments of the LMMC are financial assets designated at fair value through profit and loss.

9. PAYABLES

Other accruals	105	-
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Payables are non-interest bearing and are generally on 30 day terms. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

10. FINANCIAL INSTRUMENTS

The LMMC's principal financial instruments are outlined in the table below. These financial instruments arise directly from the LMMC's operations.

Financial instrument categories

	Note	Category	Carrying amount	
			2012 \$'000	2011 \$'000
Financial assets				
Cash and cash equivalents	6	N/A	510	-
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	14,527	-
Total			15,037	-

Risk management

The assets of the LMMC are invested in the TCorp Hour-Glass Long Term Growth Facility in accordance with the investment strategy determined by the LMMC Management Committee. The actual rate of return on LMMC assets during the year was 0.88 per cent.

The LMMC has appointed NSW Treasury Corporation (TCorp), the State's central financing authority who 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.

Notes to the financial statements
for the year ended 30 June 2012

10. FINANCIAL INSTRUMENTS (continued)

(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 Hour-Glass Investment facilities.

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 outlined in the following table. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Interest rate risk sensitivity analysis

	Carrying amount \$'000	- 1% Net Result \$'000	Equity \$'000	+ 1% Net Result \$'000	Equity \$'000
2012					
Financial assets	510	(5)	-	5	-
Cash and cash equivalents					
2011					
Financial assets	-	-	-	-	-
Cash and cash equivalents					

Notes to the financial statements
for the year ended 30 June 2012

10. FINANCIAL INSTRUMENTS (continued)

Currency risk

LMMC has some foreign currency risk exposure from its investments in the TCorp Hour-Glass Long Term Growth Facility through investments in the Listed Property, International Shares and Emerging Markets sectors. The Listed Property Sectors are approximately 50% hedged into Australian dollars, while the other sectors and the Long Term Growth Facility are usually unhedged but dynamic foreign currency hedging may be applied from time to time depending on currency levels.

Other price risk

Exposure to other price risk is through the investment in the TCorp Hour-Glass facilities. The LMMC has no direct equity investments.

The LMMC holds units in the following Hour-Glass investment facility:

Facility	Investment Sectors	Investment Horizon	2012 \$'000	2011 \$'000
Long Term Growth Facility	Cash, money market instruments, Australian bonds, listed property, Australian & International shares	7 years and over	14,527	-

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.

Hour-Glass investment facility	Change in unit price		Impact on net result	
	2012 %	2011 %	2012 \$'000	2011 \$'000
Long Term Growth Facility	+/- 15.0	-	2,179	-

(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 arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at each reporting date.

Cash and cash equivalents

Cash comprises bank balances held at a financial institution. Interest is earned on daily bank balances.

Financial assets at fair value

Financial assets at fair value include investments in TCorp's Hour-Glass Long Term Growth Facility. The investments within the Hour-Glass facility are unit holdings, and as such, do not give rise to credit risk.

Liability Management Ministerial Corporation

Notes to the financial statements for the year ended 30 June 2012

10. FINANCIAL INSTRUMENTS (continued)

As at 30 June 2012 there are no financial assets that are past due or considered impaired.

Concentration of credit risk

By credit rating	AAA	AA+	AA	AA-	A+	A	Other ratings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012								
Cash and cash equivalents	-	-	510	-	-	-	-	-
2011								
Cash and cash equivalents	-	-	-	-	-	-	-	-

By classification of counterparty	Governments	Bank	Other	Total
2012				
Cash and cash equivalents	-	510	-	-
2011				
Cash and cash equivalents	-	-	-	-

(d) Fair value

The financial assets and liabilities of LMMC at the reporting date comprise mainly monetary financial assets and their carrying values approximate their fair values.

Liability Management Ministerial Corporation

Notes to the financial statements for the year ended 30 June 2012

11. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or contingent liabilities as at the reporting date (2011: Nil).

12. BUDGET REVIEW

The LMMC's budget included forecast of a transfer-in of the Judges Pension Scheme liabilities. However, this did not occur during the year. As a result, there was an improvement of \$28.9 million to net result and \$696.6 million to equity.

13. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

2011–12 Annual Report

Lotteries Assets Ministerial Holding Corporation

Financial Statements
for the year ended 30 June 2012

Lotteries Assets Ministerial Holding Corporation

Charter

The Lotteries Assets Ministerial Assets Holding Corporation was established under the *NSW Lotteries (Authorised Transaction) Act, 2009*. Its purpose was to:

- (a) hold, on behalf of the Crown, NSW Lotteries assets acquired by it or transferred to it by or under this or any other Act
- (b) carry on any activities or business that relate to any NSW Lotteries assets held by it, including demanding, collecting and receiving charges, levies, rates, royalties and fees
- (c) such other functions for the purposes of the authorised transaction as may be prescribed by regulations under the Act.

Performance in 2011–12

The Corporation has never had any transactions or been used for any purpose.

Staffing

Administration and accounting services are provided by staff of the NSW Treasury. The Corporation has no staff of its own.



INDEPENDENT AUDITOR'S REPORT

Lotteries Assets Ministerial Holding Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Lotteries Assets Ministerial Holding Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Secretary of the Treasury's Responsibility for the Financial Statements

The Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial statements.

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


My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Heather Watson
Director, Financial Audit Services

18 October 2012
SYDNEY

Lotteries Assets Ministerial Holding Corporation

**Financial Statements
for the year ended 30 June 2012**

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the Lotteries Assets Ministerial Holding Corporation's financial performance for the year ended 30 June 2012 and financial position as at 30 June 2012; and
- (e) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and NSW Treasury Policy and Guidelines Papers.

Further I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**Philip Gaetjens
Secretary**

17 October 2012

Lotteries Assets Ministerial Holding Corporation

**Financial Statements
for the year ended 30 June 2012**

	2012	2011
	\$000	\$000
Revenue	-	-
Total revenue	<u>-</u>	<u>-</u>
Expenses	-	-
Total expenses	<u>-</u>	<u>-</u>
Surplus/(deficit) for the year	<u>-</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

Lotteries Assets Ministerial Holding Corporation

**Statement of Financial Position
as at 30 June 2012**

	2012	2011
	\$000	\$000
Assets	-	-
Total assets	<u>-</u>	<u>-</u>
Liabilities	-	-
Total liabilities	<u>-</u>	<u>-</u>
Net assets	<u>-</u>	<u>-</u>
Equity	-	-
Total equity	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

Lotteries Assets Ministerial Holding Corporation

**Statement of Financial Position
as at 30 June 2012**

	2012	2011
	\$000	\$000
Balance at 1 July	-	-
Surplus/(deficit) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	<u>-</u>	<u>-</u>
Balance at 30 June	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

Lotteries Assets Ministerial Holding Corporation

**Statement of Cash Flows
for the year ended 30 June 2012**

	2012	2011
	\$000	\$000
Cash flows from operating activities	-	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	<hr/> - <hr/>	<hr/> - <hr/>
Opening cash and cash equivalents	-	-
Closing cash and cash equivalents	<hr/> - <hr/>	<hr/> - <hr/>

The accompanying notes form part of these financial statements.

Lotteries Assets Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2012

1. LOTTERIES ASSETS MINISTERIAL HOLDING CORPORATION INFORMATION

Lotteries Assets Ministerial Holding Corporation (LAMHC) was established during 2009 by the *NSW Lotteries (Authorised Transaction) Act 2009 No 60*. The Act authorises the transfer of assets from NSW Lotteries Corporation to the private/public sector. The LAMHC holds (on behalf of the Crown) and carries on any business related to these assets. No NSW Lotteries assets (as defined by the Act) have been transferred to LAMHC since the commencement of the Act.

The LAMHC is a reporting entity and remains so until the establishing legislation is repealed. The LAMHC is managed by the Treasurer with delegation powers.

The 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

Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of:

- applicable Australian Accounting Standards which include Australian Accounting Interpretations
- *Public Finance and Audit Act 1983*
- *Public Finance and Audit Regulation 2010*
- NSW Treasury Policy and Guidelines Papers

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest thousand dollars (\$'000).

Notes to the financial statements
for the year ended 30 June 2012

2. SUMMARY 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 any future periods affected.

Statement of compliance

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

New standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2012. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

The LAMHC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSWTC 12/04.

New, revised or amending standards and interpretations

The LAMHC has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting year.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the LAMHC.

INCOME

Income is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Income is only recognised if its receipt is probable and the amount is reliably measurable.

Interest is recognised as it accrues using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

EXPENSE

Finance officers of the NSW Treasury provide administrative services, including the preparation of financial statements of the LAMHC. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and no charge is made to the entity for them.

The Crown Entity also pays for the entity's audit fees, \$5,940 inclusive of GST.

Lotteries Assets Ministerial Holding Corporation

Notes to the financial statements for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and Services Tax

Revenues, expenses and assets are generally recognised net of the amount of goods and services tax (GST). However, receivables and payables are stated with the amount of GST included and GST that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the relevant asset or expense.

The net amount of GST recoverable from (or payable to) the ATO is recognised as part of receivables (or payables) in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of any cash flow that is recoverable from (or payable to) the ATO is classified as an operating cash flow.

ASSETS

Cash and cash equivalents

Cash and cash equivalents include cash on hand, at call deposits, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

LIABILITIES

Payables

Payables represent liabilities for goods and services provided but not paid for at each reporting date. This occurs when the entity must make future payments for the goods and services, even if it has not been billed for them.

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.

3. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

