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FINANCIAL STATEMENTS

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Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Environment and Energy

I have audited the accompanying annual financial statements of the Clean Energy Finance Corporation for the year ended 30 June 2016, which comprise:

- Statement by the Accountable Authorities, Chief Executive and Chief Financial Officers;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements of the Clean Energy Finance Corporation:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Clean Energy Finance Corporation as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The directors of the Clean Energy Finance Corporation are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the directors determine is necessary to enable the preparation and fair presentation 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 have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing 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.

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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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office

Peter Kerr

Executive Director

Delegate of the Auditor-General

Canberra

23 August 2016

CLEAN ENERGY FINANCE CORPORATION

Statement by the Accountable Authorities, Chief Executive and Chief Financial Officers

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* ('PGPA Act'), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Clean Energy Finance Corporation will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.

Jillian Broadbent AO Chair of the Board	Paul Binsted Director	Oliver Yates Chief Executive Officer	Andrew Powell Chief Financial Officer
23 August 2016	23 August 2016	23 August 2016	23 August 2016

CLEAN ENERGY FINANCE CORPORATION

Statement of Comprehensive Income

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	2.1A	17,570	14,544
Suppliers	2.1B	4,865	4,688
Depreciation and amortisation	3.2A	534	455
Finance costs		-	6
Concessional loan charges	2.1C	6,876	1,392
Write-down and impairment of assets	2.1D	83	2,271
Provision for irrevocable loan commitments	2.1E	(178)	266
Total expenses		**29,750**	**23,622**
Own-source Income			
Own-source revenue			
Interest and loan fee revenue	2.2A	51,013	54,619
Distributions from equity investments		30	19
Total own-source revenue		**51,043**	**54,638**
Gains and losses			
Other (losses) / gains	2.2B	(156)	139
Total (losses) / gains		**(156)**	**139**
Total own-source income		**50,887**	**54,777**
Surplus from continuing operations		**21,137**	**31,155**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Gains on available-for-sale financial assets		5,885	1,138
Total other comprehensive income		**5,885**	**1,138**
Total comprehensive income		**27,022**	**32,293**

The above statement should be read in conjunction with the accompanying notes.

CLEAN ENERGY FINANCE CORPORATION

Statement of Financial Position

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	232,778	149,577
Short-term investments	3.1B	-	100,000
Trade and other receivables	3.1C	3,853	6,451
Loans and advances	3.1D	402,225	322,871
Available-for-sale financial assets	3.1E	277,694	77,057
Other financial assets	3.1F	306,594	597,875
Total financial assets		**1,223,144**	**1,253,831**
Non-financial assets			
Property, plant and equipment	3.2A	1,021	314
Computer software	3.2A	509	338
Prepayments	3.2B	539	515
Total non-financial assets		**2,069**	**1,167**
Total assets		**1,225,213**	**1,254,998**
LIABILITIES			
Payables and unearned income			
Suppliers	3.3A	1,324	1,617
Unearned income	3.3B	5,536	6,530
Other payables	3.3C	4,588	3,004
Total payables and unearned income		**11,448**	**11,151**
Provisions			
Employee provisions	5.1	1,199	878
Other provisions	3.4	13,435	10,860
Total provisions		**14,634**	**11,738**
Total liabilities		**26,082**	**22,889**
Net assets		**1,199,131**	**1,232,109**
EQUITY			
Contributed equity	4.1	1,108,363	1,168,363
Reserves		7,023	1,138
Retained surplus		83,745	62,608
Total equity		**1,199,131**	**1,232,109**

The above statement should be read in conjunction with the accompanying notes.

CLEAN ENERGY FINANCE CORPORATION

Statement of Changes in Equity

for the period ended 30 June 2016

	Retained Surplus		Reserves		Contributed Equity		Total Equity	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Opening balance								
Balance carried forward from previous period	62,608	31,453	1,138	-	1,168,363	1,200,565	1,232,109	1,232,018
Comprehensive income								
Surplus for the period	21,137	31,155	-	-	-	-	21,137	31,155
Other comprehensive income	-	-	5,885	1,138	-	-	5,885	1,138
Total comprehensive income	**21,137**	**31,155**	**5,885**	**1,138**	**-**	**-**	**27,022**	**32,293**
Transactions with owners								
Distributions to owners								
Return of equity to CEFC Special Account	-	-	-	-	(60,000)	(50,600)	(60,000)	(50,600)
Contributions by owners								
Equity injection from Low Carbon Australia Limited	-	-	-	-	-	18,398	-	18,398
Total transactions with owners	**-**	**-**	**-**	**-**	**(60,000)**	**(32,202)**	**(60,000)**	**(32,202)**
Closing balance as at 30 June	**83,745**	**62,608**	**7,023**	**1,138**	**1,108,363**	**1,168,363**	**1,199,131**	**1,232,109**

The above statement should be read in conjunction with the accompanying notes.

CLEAN ENERGY FINANCE CORPORATION

Cash Flow Statement

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees		45,254	51,620
Distributions from equity investments		9	6
Total cash received		**45,263**	**51,626**
Cash used			
Employees		16,186	14,576
Suppliers		4,133	4,805
Total cash used		**20,319**	**19,381**
Net cash from operating activities	**4.2**	**24,944**	**32,245**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received		133,680	18,605
Redemption of short-term investments		200,000	375,000
Redemption of other financial assets		453,226	201,333
Redemption of AFS financial assets		434	-
Total cash received		**787,340**	**594,938**
Cash used			
Purchase of property, plant and equipment		971	254
Purchase of computer software		452	388
Loans made to other parties		208,015	108,650
Purchase of AFS financial assets		197,645	74,514
Purchase of short-term investments		100,000	205,000
Acquisition of other financial assets		162,000	179,700
Total cash used		**669,083**	**568,506**
Net cash from investing activities		**118,257**	**26,432**
FINANCING ACTIVITIES			
Cash received			
Contributed equity		-	18,398
Total cash received		**-**	**18,398**
Cash used			
Return of equity		60,000	50,600
Total cash used		**60,000**	**50,600**
Net cash used by financing activities		**(60,000)**	**(32,202)**
Net increase in cash held		**83,201**	**26,475**
Cash and cash equivalents at the beginning of the reporting period		149,577	123,102
Cash and cash equivalents at the end of the reporting period	**3.1A**	**232,778**	**149,577**

The above statement should be read in conjunction with the accompanying notes.

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Note 1: Overview

1.1 Objectives of the Corporation

The Clean Energy Finance Corporation ('CEFC' or 'the Corporation') was established on 3 August 2012 under the *Clean Energy Finance Corporation Act 2012* [Cth] ('the CEFC Act') and is classified as a corporate Commonwealth entity. It is a not-for-profit entity and, working with co-financiers, its objective is to facilitate increased flows of finance into the clean energy sector. The Corporation's functions are to:

1. Invest, directly and indirectly, in solely or mainly Australian-based clean energy technologies and projects, which can be any one or more of the following:
   - Renewable energy technologies and projects, which include hybrid technologies that integrate renewable energy technologies and technologies (including enabling technologies) that are related to renewable energy technologies;
   - Energy efficiency technologies and projects, including technologies that are related to energy conservation technologies or demand management technologies (including enabling technologies); and
   - Low emissions technologies and projects.
2. Liaise with relevant persons and bodies, including the Australian Renewable Energy Agency ('ARENA'), the Clean Energy Regulator, other Commonwealth agencies and State and Territory governments, for the purposes of facilitating its investment function;
3. Work with industry, banks and other financiers, and project proponents, to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in the clean energy sector; and
4. Do anything incidental or conducive to the performance of the above functions.

The Corporation's outcomes are set out in Note 7.1.

Effective 5 May 2016, the Corporation was issued with the Clean Energy Finance Corporation Investment Mandate Direction 2016 ('Investment Mandate 2016') which among other things, required the Corporation to make available up to $100 million a year, from 2016-17 to 2025-26, for debt and equity investment in emerging clean energy technology projects and businesses that involve technologies that have passed beyond the research and development stages but are not yet established or of sufficient maturity, size or otherwise commercially ready to attract sufficient private sector investment.

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by:

a) section 42 of the PGPA Act; and

b) section 74 of the CEFC Act.

The financial statements have been prepared in accordance with:

a) the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* ('FRR'); and

b) Australian Accounting Standards ('AAS') and Interpretations issued by the Australian Accounting Standards Board ('AASB') that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain financial assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Part 5 of the CEFC Act makes provision for funding of the Clean Energy Finance Corporation via an appropriation to the CEFC Special Account. Accordingly, the Corporation has sufficient funding and realisable assets to meet all of its liabilities and obligations. Any change to the continued existence of the Corporation in its present form would require an Act of Parliament to amend or repeal the CEFC Act. Accordingly, these financial statements are prepared on the basis of the Corporation remaining a going concern.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

1.3 Events after the Reporting Period

There have been no significant events subsequent to balance date.

1.4 Taxation

The Corporation is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

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

a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and

b) for receivables and payables.

The net amount of GST payable to the Australian Taxation Office is included as part of the payables or commitments.

The financial statements have been prepared on the basis that the Corporation is generally not entitled to input tax credits for GST included in the price of goods and services acquired because financial supplies, such as loans, are input taxed.

1.5 New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

The new/revised/amending standards and/or interpretations issued prior to the sign-off date and applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the Corporation's financial statements.

Future Australian Accounting Standard Requirements

The following new standards were issued by the AASB prior to the signing of the statement by the accountable authority, chief executive and chief financial officers:

Standard/ Interpretation	Application date for the Corporation	Nature of impending change/s in accounting policy and likely impact on initial application
AASB 9 Financial Instruments	1 July 2018	*Regulatory Deferral Accounts*. Part E defers the application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010), and includes a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard will require the Corporation to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes impacting the Corporation are described below: a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

Standard/ Interpretation	Application date for the Corporation	Nature of impending change/s in accounting policy and likely impact on initial application
		Consequential amendments were also made to other standards as a result of AASB 9, most notably revisions to AASB 7, including significant new disclosure requirements for each component of AASB 9. The Corporation is currently evaluating the likely impact of adopting AASB 9. It is reasonable to expect that certain financial assets will be classified differently and that it will involve a larger provision for impairment based on the change to the expected-loss model.
AASB 15 Revenue from Contracts with Customers	1 July 2018	AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related Interpretations when it becomes effective. AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. AASB 15 applies to annual periods beginning on or after 1 January 2018.

Standard/ Interpretation	Application date for the Corporation	Nature of impending change/s in accounting policy and likely impact on initial application
		The Corporation is currently evaluating the likely impact of adopting AASB 15, however, since the majority of the Corporation's revenue is derived from financial instruments, it is not anticipated that the adoption of this standard will have a material impact on the Corporation's revenue recognition.
AASB 16 Leases	1 July 2019	AASB 16 effectively does away with the distinction between an operating lease and a finance lease as lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Corporation operates from leased premises and the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Corporation's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Corporation performs a detailed review.

All other new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on the Corporation's financial statements.

Note 2: Financial Performance

This section analyses the financial performance of the Clean Energy Finance Corporation for the year ended 30 June 2016.

2.1: Expenses

	2016 $'000	2015 $'000
2.1A: Employee Benefits		
Wages and salaries	15,903	13,445
Superannuation		
Defined contribution plans	932	796
Leave and other entitlements	390	279
Separation and redundancies	345	24
Total employee benefits	**17,570**	**14,544**

Accounting Policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Corporation is estimated to be less than the annual entitlement for sick leave.

When an employee has rendered service to the Corporation during the period, the Corporation recognises the undiscounted amount of short-term benefits expected to be paid in exchange for that service as a liability, calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Corporation's employer superannuation contribution rates.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Corporation recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Retention

The expected cost of retention payments is recognised when, and only when:

a) the Corporation has a present legal or constructive obligation to make such payments; and

b) a reliable estimate of the obligation can be made.

Superannuation

The Corporation's staff are members of various defined contribution plans to which the Corporation must contribute in accordance with the *Superannuation Guarantee (Administration) Act 1992* [Cth]. The liability for superannuation recognised as at 30 June represents outstanding contributions for the final payroll periods of the year.

	2016 $'000	2015 $'000
2.1B: Suppliers		
Goods and services supplied or rendered		
Annual Report	179	122
Consultants	612	553
Contractors	561	888
Data feeds and other subscriptions	319	190
Facility services and outgoings	116	88
Financial statement audit services	153	145
Information technology services	187	82
Insurance	138	149
Internal audit services	113	63
Legal fees	224	245
Marketing and communications	215	333
Telecommunications	129	97
Travel and incidentals	614	514
Website	72	163
Other	352	217
Total goods and services supplied or rendered	**3,984**	**3,849**
Goods supplied in connection with		
External parties	121	111
Total goods supplied	**121**	**111**
Services rendered in connection with		
External parties	3,863	3,738
Total services rendered	**3,863**	**3,738**
Total goods and services supplied or rendered	**3,984**	**3,849**
Other suppliers		
Operating lease rentals in connection with:		
Minimum lease payments for office premises – external parties	852	762
Workers compensation expenses	29	77
Total other suppliers	**881**	**839**
Total suppliers	**4,865**	**4,688**

Leasing commitments

The Corporation has entered into operating leases for office premises which expire between 1 July 2018 and 29 February 2021.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2016 $'000	2015 $'000
Within 1 year	1,036	533
Between 1 to 5 years	3,541	505
Total operating lease commitments	**4,577**	**1,038**

Accounting Policy

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Corporation as lessee

Leases that do not transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred.

	2016 $'000	2015 $'000
2.1C: Concessional Loan Charges		
Concessional loan charge	6,876	1,392
Total concessional loan charges	**6,876**	**1,392**

Accounting Policy

The Corporation is required to record a non-cash concessional loan charge when it makes a loan at a discount to the prevailing market equivalent rates or terms. This non-cash charge is recorded as a liability at loan origination and offset to loans and advances when the loan is drawn down. The charge will unwind over the term of the underlying loan and be shown as concessional loan income. Over the full life of the loan, the impact on the reported profit or loss of the Corporation from the charge and income will net to $Nil.

Accounting Judgements and Estimates

For each investment, the Corporation will attempt to maximise its return and provide only the level of discount from market rates/terms that is required to ensure the project proceeds, however, this may involve the Corporation taking a position that is not generally offered by other market participants (e.g. longer term fixed-rate debt, subordinated debt, unsecured or mezzanine debt, lending to thinly capitalised entities or companies with less strong credit ratings, etc.) and at rates that are below those that an equivalent market participant would demand if it were to participate in this market. The Corporation is required to record a concessional loan discount in relation to such loans and this requires extensive judgement in determining the 'market equivalent rate' so as to ascertain the extent of the implicit discount attached to the loan. This involves benchmarking to market rates for similar facilities and adjusting for specific differences in tenor, credit worthiness, security, etc. Further judgement is also required to be exercised in relation to the anticipated pattern under which loans will be drawn down, as well as the rate at which they are expected to amortise, so the extent of concessionality being offered in the transactions can be estimated.

	2016 $'000	2015 $'000
2.1D: Write-Down and Impairment of Assets		
Loan impairment charge	83	2,232
AFS financial assets impairment charge	-	39
Total write-down and impairment of assets	**83**	**2,271**

Accounting Judgements and Estimates

Impairment of loans and advances

The Corporation reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (asset type, industry, geographical location).

Impairment of available-for-sale ('AFS') financial assets

For AFS financial assets, the Corporation assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Corporation evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as loans and advances. The Corporation's AFS debt instruments are early in their life (of what can be 7+ year fixed terms) and the Corporation does not have a significant history from which to ascertain the likely extent of ultimate defaults and consequential losses.

	2016 $'000	2015 $'000
2.1E: Provision for Irrevocable Loan Commitments		
Provision for irrevocable loan commitments	(178)	266
Total provision for irrevocable loan commitments	**(178)**	**266**

2.2: Own-Source Revenue and Gains

	2016 $'000	2015 $'000
2.2A: Interest and loan fee revenue		
Loans and advances:		
- interest and fees	24,910	22,826
- unwind of concessional loan discount	2,011	1,508
Interest from AFS financial assets	4,347	1,642
Interest from cash and short-term investments	7,536	12,711
Interest from other financial assets	12,209	15,932
Total interest and loan fee revenue	**51,013**	**54,619**

Accounting Policy

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Interest Revenue

Interest revenue is recognised as interest accrues using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Deferred income received in cash at the start of a loan is brought to income on an effective yield basis over the life of the loan by reducing the carrying amount.

Establishment Fees

Establishment fees relating to the successful origination or settlement of a loan are deferred and recognised as an adjustment to the effective interest rate on the loan.

Commitment Fees

Commitment fees are recognised on an accrual basis over the period during which the credit is made available to the customer but is not drawn down.

	2016 $'000	2015 $'000
2.2B: Other (Losses) / Gains		
Loss on sale of investment	(156)	-
Gain on elimination of make good obligation	-	139
Total other (losses) / gains	**(156)**	**139**

Note 3: Financial Position

This section analyses the Corporation's assets used to conduct its operations and the operating liabilities incurred as a result.

(Employee-related information is disclosed in the People and Relationships section).

3.1: Financial Assets

	2016 $'000	2015 $'000
3.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	232,778	149,577
Total cash and cash equivalents	**232,778**	**149,577**

Accounting Policy

Cash is recognised at its nominal amount as this is considered fair value. Cash and cash equivalents includes:

a) cash on hand; and

b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, and demand deposits in bank accounts with an original maturity of 3 months or less, to maintain liquidity.

	2016 $'000	2015 $'000
3.1B: Short-Term Investments		
Short-term deposits with financial institutions	-	100,000
Total short-term investments	**-**	**100,000**

Accounting Policy

Term deposits in bank accounts with original maturity greater than 3 months but less than 12 months are classified as short-term investments.

	2016 $'000	2015 $'000
3.1C: Trade and Other Receivables		
Goods and services receivables in connection with		
Trade debtors – external parties	199	208
Total goods and services receivables	**199**	**208**
Other receivables		
Unbilled receivables	371	908
Interest	3,234	5,260
Other	49	75
Total other receivables	**3,654**	**6,243**
Total trade and other receivables (gross)	**3,853**	**6,451**
Less: Impairment allowance	**-**	**-**
Total trade and other receivables (net)	**3,853**	**6,451**
Receivables are expected to be recovered		
No more than 12 months	3,853	6,451
Total trade and other receivables (net)	**3,853**	**6,451**
Receivables are aged as follows		
Not overdue	3,853	6,451
Total trade and other receivables (gross)	**3,853**	**6,451**

Credit terms for goods and services were within 30 days (2015: 30 days)
Interest receivable is due monthly, quarterly or upon maturity, depending on the terms of the investment.

Accounting Policy for Financial Assets

Initial Recognition and Measurement

The Corporation classifies its financial assets, at initial recognition, in the following categories:

a) financial assets at fair value through profit or loss ('FVPL');

b) held-to-maturity ('HTM') investments;

c) AFS financial assets; and

d) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as financial assets at FVPL where the financial assets:

a) have been acquired principally for the purpose of selling in the near future;

b) are derivatives that are not designated and effective as a hedging instrument; or

c) are parts of an identified portfolio of financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the surplus attributable to the Australian Government in the statement of comprehensive income. The net gain or loss recognised in surplus attributable to the Australian Government incorporates any interest earned on the financial asset.

The Corporation had no financial assets at FVPL during the financial years ended 30 June 2016 and 2015.

AFS Financial Assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and credited in the reserves until the investment is derecognised, at which time the cumulative gain or loss is recognised in other gains in the statement of comprehensive income, or the investment is determined to be impaired when the cumulative loss is reclassified from the reserves to the statement of comprehensive income as a write-down and impairment of assets. Interest earned while holding AFS financial assets is reported as interest income using the effective interest method in the statement of comprehensive income.

The Corporation evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Corporation is unable to trade these financial assets due to inactive markets, the Corporation may elect to reclassify these financial assets if Management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified as a write-down and impairment of assets in the statement of comprehensive income.

Where a reliable fair value cannot be established for unlisted investments in equity instruments, these instruments are valued at cost.

HTM Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity are classified as HTM investments. HTM investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

The Corporation had no HTM investments during the financial years ended 30 June 2016 and 2015.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

This category generally applies to short-term investments, loans and advances and other financial assets.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Corporation's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Corporation 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 Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis, except for financial assets that are recognised at fair value through profit or loss.

Impairment of Financial Assets

Financial assets held at amortised cost

The Corporation is required to ascertain the extent to which its loans are likely to be recoverable. Given the risk position that may be assumed by the Corporation in its various loans (e.g. senior debt, unsecured debt, subordinated or mezzanine debt, longer terms, policy risk in relation to the Renewable Energy Target, electricity price volatility, etc.) it is considered possible that the Corporation will not fully recover 100% of the principal relating to all the loans it makes, although the Corporation has not identified any individual loans that are not expected to be recoverable at the reporting date.

At the end of each reporting period the Corporation assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired (and impairment charges are recognised) if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the Corporation, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Corporation would not otherwise consider;

d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   i) adverse changes in the payment status of borrowers in the group; or

   ii) national or local economic conditions that correlate with defaults on the assets in the group.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment is, or continues to be recognised are not included in a collective assessment of impairment.

The Corporation's loans are early in their life (of what can be 10+ year fixed terms) and the Corporation does not have a history from which to ascertain the likely extent of ultimate defaults and consequential losses. Therefore, in accordance with Australian banking industry practice, the Corporation applies the following loan loss provisioning methodology to ascertain the extent to which its loans are likely to be impaired.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Corporation's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of

(i) the contractual cash flows of the assets in the group; and

(ii) historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets reflect, and are directionally consistent with, changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The Corporation has adopted loan impairment provisioning methodology in order to ascertain the extent to which its loans are likely to be impaired but not reported. In accordance with Australian banking industry practice this incorporates internal credit risk indicators of a Shadow Credit Rating (SCR) and Loss Given Default (LGD). The methodology is maintained throughout the life of each loan, is adjusted for amortisation, is based on 'through the cycle' LGDs and utilises a duration of the loss emergence period of 12-18 months.

In addition to the statistically modelled output, a Management adjustment overlay is applied. The purpose of this overlay is to compensate for the unique risks of the CEFC portfolio as well as specific model and data limitations. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Corporation to reduce any differences between loss estimates and actual loss experience. When a loan or a part of a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the charge for loan impairment in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment charge is reversed by adjusting the provision account. The amount of the reversal is recognised in the statement of comprehensive income.

	2016 $'000	2015 $'000
3.1D: Loans and Advances		
Gross funded loans	411,795	332,752
Concessional loan discount on drawn loans	(6,651)	(7,045)
Funded loans, net of concessionality discount	**405,144**	**325,707**
Less impairment allowance	**(2,919)**	**(2,836)**
Net loans and advances	**402,225**	**322,871**
Maturity analysis loans and advances, net of concessionality:		
Overdue - impaired	2,692	3,431
Due in 1 year	74,727	32,925
Due in 1 year to 5 years	315,522	238,688
Due after 5 years	12,203	50,663
Funded loans, net of concessionality discount	**405,144**	**325,707**
Less impairment allowance	**(2,919)**	**(2,836)**
Net loans and advances	**402,225**	**322,871**

Concentration of risk

The largest single exposure in the loan portfolio at 30 June 2016 was for an amount of $63.5 million (2015: $67.7 million). The following table shows the diversification of investments in the loan portfolio at 30 June 2016:

	2016			2015		
	No. of Loans	Loan Value $'000	%	No. of Loans	Loan Value $'000	%
<$10 million	70	69,807	17%	59	40,655	13%
$10 - $30 million	2	32,230	8%	2	45,624	14%
$30 - $50 million	6	239,631	59%	3	121,689	37%
$50 - $80 million	1	63,476	16%	2	117,739	36%
Total loans and advances, net of concessionality discount	**79**	**405,144**	**100%**	**66**	**325,707**	**100%**

The following table shows the diversification of investments within the loan portfolio at 30 June 2016 by credit quality. Since the loans made by the Corporation are (in the main) to entities that will not have a formal credit rating, the Corporation has developed a Shadow Credit Ratings ('SCR') system. These are internal risk indicators used by the Corporation to assess the default risks of its debt instruments. The SCR assesses the probability of seeing the counterparty default under its obligations. The SCR is determined by a risk matrix based on internal risk assessments of the counterparty involved, the business risk it faces and the financial risk it has as a result of the debt it carries (including all new debt proposed in the investment opportunity).

	2016		2015	
	Loan Value $'000	%	Loan Value $'000	%
Corporation's Shadow Credit Rating				
AA- to AA+	110,679	27%	39,135	12%
A- to A+	1,966	0%	6,751	2%
BBB- to BBB+	124,485	31%	59,273	18%
BB- to BB+	157,584	39%	195,286	60%
B- to B+	10,430	3%	25,262	8%
Total loans and advances, net of concessionality discount	**405,144**	**100%**	**325,707**	**100%**

Impairment allowance

	2016 $'000	2015 $'000
Reconciliation of the Impairment Allowance: Movements in relation to loans and receivables		
As at 1 July	2,836	604
Increase recognised in write-down and impairment of assets	83	2,232
Closing balance at 30 June	**2,919**	**2,836**

	2016 $'000	2015 $'000
3.1E: Available For-Sale-Financial Assets		
Quoted:		
Debt securities	276,973	75,902
Equities	568	1,125
	277,541	**77,027**
Unquoted:		
Equities	153	30
	153	**30**
Total AFS financial assets	**277,694**	**77,057**

Concentration of risk and impairment – AFS financial assets

Equity investments are amounts held by way of shares in publicly-listed entities or units in unincorporated unit trust structures. During the 2016 financial year, no permanent diminution was recognised in the value of AFS financial assets (2015: $39,000).

	2016 $'000	2015 $'000
3.1F: Other Financial Assets		
Restricted deposit accounts with financial institutions	306,594	597,875
Total other financial assets	**306,594**	**597,875**

Maturity analysis of other financial assets

Restricted deposit accounts with financial institutions are expected to mature within 12 months, however, the funds are not expected to be returned to the Corporation as they are contractually restricted to funding committed credit facilities and committed investments at call. Accordingly, the maturity analysis shown below is the anticipated maturity date at which the funds are expected to be repaid to the Corporation.

	2016 $'000	2015 $'000
Maturity analysis for other financial assets (gross)		
Due in 1 year	1,945	57,226
Due in 1 year to 5 years	142,277	198,687
Due after 5 years	162,372	341,962
Total other financial assets	**306,594**	**597,875**

Concentration of risk – other financial assets

Restricted deposit accounts with financial institutions are amounts that have been funded into accounts held with financial institutions where they are contractually limited to being applied against specific loans and receivables or investments that the Corporation has entered into. The funds are held until such time as they are either drawn down by the counterparty or the availability period expires under the facilities. The amounts are held with Australian banks, each of which have a credit rating of no less than A+. No single bank holds more than 50% of the total.

The following table shows the diversification of anticipated projects/loans that the investments are expected to be applied against at 30 June 2016 by credit quality using the Corporation's SCR methodology:

	2016		2015	
	$'000	%	$'000	%
Corporation's Shadow Credit Rating				
AA- to AA+	18,360	6%	-	-%
A- to A+	-	-%	-	-%
BBB- to BBB+	194,824	63%	206,317	35%
BB- to BB+	48,410	16%	246,558	41%
B- to B+	-	-%	20,000	3%
Unrated - equity investments	45,000	15%	125,000	21%
Total restricted deposit accounts	**306,594**	**100%**	**597,875**	**100%**

Provision for impairment – other financial assets

An impairment will be recognised if it is likely that other financial assets will not be recovered in full. In this instance a specific provision will be created for impairment. There was no impairment in 2016 (2015: $Nil).

3.2: Non-Financial Assets

	Other property, plant & equipment $'000	Computer software $'000	Total $'000
3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Computer Software			
Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2016			
As at 1 July 2015			
Gross book value	1,474	560	2,034
Accumulated depreciation and amortisation	(1,160)	(222)	(1,382)
Total as at 1 July 2015	**314**	**338**	**652**
Additions:			
By purchase or internally developed	971	441	1,412
Depreciation and amortisation expense	(264)	(270)	(534)
Disposals:			
Gross book value	(182)	(215)	(397)
Accumulated depreciation and amortisation	182	215	397
Total as at 30 June 2016	**1,021**	**509**	**1,530**
Total as at 30 June 2016 represented by:			
Gross book value	2,263	786	3,049
Accumulated depreciation and amortisation	(1,242)	(277)	(1,519)
Total as at 30 June 2016	**1,021**	**509**	**1,530**

	Other property, plant & equipment $'000	Computer software $'000	Total $'000
Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2015			
As at 1 July 2014			
Gross book value	1,358	172	1,530
Accumulated depreciation and amortisation	(935)	(144)	(1,079)
Total as at 1 July 2014	**423**	**28**	**451**
Additions:			
By purchase or internally developed	268	388	656
Depreciation and amortisation expense	(377)	(78)	(455)
Disposals:			
Gross book value	(152)	-	(152)
Accumulated depreciation and amortisation	152	-	152
Total as at 30 June 2015	**314**	**338**	**652**
Total as at 30 June 2015 represented by:			
Gross book value	1,474	560	2,034
Accumulated depreciation and amortisation	(1,160)	(222)	(1,382)
Total as at 30 June 2015	**314**	**338**	**652**

No indicators of impairment were found for property, plant and equipment or computer software. No property, plant or equipment or computer software are expected to be disposed of within the next 12 months.

Accounting Policy

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the Corporation where an obligation exists to restore premises to original condition. These costs are included in the value of the Corporation's leasehold improvements with a corresponding provision for the 'make good' recognised.

The Corporation's computer software comprises purchased software for internal use. These assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value. The valuation is based on internal assessment by Management to ensure that the carrying amount of the assets do not differ materially from their fair values. As at 30 June 2016, the carrying amount of property, plant and equipment approximates their fair value.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of 'asset revaluation reserve' except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation and Amortisation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Corporation using, in all cases, the straight-line method of depreciation.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

Property, plant and equipment

Office equipment	3 to 5 years
Leasehold improvements	5 years (or the remaining lease period if shorter)
Furniture and fittings	5 years (or the remaining lease period if shorter)
Computer equipment	2 to 3 years
Computer Software	straight-line basis over anticipated useful lives (typically 2 to 3 years)

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

An item of software is derecognised when the license expires or when no further future economic benefits are expected from its use or disposal.

	2016 $'000	2015 $'000
3.2B: Prepayments		
Prepayments	539	515
Total prepayments	**539**	**515**
Total prepayments expected to be recovered:		
No more than 12 months	224	125
More than 12 months	315	390
Total prepayments	**539**	**515**

3.3: Payables and Unearned Income

	2016 $'000	2015 $'000
3.3A: Suppliers		
Trade creditors and accruals	1,324	1,617
Total suppliers	**1,324**	**1,617**
Suppliers expected to be settled:		
No more than 12 months	1,324	1,617
Total suppliers	**1,324**	**1,617**

Settlement of supplier balances was usually made within 30 days.

	2016 $'000	2015 $'000
3.3B: Unearned Income		
Unearned establishment and commitment fees income	5,536	6,530
Unearned income expected to be recognised:		
No more than 12 months	1,169	1,400
More than 12 months	4,367	5,130
Total unearned income	**5,536**	**6,530**

	2016 $'000	2015 $'000
3.3C: Other Payables		
Wages and salaries	3,820	2,618
Superannuation	92	65
FBT liability	4	3
Lease liability	506	14
Other	166	304
Total other payables	**4,588**	**3,004**
Other payables expected to be settled:		
No more than 12 months	3,844	2,778
More than 12 months	744	226
Total other payables	**4,588**	**3,004**

Accounting Policy

Initial Recognition and Measurement

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised upon 'trade date'.

Financial Liabilities at FVPL

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates any interest paid on the financial liability.

There are no outstanding financial liabilities at FVPL as at reporting dates.

Other Financial Liabilities

Other financial liabilities, including borrowings and trade creditors/accruals, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade creditors and accruals and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Derecognition

A financial liability is de-recognised 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 de-recognition 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.

3.4: Other Provisions

	Provision for concessional loans $'000	Provision for make good $'000	Provision for irrevocable commitments $'000	Total $'000
As at 1 July 2015	**10,233**	**129**	**498**	**10,860**
Additional provisions made	6,836	-	-	6,836
Amounts reversed	-	-	(178)	(178)
Offset to loans and advances	(4,083)	-	-	(4,083)
Total at 30 June 2016	**12,986**	**129**	**320**	**13,435**

	2016 $'000	2015 $'000
Other provisions expected to be settled:		
No more than 12 months	5,362	1,799
More than 12 months	8,073	9,061
Total other provisions	**13,435**	**10,860**

Note 4: Funding

This section identifies the Corporation's funding structure.

4.1: Contributed Equity

Equity from CEFC Special Account

The Department of the Environment and Energy maintains the CEFC Special Account established in accordance with section 45 of the CEFC Act. In prior years, the CEFC Special Account was maintained by the Department of the Treasury, however, due to a Machinery of Government change during the 2015-16 financial year, responsibility for the Corporation was transferred from the Department of the Treasury to the Department of the Environment and Energy.

	2016 $'000	2015 $'000
Appropriations credited to the CEFC Special Account maintained by the Department of the Environent and Energy	2,000,000	2,000,000
Funds drawn during the year as an equity contribution from the CEFC Special Account maintained by the Department of the Environment and Energy	-	-
Funds returned during the year as an equity return to the CEFC Special Account maintained by the Department of the Environment and Energy	(60,000)	(50,600)

Accounting Policy

The Corporation's investment funds are provided for by a special appropriation under section 46 of the CEFC Act. Funds credited to the CEFC Special Account are held by the Department of the Environment and Energy (in prior years the Department of the Treasury) and are released to the Corporation in accordance with the CEFC Act when the CEFC identifies investments that it intends to make. Surplus funds are returned to the CEFC Special Account held by the Department of the Environment and Energy for reinvestment by the CEFC or payment of a dividend to ARENA in accordance with the CEFC Act.

Equity Injections

Amounts received from the Australian Government as drawings out of the CEFC Special Account held by the Department of the Environment and Energy are designated as 'equity injections' and recognised directly in contributed equity in that year.

Other Distributions to Owners

The CEFC Act provides that any amounts returned to the Commonwealth must be retained in the CEFC Special Account held by the Department of the Environment and Energy and may only be used to make payments to the Corporation, or to make payments to ARENA from retained earnings of the Corporation if requested by the Corporation and authorised by the nominated Minister. Amounts returned to the CEFC Special Account will be designated as either a return of equity in the case of capital being returned or a distribution of profits in the case of accumulated profits being transferred to the CEFC Special Account.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Australian Government entity under restructuring of administrative arrangements are adjusted directly against contributed equity.

In accordance with an instruction received from the Australian Government, as part of a restructuring of administrative arrangements, another Australian Government controlled entity – Low Carbon Australia Limited - relinquished the following net assets to the CEFC for $Nil consideration and was de-registered as of 17 December 2014.

A summary of the assets acquired and liabilities assumed follows:

	2016 $'000	2015 $'000
Financial Assets		
Cash and cash equivalents	-	18,398
Net assets received	**-**	**18,398**

A summary of the assets acquired and liabilities assumed follows:

	2016 $'000	2015 $'000
Summary of Contributed Equity		
Opening balance – 1 July	1,168,363	1,200,565
Return of equity to CEFC Special Account	(60,000)	(50,600)
Net Assets received from restructuring of administrative arrangements	-	18,398
Closing contributed equity balance – 30 June	**1,108,363**	**1,168,363**

4.2: Cash Flow Reconciliation

	2016 $'000	2015 $'000
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Cash and cash equivalents as per:		
Cash flow statement	232,778	149,577
Statement of financial position	232,778	149,577
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities		
Net contribution from services	21,137	31,155
Adjustments for non-cash items		
Depreciation and amortisation	534	455
Concessional loan charge	6,876	1,392
Impairment	83	2,271
Provision for irrevocable commitments	(178)	266
Capitalised interest and fees on loans	(4,707)	(3,147)
Amortisation of concessional loan discount	(2,011)	(1,508)
Interest on make good	-	6
Gain on elimination of make good	-	(139)
Distribution from equity investment	(21)	(14)
Shares received for non-cash consideration	(200)	-
Movements in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	2,929	590
(Increase) / decrease in prepayments and other assets	(24)	75
Liabilities		
Increase / (decrease) in employee provisions	321	279
Increase / (decrease) in supplier payables	108	311
Increase / (decrease) in unearned income	(994)	549
Increase / (decrease) in other payables	1,091	(296)
Net cash from operating activities	**24,944**	**32,245**

Note 5: People and Relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

5.1: Employee Provisions

	2016 $'000	2015 $'000
Annual and long service leave	1,199	878
Total employee provisions	**1,199**	**878**
Employee provisions expected to be settled:		
No more than 12 months	627	466
More than 12 months	572	412
Total employee provisions	**1,199**	**878**

5.2: Senior Management Personnel Remuneration

	2016 $	2015 $
Short-term employee benefits		
Salary	2,079,796	2,158,013
Performance bonuses	547,285	655,817
Retention bonuses	299,334	283,349
Redundancy payments	345,129	-
Travel allowances	20,800	17,600
Annual leave accrued	1,669	45,140
Motor vehicle and other allowances	-	1,083
Total short-term employee benefits	**3,294,013**	**3,161,002**
Post-employment benefits		
Superannuation	105,008	94,298
Total post-employment benefits	**105,008**	**94,298**
Other long-term employee benefits		
Long service leave	8,527	45,750
Total other long-term employee benefits	**8,527**	**45,750**
Total senior management personnel remuneration expenses	**3,407,548**	**3,301,050**

The total number of senior management personnel that are included in the above table are 8 (2015:5).

5.3: Directors' Remuneration

	2016 No.	2015 No.
The number of non-executive directors of the Corporation included in these figures are shown below in the relevant remuneration bands:		
$ 0 to $29,999	1	-
$30,000 to $59,999	5	6
$60,000 to $89,999	-	-
$90,000 to $119,999	1	1
Total	**7**	**7**

	2016 $	2015 $
Total remuneration received or due and receivable by non-executive directors of the Corporation	**411,923**	**448,512**

The Corporation has no executive directors.

5.4: Related Party Disclosures

Transactions with Directors or Director-Related Entities

The following table provides the total amount of transactions that were entered into with director-related parties during the financial year ended 30 June 2016. The directors involved took no part in the relevant decisions of the Board.

Director	Related Party	Transaction	Year	Purchase from Related Party $'000	Receipt from Related Party $'000
Martijn Wilder AM	Baker & McKenzie	Legal advice	2016	6	-
Martijn Wilder AM	Baker & McKenzie	Legal advice	2015	7	-

Mr Wilder is also the chairman of the Australian Renewable Energy Agency ('ARENA') and was the chairman of Low Carbon Australia Limited ('LCAL').

Transactions with Other Related Entities

The following transactions were entered into with other related parties under common control during the financial year ended 30 June 2016:

Low Carbon Australia Limited:

As part of a restructuring of administrative arrangements, LCAL relinquished net assets totalling $Nil (2015: $18,398,000) to the Corporation for $Nil consideration. This was recognised by CEFC as an equity contribution. The distribution of net assets from LCAL was undertaken in accordance with the wind-up provisions in the Constitution of that entity and details of the net assets transferred have been included in Note 4.1 – Contributed Equity.

Note 6: Managing Uncertainties

This section analyses how the Corporation manages financial risks within its operating environment.

6.1: Contingent Assets and Liabilities

Quantifiable Contingencies

The Corporation had no significant quantifiable contingencies as at 30 June 2016 or 2015.

Unquantifiable Contingencies

At 30 June 2016 and 2015 the Corporation had no significant unquantifiable contingencies.

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not more than likely and contingent liabilities are disclosed when settlement is greater than remote.

Concessionality that may arise in relation to contingent credit facilities, in the situation where the Corporation has retained discretion as to whether it will fund these future commitments (i.e. they are subject to the occurrence of future uncertain events), is not recorded until such time as the loan commitments become non-contingent.

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

6.2: Financial Instruments

	2016 $'000	2015 $'000
6.2A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	232,778	149,577
Total cash and cash equivalents	**232,778**	**149,577**
Loans and receivables		
Trade and other receivables	3,853	6,451
Short-term investments	-	100,000
Loans and advances	402,225	322,871
Other financial assets	306,594	597,875
Total loans and receivables	**712,672**	**1,027,197**
AFS financial assets		
Debt	276,973	75,902
Equity securities	721	1,155
Total AFS financial assets	**277,694**	**77,057**

	2016 $'000	2015 $'000
Carrying amount of financial assets	**1,223,144**	**1,253,831**
Financial Liabilities		
At amortised cost		
Trade creditors and accruals	1,324	1,617
Other	166	304
Total at amortised cost	**1,490**	**1,921**
At fair value		
Provision for concessional loans	12,986	10,233
Total at fair value	**12,986**	**10,233**
Total financial liabilities	**14,476**	**12,154**
Carrying amount of financial liabilities	**14,476**	**12,154**

	2016 $'000	2015 $'000
6.2B: Net Gains on Financial Assets		
Cash and cash equivalents		
Interest from cash and short-term investments	7,536	12,711
Interest from other financial assets	12,209	15,932
Net gains on cash and cash equivalents	**19,745**	**28,643**
Loans and receivables		
Interest income and fees	24,910	22,826
Unwind of concessional loan discount	2,011	1,508
Net gains on loans and receivables	**26,921**	**24,334**
AFS financial assets		
Interest income from debt securities	4,347	1,642
Distributions from equity investments	30	19
Net gains on AFS financial assets	**4,377**	**1,661**
Net gains on financial assets	**51,043**	**54,638**

The total interest income from financial assets not at fair value through profit or loss was $51,043,000 (2015: $54,638,000).

	2016 $'000	2015 $'000
6.2C: Net losses on Financial Liabilities		
Financial liabilities - at amortised cost		
Interest expense	-	6
Net losses on financial liabilities - at amortised cost	**-**	**6**
Net losses on financial liabilities	**-**	**6**

The total interest expense from financial liabilities not at fair value through profit or loss was $Nil (2015: $6,000).

6.2D: Credit Risk

Credit risk arises from the possibility of defaults on contractual obligations, resulting in financial loss.

The Corporation manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the Corporation has policies and procedures that guide employee's debt recovery techniques.

The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on Management's credit evaluation of the counterparty. Collateral held will vary, but may include:

- a floating charge over all assets and undertakings of an entity, including uncalled capital and called but unpaid capital;
- specific or inter-locking guarantees;
- specific charges over defined assets of the counterparty; and
- loan agreements which include affirmative and negative covenants and in some instances, guarantees of counterparty obligations.

Credit quality of financial instruments not past due or individually determined as impaired

	Note	Not past due nor impaired 2016 $'000	Not past due nor impaired 2015 $'000	Past due or impaired 2016 $'000	Past due or impaired 2015 $'000	Total 2016 $'000	Total 2015 $'000
Cash and cash equivalents	3.1A	232,778	149,577	-	-	232,778	149,577
Short-term investments	3.1B	-	100,000	-	-	-	100,000
Trade and other receivables	3.1C	3,853	6,451	-	-	3,853	6,451
Loans and advances	3.1D	402,452	322,276	2,692	3,431	405,144	325,707
AFS financial assets	3.1E	277,694	77,057	-	-	277,694	77,057
Other financial assets	3.1F	306,594	597,875	-	-	306,594	597,875
Total financial assets		**1,223,371**	**1,253,236**	**2,692**	**3,431**	**1,226,063**	**1,256,667**
Committed credit facilities	6.5	789,206	704,245	-	-	789,206	704,245
Total Commitments		**789,206**	**704,245**	**-**	**-**	**789,206**	**704,245**
Total credit risk exposure		**2,012,577**	**1,957,481**	**2,692**	**3,431**	**2,015,269**	**1,960,912**

Cash and cash equivalents are held with authorised deposit-taking institutions in Australia in accordance with the prudential controls set by the PGPA Act.

Non-financial assets, including property, plant and equipment, have not been included in the above table as there is no significant associated credit risk.

Ageing of financial assets that were past due but not impaired for 2016

The Corporation had no amounts past due but not impaired at 30 June 2016 (2015: $Nil).

6.2E: Liquidity Risk

The Corporation's financial liabilities are trade creditors, operating leases, provisions for concessional loans and amounts owing to the Australian Taxation Office. The exposure to liquidity risk is based on the notion that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. This is considered highly unlikely as the Corporation has significant cash balances, all invested short-term, access to government funding, and internal policies and procedures in place to ensure there are appropriate resources to meet its financial obligations.

Maturities for non-derivative financial liabilities 2016

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	-	1,324	-	-	-	1,324
Provision for concessional loans	-	5,362	950	6,674	-	12,986
Other	-	166	-	-	-	166
Total	**-**	**6,852**	**950**	**6,674**	**-**	**14,476**

Maturities for non-derivative financial liabilities 2015

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	-	1,617	-	-	-	1,617
Provision for concessional loans	-	1,670	2,773	5,790	-	10,233
Other	-	304	-	-	-	304
Total	**-**	**3,591**	**2,773**	**5,790**	**-**	**12,154**

Any financing shortfall is addressed through the contribution of equity provided by the Australian Government from the CEFC Special Account that is to be funded in an amount of $2 billion per annum for each of the 5 years commencing 1 July 2013. The Corporation has drawn amounts totalling $1,462.8 million from this Special Account to fund its investments and has returned amounts totalling $441.8 million in relation to investments that have been redeemed or repaid, leaving a net drawn balance of $1,021 million at 30 June 2016 (2015: $1,081 million).

6.2F: Market Risk

The Corporation holds basic financial instruments that do not expose it to certain direct market risks, such as 'Currency risk' and 'Other price risk'. However, the Corporation is involved in lending and therefore inherent interest rate risks arise.

The Corporation accounts for loans and advances at amortised cost, so any change to fair value arising from a movement in the market interest rates has no impact on the reported profit or loss unless an investment is sold prior to maturity and crystallises a previously unrealised gain or loss.

The Corporation accounts for AFS debt securities at fair market value. A +/-10bp change in the yield of the debt securities would have approximately a $1.5 million (2015: $0.4 million) impact on the fair value at which the instruments are recorded in the statement of financial position.

6.2G: Concentration of Exposure

Concentration of credit risk exists when a number of counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions.

The Corporation will have a significant concentration of exposure to the energy and renewables sectors since it has been established for investment in commercialisation and deployment of (or in relation to the use of) Australian based renewable energy, energy efficiency and low emissions technologies (or businesses that supply goods or services needed to develop the same), with at least 50% of its investment in the renewables sector.

The Corporation is in the early stage of investment and therefore will have a relatively concentrated exposure to individual assets, entities and industries until such time as it is able to establish a more broad and diversified portfolio.

6.3: Fair Value of Financial Instruments

The following table provides an analysis of financial instruments that are measured at fair value, or for which fair value is disclosed, by valuation method.

The different levels are defined below:

Level 1: Fair value obtained from unadjusted quoted prices in active markets for identical instruments.

Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly or indirectly.

Level 3: Fair value derived from inputs that are not based on observable market data.

Fair value hierarchy for financial instruments:

	Fair Value at 30 June 2016				2016 Carrying Value
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
AFS financial assets	257,541	20,000	153	277,694	277,694
Financial assets for which fair value is disclosed					
Loans and advances	-	261,000	164,000	425,000	402,225
Total for financial assets	**257,541**	**281,000**	**164,153**	**702,694**	**679,919**
Financial liabilities at fair value					
Provision for concessional loans	-	-	12,986	12,986	12,986
Total for financial liabilities	**-**	**-**	**12,986**	**12,986**	**12,986**

There was no transfer between levels.

	Fair Value at 30 June 2015				2015 Carrying Value
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Total $'000
Financial assets at fair value					
AFS financial assets	77,027	-	30	77,057	77,057
Financial assets for which fair value is disclosed					
Loans and advances	-	235,000	115,000	350,000	322,871
Total	**77,027**	**235,000**	**115,030**	**427,057**	**399,928**
Financial liabilities at fair value					
Provision for concessional loans	-	-	10,233	10,233	10,233
Total for financial liabilities	**-**	**-**	**10,233**	**10,233**	**10,233**

There was no transfer between levels.

Accounting Policy

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 for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Corporation. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management assessed that cash, cash equivalents, short-term investments, trade and other receivables, other financial assets, supplier payables, and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following is a description of the determination of fair value for financial instruments using valuation techniques:

AFS financial assets

- Fair value of quoted debt securities is derived from quoted market prices in active markets;
- Fair value of quoted equities is derived from quoted market prices in active markets; and
- Fair value of the unquoted equities has been estimated using a Discounted Cash Flow ('DCF') model. The valuation requires Management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in Management's estimate of fair value for these unquoted equity investments.

Loans and advances

- The fair value on day one is the transaction price, and subsequent fair value is determined by applying market interest rates and using the valuation technique of discounted cash flows through an external valuation system.
- Non-concessional loans are classified as level 2 and the long-term fixed-rate and variable-rate receivables are valued by the Corporation through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their SCR as set forth in Note 3.1D: Loans and Advances. These SCR's are reviewed regularly throughout the year by the credit managers within the portfolio management team and any significant changes are reported quarterly to the Board.
- Concessional loans together with any loans that are identified as requiring a specific impairment allowance are classified as level 3 as the impact on the estimated fair value of the loan arising from the concessionality or a forecast shortfall in cash flows in the case of an impaired loan have to be derived from inputs that are not necessarily based on observable market data. Concessional loans include inputs such as the likely rate of deployment of capital by co-financiers and impaired loans will include inputs such as the likely recovery amount and date of realisation in respect of any security held. Concessional long-term fixed-rate and variable-rate receivables are also valued by the Corporation through an external valuation system that recognises the discounted value of future cash flows based on current market interest rate (base rate plus a credit adjusted margin) for each customer. The credit adjusted margin for each customer is determined by reference to their SCR as set forth in Note 3.1D: Loans and Advances and these SCR's are reviewed regularly throughout the year by the credit managers within the portfolio management team and any significant changes are reported quarterly to the Board. The impact of concessionality as well as recoverable amounts related to security on impaired assets are factored into the forecasts of future cash flows for each of the transactions.
- When it is likely that a loan or debt will not be recovered in full, a specific event is recognised and recorded using the discounted cash flow method. All individual facilities are reviewed regularly.

Accounting Judgements and Estimates

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as discount rates, prepayment rates and default rate assumptions.

6.4: Concessional Loans

	2016 $'000	2015 $'000
Loan Portfolio		
Nominal value	173,978	123,165
Less principal repayment	(11,276)	(6,729)
Less unexpired discount	(7,857)	(7,044)
Less impairment allowance	(1,008)	(1,336)
Carrying value of concessional loans	**153,837**	**108,056**

6.5: Committed Credit Facilities

Commitments represent funds committed by the Corporation to third parties where the funds remain available but undrawn at year end. Commitments to provide credit may convert to loans and other assets in the ordinary course of business. As these commitments may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

	2016 $'000	2015 $'000
Committed credit facilities	514,206	499,245
Committed investments at call	275,000	205,000
Total committed credit facilities as per commitments note	**789,206**	**704,245**

At 30 June 2016 the Corporation had entered into agreements to provide loan advances totalling $45 million and purchase corporate bonds totalling $150 million subject to the occurrence of future uncertain events. Due to the uncertainty around the occurrence of the future events, these amounts have been excluded from Committed Credit Facilities.

At 30 June 2016 there was approximately $4.2 million of possible future concessional loan charges to be recorded in relation to the above contingent credit facilities. The actual amount of concessionality cannot be determined until such time as the loan commitments become non-contingent.

Note 7: Other Information

7.1: Reporting of Outcomes

The Corporation has one outcome – to facilitate increased flows of finance into Australia's clean energy sector, applying commercial rigour to investing in renewable energy, low-emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders.

	Outcome 1 2016 $'000	Outcome 1 2015 $'000	Total 2016 $'000	Total 2015 $'000
Departmental				
Expenses	29,750	23,622	29,750	23,622
Own-source income	50,887	54,777	50,887	54,777
Net return from outcome delivery	**21,137**	**31,155**	**21,137**	**31,155**

7.2: Budgetary Reports and Explanation of Major Variances

The following tables provide a comparison of the original budget as presented in the 2015-16 Treasury Portfolio Budget Statements (PBS) to the 2015-16 final outcome as presented in accordance with AAS for the Corporation. The Budget is not audited.

7.2A: Budgetary Reports

The budgeted financial statements for 2015-16 were prepared on the basis of the Australian Government's intention to abolish the CEFC. Legislation to abolish the CEFC and transfer the CEFC's existing assets and liabilities to the Commonwealth was before Parliament at that time. Given the uncertainty regarding the timing of the passage of legislation, the budgeted financial statements assumed the CEFC was to be abolished from 1 July 2015. Accordingly, the 2015-16 Budget assumed:

- no new investments would be entered into by the CEFC post 30 June 2015;
- revenue from those contracts planned to be executed prior to 30 June 2015 was forecast to continue through the life of the investments (including revenue associated with the unwind of previously recorded concessionality charges);
- no additional concessionality charges were forecast to be incurred (consistent with the assumption of no new investments being entered into by the CEFC post 30 June 2015);
- all operational expenses (employee benefits and supplier costs) were anticipated to cease effective 30 June 2015;
- an allowance for possible loan impairment was provided in each period of the forward estimates in relation to the existing investment portfolio; and
- all outstanding liabilities to suppliers and employees were assumed to be settled at 30 June 2015.

The Corporation was not abolished at 1 July 2015, and therefore has continued to fulfil its obligation to invest in accordance with the CEFC Act. There has been no material change in the approach of the Corporation or the operations of the Corporation during the 2015-16 financial year, and as a consequence there are a large number of material variances to a budget that was based on assumption of abolition on the first day of the financial period. In explaining variances to the budget, the Corporation has therefore focussed on those items which are considered of most significance to the operations of the CEFC.

CLEAN ENERGY FINANCE CORPORATION

Statement of Comprehensive Income

for the period ended 30 June 2016

	Actual $'000	Budget[1] $'000	Variance[2] $'000
NET COST OF SERVICES			
EXPENSES			
Employee benefits	17,570	9,435	8,135
Suppliers	4,865	3,764	1,101
Depreciation and amortisation	534	624	(90)
Concessional loan charges	6,876	-	6,876
Write-down and impairment of assets	83	4,761	(4,678)
Provision for irrevocable loan commitments	(178)	-	(178)
Total expenses	**29,750**	**18,584**	**11,166**
Own-Source Income			
Own-source revenue			
Interest and loan fee revenue	51,013	49,250	1,763
Other revenue	30	-	30
Total own-source revenue	**51,043**	**49,250**	**1,793**
Gains			
Other (losses) / gains	(156)	-	(156)
Total (losses) / gains	**(156)**	**-**	**(156)**
Total own-source income	**50,887**	**49,250**	**1,637**
Net contribution by / (cost of) services	**21,137**	**30,666**	**(9,529)**
Revenue from Australian Government	-	-	-
Surplus from continuing operations	**21,137**	**30,666**	**(9,529)**
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent classification to net cost of services			
Gains on available-for-sale financial assets	5,885	-	5,885
Total other comprehensive income	**5,885**	**-**	**5,885**
Total comprehensive income	**27,022**	**30,666**	**(3,644)**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's appearance in the 2015-16 Treasury PBS).
2. Difference between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Statement of Financial Position

as at 30 June 2016

	Actual $'000	Budget[1] $'000	Variance[2] $'000
ASSETS			
Financial assets			
Cash and cash equivalents	232,778	-	232,778
Trade and other receivables	3,853	2,991	862
Loans and receivables at amortised cost	402,225	530,115	(127,890)
Available for sale financial assets	277,694	118,045	159,649
Other financial assets	306,594	330,033	(23,439)
Total financial assets	**1,223,144**	**981,184**	**241,960**
Non-financial Assets			
Property, plant and equipment	1,021	269	752
Computer software	509	177	332
Prepayments	539	-	539
Total non-financial assets	**2,069**	**446**	**1,623**
Total assets	**1,225,213**	**981,630**	**243,583**
LIABILITIES			
Payables and unearned income			
Suppliers	1,324	-	1,324
Unearned income	5,536	7,364	(1,828)
Other payables	4,588	-	4,588
Total payables and unearned income	**11,448**	**7,364**	**4,084**
Provisions			
Employee provisions	1,199	-	1,199
Other provisions	13,435	-	13,435
Total provisions	**14,634**	**-**	**14,634**
Total liabilities	**26,082**	**7,364**	**18,718**
Net assets	**1,199,131**	**974,266**	**224,865**
EQUITY			
Contributed equity	1,108,363	879,819	228,544
Reserves	7,023	2,793	4,230
Retained surplus	83,745	91,654	(7,909)
Total equity	**1,199,131**	**974,266**	**224,865**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's appearance in the 2015-16 Treasury PBS).
2. Difference between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Statement of Changes in Equity

for the period ended 30 June 2016

	Retained Surplus			Reserves			Contributed Equity			Total Equity		
	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000	Actual $'000	Budget[1] $'000	Variance[2] $'000
Opening balance												
Balance carried forward from previous period	62,608	60,988	1,620	1,138	2,793	(1,655)	1,168,363	1,168,362	1	1,232,109	1,232,143	(34)
Comprehensive income												
Surplus for the period	21,137	30,666	(9,529)	-	-	-	-	-	-	21,137	30,666	(9,529)
Other comprehensive income	-	-	-	5,885	-	5,885	-	-	-	5,885	-	5,885
Total comprehensive income	**21,137**	**30,666**	**(9,529)**	**5,885**	**-**	**5,885**	**-**	**-**	**-**	**27,022**	**30,666**	**(3,644)**
Transactions with owners												
Distributions to owners												
Return of equity to Special Account	-	-	-	-	-	-	(60,000)	(288,543)	228,543	(60,000)	(288,543)	228,543
Contributions by owners												
Equity injection from Special Account	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(60,000)**	**(228,543)**	**228,543**	**(60,000)**	**(288,543)**	**228,543**
Closing balance as at 30 June	**83,745**	**91,654**	**(7,909)**	**7,023**	**2,793**	**4,230**	**1,108,363**	**879,819**	**228,544**	**1,199,131**	**974,266**	**224,865**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's appearance in the 2015-16 Treasury PBS).
2. Difference between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided further below.

CLEAN ENERGY FINANCE CORPORATION

Cash Flow Statement

for the period ended 30 June 2016

	Actual $'000	Budget[1] $'000	Variance[2] $'000
OPERATING ACTIVITIES			
Cash received			
Interest and fees	45,254	44,925	329
Distributions from equity investments	9	-	9
Total cash received	**45,263**	**44,925**	**338**
Cash used			
Employees	16,186	9,434	6,752
Suppliers	4,133	7,611	(3,478)
Total cash used	**20,319**	**17,045**	**(3,274)**
Net cash from operating activities	**24,944**	**27,880**	**(2,936)**
INVESTING ACTIVITIES			
Cash received			
Principal loan repayments received	133,680	204,349	(70,669)
Redemption of short-term investments	200,000	100,000	100,000
Redemption of other financial assets	453,226	166,836	286,390
Redemption of AFS financial assets	434	-	434
Total cash received	**787,340**	**471,185**	**316,155**
Cash used			
Purchase of property, plant and equipment	971	-	971
Purchase of computer software	452	-	452
Loans made to other parties	208,015	219,986	(11,971)
Purchase of AFS financial assets	197,645	20,000	177,645
Purchase of short-term investments	100,000	-	100,000
Acquisition of other financial assets	162,000	-	162,000
Total cash used	**669,083**	**239,986**	**429,097**
Net cash from investing activities	**118,257**	**231,199**	**(112,942)**
FINANCING ACTIVITIES			
Cash used			
Return of equity	60,000	288,543	(228,543)
Total cash used	**60,000**	**288,543**	**(228,543)**
Net cash used by financing activities	**(60,000)**	**(288,543)**	**228,543**

	Actual $'000	Budget[1] $'000	Variance[2] $'000
Net increase in cash held	**83,201**	**(29,464)**	**112,665**
Cash and cash equivalents at the beginning of the reporting period	149,577	29,464	120,113
Cash and cash equivalents at the end of the reporting period	**232,778**	**-**	**232,778**

1. The Corporation's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Corporation's appearance in the 2015-16 Treasury PBS).
2. Difference between the actual and original budgeted amounts for 2015-16. Explanations of major variances are provided further below.

7.2B: Major Budget Variance for 2015-16

Affected Line Items	Explanations of Major Variances
Statement of Comprehensive Income:	
Employee Benefits	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), employee benefit costs were incurred for the full 2015-16 financial year. In order to meet the obligations of the CEFC Act, it was necessary for the Corporation to continue to employ executives and staff across all key functions including investment, legal, risk management, finance, corporate affairs, human resources, etc.
Suppliers	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), supplier costs were incurred in the normal course of operations of the Corporation for the full 2015-16 financial year.
Concessional loan charges	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), additional concessional loan charges were incurred on a number of new investments made during the 2015-16 financial year. The budget had assumed that no new investments would be made after 1 July 2015.
Write-down and impairment of assets	During the 2015-16 financial year a number of long term loans in the CEFC portfolio were refinanced by the private sector. The loans that were refinanced tended to be the higher yielding facilities, but consequently also the higher risk facilities, including a significant portion of sub-debt. In addition, the Corporation has invested in a higher proportion of AFS financial assets in the 2015-16 financial year and these are accounted for at fair value rather than amortised cost. With the removal of certain higher risk facilities from the Corporation's portfolio and a larger proportion of new investments being made in AFS financial assets, the provision for impairment of assets has not had to increase at the rate forecast in the Budget.
Interest and loan fee revenue	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the budget), the Corporation continued to make new investments to generate income for the Corporation that more than offset the reduction from facilities being refinanced unexpectedly during the financial year.
Changes in gains/(losses) on AFS financial assets	As stated above, the Corporation has invested in a significant number of AFS financial assets in the 2015-16 financial year and these are accounted for at fair value through other comprehensive income. The fall in interest rates during the 2015-16 financial year has also benefited the fair value of the AFS financial assets held by the Corporation as most of the Corporation's AFS financial assets are fixed interest rate facilities.
Statement of Financial Position:	
Cash and cash equivalents; and short term investments	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were held to fund new investment commitments by the Corporation.
Loans and receivables at amortised cost	A number of significant investments made by the Corporation in prior years were able to be refinanced by third party commercial banks during the 2015-16 financial year.
Available for sale financial assets	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), the Corporation continued to make new investments in 2015-16. As stated above, the Corporation has invested in a larger proportion of AFS financial assets in the 2015-16 financial year, so while loans and receivables were being refinanced by the private sector, new AFS financial assets were being brought onto the Corporation's statement of financial position. The largest components of the variance to Budget in available for sale financial assets were investments made during 2015-16 in Climate Bonds issued by a major Australia bank and a corporate entity, together with longer tenor corporate bonds issued by the major banks which the Corporation acquired in conjunction with the targeted CEFC energy efficiency programs being deployed through these banks to their customers.
Other financial assets	The other financial assets are lower than Budget as new investments have been made a slower rate than the repayment of these facilities and a number have repaid more rapidly than forecast in 2015-16. This is because the Corporation has not been required to 'cash back' new loans to the same extent in 2015-16 given the greater certainty afforded through the decision by the Australian Government to retain the Corporation.
Non-financial assets	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), new property, plant & equipment and computer software additions were purchased to enable the Corporation to continue operating effectively. Prepayments were also incurred in the normal course of operations.
Payables and unearned income	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), payables and unearned income both continued to be generated in the normal course of operations of the Corporation and remained outstanding at 2015-16 financial year.
Other provisions	The variance to Budget in other provisions is due to the status of various investments in the Corporation's portfolio at 30 June 2016. Once an investment draws-down, the provision for concessionality is classified as an offset to the loan and receivable. In preparing a budget it is not possible to anticipate exactly at what stage each investment will be at at any given point in time.

Affected Line Items	Explanations of Major Variances
Contributed equity	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were held to fund new investments by the Corporation. This meant that returns of equity to the CEFC Special Account held by the Department of the Environment and Energy were lower than budgeted.
Retained surplus	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), it continued to incur costs associated with operations. The assumption in the Budget was that the Corporation would continue to generate income for the full year but the associated costs of managing the portfolio were not included in the Budget.
Statement of Changes in Equity:	
Reserves	Since the Corporation was not abolished on 30 June 2015 (as anticipated in the Budget), it has invested in a significant number of AFS financial assets in the 2015-16 financial year and these are accounted for at fair value through other comprehensive income and reserves in the Statement of Financial Position. The fall in interest rates during the 2015-16 financial year has also benefited the fair value of the AFS financial assets held by the Corporation as most of the Corporation's AFS financial assets are fixed interest rate facilities.
Contributed equity	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were held to fund new investments by the Corporation. This meant that returns of equity to the CEFC Special Account held by the Department of the Environment and Energy were lower than budgeted. The only return of equity in 2015-16 was an amount of $60 million from investments that had been realised during the normal course of operations.
Cash Flow Statement:	
Employees	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), employees were retained in the Corporation and employment related payments were made throughout the 2015-16 financial year in the normal course of the Corporation fulfilling its investment obligations under the CEFC Act.
Suppliers	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), supplier costs were paid throughout the 2015-16 financial year for costs associated with operating the Corporation in the normal course.
Redemption of other financial assets; and acquisition of other financial assets	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), the Corporation continued to make new investments in 2015-16 and this is reflected in the redemption and acquisition of other financial assets in the Cash Flow Statement.
Principal loan repayments received	A number of significant investments made by the Corporation in prior years were able to be refinanced by third party commercial banks during the 2015-16 financial year.
Loans made to other parties	A number of significant investments made by the Corporation in prior years were able to be refinanced by third party commercial banks during the 2015-16 financial year. This resulted in lower than budgeted draw-downs against contracted facilities for the year.

Affected Line Items	Explanations of Major Variances
Purchase of AFS financial assets	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), the Corporation continued to make new investments in 2015-16. A greater proportion of these new investments in 2015-16 involved the purchase of AFS financial assets.
Redemption of short-term investments; and purchase of short-term investments	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were used to fund short-term investments and then subsequently redeemed by the Corporation to funds loans made to other parties, purchases of AFS financial assets and acquisitions of other financial assets.
Return of equity; and cash and cash equivalents at the beginning of the reporting period	Since the Corporation was not abolished effective 30 June 2015 (as anticipated in the Budget), funds held for new investments were not returned to the CEFC Special Account held by the Department of the Environment and Energy but instead were held to fund new investment commitments by the Corporation.